

No Place Like Home Program

Program Guidelines Public Comment Draft



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ARTICLE I. GENERAL PROGRAM REQUIREMENTS

Section 100. Purpose and Scope

- (a) These Guidelines (hereinafter “Guidelines”) implement, interpret, and make specific the No Place Like Home Program (NPLH or Program) authorized by Government Code Section 15463, Part 3.9 of Division 5 (commencing with Section 5859.1) of the Welfare and Institutions Code, and Section 5890 of the Welfare and Institutions Code.
- (b) These Guidelines establish terms, conditions and procedures for funds awarded under the Noncompetitive Allocation, Competitive Allocation, and the Alternative Process Allocation (as defined in Section 101 below).

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Section 5849.5, Welfare and Institutions Code.

Section 101. Definitions

All terms not defined below shall, unless their context suggests otherwise, be interpreted in accordance with the meaning of terms described in Part 3.9 of Division 5 of the Welfare and Institutions Code (commencing with Welfare and Institutions Code Section 5849.1).

- (a) “Alternative Process Allocation” means funds made available pursuant to Welfare and Institutions Code Section 5849.8(b).
- (b) “Alternative Process Application” means the form submitted by the County to be designated by the Department as a County to receive funds under the Alternative Process Allocation pursuant to the requirements of Section 300.
- (c) “Alternative Process County” means a County designated to administer its Alternative Process Allocation of funds pursuant to the requirements of Article III.
- (d) “Applicant” means a County applying as Development Sponsor, or a County and a separate entity as Development Sponsor applying jointly.
- (e) “Area Median Income” or “AMI” means the most recent applicable county median family income published by the California Tax Credit Allocation Committee (TCAC) or the Department.
- (f) “Assisted Unit” means a housing unit that is subject to the rent, occupancy and other restrictions specified in these Guidelines, as a result of the financial assistance provided under the Program. For the purpose of the NPLH Program, “Assisted Unit” shall not be treated as an assisted unit under other state funding programs, excluding tax credit programs, California Housing Finance Agency (CalHFA) senior debt, and local funds contributed to CalHFA’s Local Government Special Needs Housing Program.

- (g) “At-Risk of Chronic Homelessness” for this Program means an adult or older adult with a Serious Mental Disorder or Seriously Emotionally Disturbed Children or Adolescents who meet one or more of the criteria below. All persons qualifying under this definition must be prioritized for available housing by using a standardized assessment tool that ensures that those with the greatest need for permanent supportive housing and the most barriers to housing retention are prioritized for the units available to persons At-Risk of Chronic Homelessness pursuant to the terms of the Project regulatory agreement. Persons qualifying under this definition are the following: persons who are at high-risk of long-term or intermittent homelessness including:
- (1) Persons exiting institutionalized settings, such as jail or prison, hospitals, institutes of mental disease, nursing facilities, or long-term residential substance use disorder treatment, who were Homeless prior to admission to the institutional setting;
 - (2) Transition-Aged Youth experiencing homelessness or with significant barriers to housing stability, including one or more evictions or episodes of homelessness, and a history of foster care or involvement with the juvenile justice system; and
 - (3) Persons, including Transition-Aged Youth, who prior to entering one of the facilities listed herein, were Homeless as defined under this Section and who will be Homeless as defined under this Section upon discharge from any of the following types of facilities: state hospital, hospital behavioral health unit, hospital emergency room, institute for mental disease, psychiatric health facility, mental health rehabilitation center, skilled nursing facility, developmental center, residential treatment program, residential care facility, community crisis centers, prison, parole, jail or juvenile detention facility, or foster care.
 - (4) Notwithstanding the above, for purposes of this definition, the limitations in subparagraph (u) (1) (C) shall not apply:
 - (A) Persons who have resided in one or more of these facilities for any length of time may qualify as Homeless upon exit from the facility, regardless of the amount of time spent in the facility; and
 - (B) Homeless Persons who prior to entry into one of the facilities listed above have resided in any kind of publically or privately operated temporary housing, including congregate shelters, transitional, interim, bridge housing, or hotels or motels paid for by charitable organizations, or by federal, state, or local government programs for low-income individuals, can qualify under this definition.
- (h) “Capitalized Operating Subsidy Reserve” or “COSR” means the reserve established by the Department pursuant to the requirements of Section 209, or by an Alternative Process County or County administering Shared Housing funds pursuant to the requirements of Section 305 or 405, to address Project operating deficits attributable to NPLH Assisted Units.
- (i) “Chronically Homeless” for this Program means an adult or older adult with a Serious Mental Disorder or Seriously Emotionally Disturbed Children or Adolescents who meet

the criteria below according to 24 Code of Federal Regulations Section 578.3, as that section read on May 1, 2016:

- (1) A “homeless individual with a disability,” as defined in section 401(9) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11360(9)), who
 - (A) Lives in a place not meant for human habitation, a safe haven, or in an emergency shelter;
 - (B) Has been homeless and living as described in paragraph (1) (A) of this definition continuously for at least 12 months or on at least 4 separate occasions in the last 3 years, as long as the combined occasions equal at least 12 months and each break in homelessness separating the occasions included at least 7 consecutive nights of not living as described in paragraph (1). Stays in institutional care facilities for fewer than 90 days will not constitute as a break in homelessness, but rather such stays are included in the 12-month total, as long as the individual was living or residing in a place not meant for human habitation, a safe haven, or an emergency shelter immediately before entering the institutional care facility;
 - (2) An individual who has been residing in an institutional care facility, including a jail, substance abuse or mental health treatment facility, hospital, or other similar facility, for fewer than 90 days and met all of the criteria in paragraph (1) of this definition, before entering that facility; or
 - (3) A family with an adult head of household (or if there is no adult in the family, a minor head of household) who meets all of the criteria in paragraph (1) or (2) of this definition, including a family whose composition has fluctuated while the head of household has been homeless.
- (j) “Competitive Allocation” means funds made available pursuant to Welfare and Institutions Code Section 5849.8, except it does not include the Alternative Process Allocation funds made available pursuant to Section 5829.8(b).
- (k) “Comprehensive Housing Affordability Strategy” means annual data compiled by the United States Census Bureau for the federal Department of Housing and Urban Development (HUD) to document the extent of housing problems and housing needs, particularly for low-income households.
- (l) “Continuum of Care” is defined in 24 CFR Section 578.3 to mean the group organized to provide coordinated services to homeless individuals. This group is composed of representatives of organizations such as non-profit homeless providers, faith-based organizations, businesses, governments, public housing agencies, victim service providers, medical providers, advocates, law enforcement, social service providers, school districts, universities, mental health services providers, affordable housing developers, and organizations that serve homeless and formerly homeless veterans, and homeless and formerly homeless persons, to the extent they reside within the geographic area and are available to participate.

- (m) “Coordinated Entry System” or “CES” means a centralized or coordinated process developed pursuant to 24 CFR Section 578.7(a)(8), as that section read on May 1, 2016, designed to coordinate program participant intake assessment, and provision of referrals. A centralized or coordinated assessment system covers the geographic area, is easily accessed by individuals and families seeking housing or services, is well advertised, and includes a comprehensive and standardized assessment tool.¹
- (n) “County” or “Counties” includes, but is not limited to, a city and county, and a city receiving funds pursuant to Section 5701.5 of the Welfare and Institutions Code. Reference to County Board of Supervisors in these Guidelines shall also mean the governing body of a city receiving funds pursuant to Section 5701.5 of the Welfare and Institutions Code.
- (o) “Department” means the Department of Housing and Community Development.
- (p) “Development Sponsor” or “Sponsor” as defined in Section 50675.2 of the Health and Safety Code and subdivision (c) of Section 50669 of the Health and Safety Code means any individual, joint venture, partnership, limited partnership, trust, corporation, cooperative, local public entity, duly constituted governing body of an Indian reservation or rancheria, or other legal entity, or any combination thereof, certified by the department as qualified to own, manage, and rehabilitate a Rental Housing Development. A Development Sponsor may be organized for profit, limited profit or be nonprofit, and includes a limited partnership in which the Development Sponsor or an affiliate of the Development Sponsor is a general partner.
- (q) “Distributions” has the same meaning as the term is defined under 25 CCR 8301.
- (r) "Fiscal Integrity" means that the total Operating Income plus funds released pursuant to the NPLH Program Documents from the Project operating reserve account (s) is sufficient to: (1) pay all current Operating Expenses; (2) pay all current mandatory debt service (excluding deferred interest); (3) fully fund all reserve accounts established pursuant to the NPLH Program Documents; and (4) pay other costs permitted by the NPLH Program Documents. The ability to pay any or all of the permitted annual Distributions shall not be considered in determining Fiscal Integrity.
- (s) “H&S” means the California Health and Safety Code.
- (t) “HUD” means the federal Department of Housing and Urban Development.
- (u) “Homeless” for this program means an adult or older adult with a Serious Mental Disorder or Seriously Emotionally Disturbed Children or Adolescents who meet the criteria below according to 24 CFR Section 578.3, as that section read on May 1, 2016, which includes, but is not limited to:
 - (1) An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:

¹ For more information, see [HUD's Coordinated Entry Policy Brief](#).

- (A) An individual or family with a primary nighttime residence that is a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground, or
 - (B) An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, State, or local government programs for low-income individuals), or
 - (C) An individual who is exiting an institution where he or she resided for 90 days or less, and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution.
- (2) An individual or family who will imminently lose their primary nighttime residence provided that:
- (A) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance,
 - (B) No subsequent residence has been identified, and
 - (C) The individual or family lacks the resources or support networks, such as family, friends, faith-based or other social networks, needed to obtain other permanent housing.
- (3) Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless, but who:
- (A) Are defined as homeless under Section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), Section 637 of the Head Start Act (42 U.S.C. 9832), Section 41403 of the Violence Against Women Act of 1994 (U.S.C. 14043e-2), Section 330(h) of the Public Health Service Act (42 U.S.C. 254b(h)), Section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), Section 17(b) of the Child Nutrition Act of 1966 (42 USC 1786 (b)), or Section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a),
 - (B) Have not had a lease, ownership interest, or occupancy agreement in permanent housing at any time during the 60-day period immediately preceding the date of application for homeless assistance,
 - (C) Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for homeless assistance, and
 - (D) Can be expected to continue in such status for an extended period of time because of chronic disabilities; chronic physical health or mental health conditions; substance addiction; histories of domestic violence or childhood

abuse (including neglect); the presence of a child or youth with a disability; or two or more barriers to employment, which include the lack of a high school degree or General Education Development (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment; or

- (4) Any individual or family who:
 - (A) Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence
 - (B) Has no other residence, and
 - (C) Lacks the resources or support networks, such as family, friends, and faith-based or other social networks, to obtain other permanent housing.
- (v) "Housing First" has the same meaning as Welfare and Institutions Code Section 8255, including all of the core components listed therein.
- (w) "Method of Distribution" means the process by which an Alternative Process County or a County funding Shared Housing through its Noncompetitive Allocation will select Projects to receive NPLH funds.
- (x) "NOFA" means a Notice of Funding Availability.
- (y) "NPLH" means the No Place Like Home Program administered by the Department.
- (z) "NPLH Program Documents" means documents executed by the Department and an Applicant governing Assisted Units, including but not limited to the Department's standard agreement, including provisions related to supportive services, regulatory agreement, deed of trust, and promissory note.
- (aa) "Noncompetitive Allocation" means funds made available pursuant to Welfare and Institutions Code Section 5849.9.
- (bb) "Operating Expenses" has the same meaning as the term is defined under 25 CCR 8301.
- (cc) "Operating Income" has the same meaning as the term is defined under 25 CCR 8301.
- (dd) "Permanent Supportive Housing" has the same meaning as "supportive housing," as defined in Section 50675.14 of the Health and Safety Code, except that "Permanent Supportive Housing" shall include associated facilities if used to provide services to housing residents. Permanent Supportive Housing does not include "Community care facilities" as set forth in Section 1502 of the Health and Safety Code and "Mental health rehabilitation centers" as defined in Section 5675 of the Welfare and Institutions Code.

- (ee) “Point-in-Time Count” means a count of sheltered and unsheltered homeless persons on a single night conducted by Continuums of Care as prescribed by HUD. In the event that HUD no longer requires that Point-in-Time counts be conducted for unsheltered or sheltered homeless persons, the Department may use another methodology for determining the number of homeless persons residing within each county.
- (ff) “Program” means the No Place Like Home Program.
- (gg) “Rent” means the same as “gross rent”, as defined in accordance with the Internal Revenue Code (26 USC 42(g)(2)(B)). It includes all mandatory charges, other than deposits paid by the tenant, for use and occupancy of an Assisted Unit, plus a utility allowance established in accordance with TCAC regulations, if applicable. For units assisted under the Housing Choice Voucher (HCV) or similar rental or operating subsidy program, Rent includes only the tenant contribution portion of the contract rent.
- (hh) “Rental Housing Development” or “Project” means a multifamily structure or set of structures providing Supportive Housing with common financing, ownership, and management. For developments financed under Article II, Projects must collectively contain five or more units. “Rental Housing Development” does not include any “health facility” as defined by Section 1250 of the Health and Safety Code or any “alcoholism or drug abuse recovery or treatment facility” as defined by Section 11834.02 of the Health and Safety Code. Rental Housing Developments or Projects also do not include “Community care facilities” as set forth in Section 1502 of the Health and Safety Code and “Mental health rehabilitation centers” as defined in Section 5675 of the Welfare and Institutions Code.
- (ii) “Scattered Site Housing” means a Rental Housing Development that includes non-contiguous parcels and meets the requirements in Subsection 202 within these Guidelines.
- (jj) “Serious Mental Disorder” has the same definition as Welfare and Institutions Code Section 5600.3.
- (kk) “Seriously Emotionally Disturbed Children or Adolescents” has the same definition as Welfare and Institutions Code Section 5600.3(a)(1).
- (ll) “Shared Housing” means a 1-4-unit structure providing Supportive Housing shared by two or more households per unit where at least one member of each household qualifies as a NPLH-eligible tenant. Single-family homes, condominiums, half-plexes, duplexes, triplexes and four-plexes will qualify as a Shared Housing development provided that they have a minimum of two bedrooms per unit. Shared Housing must also meet the requirements of Article IV.
- (mm) “Supportive Housing” as defined in Section 50675.14 of the Health and Safety Code means housing with no limit on length of stay, that is occupied by the target population, and that is linked to onsite or offsite services that assist the supportive housing resident in retaining the housing, improving his or her health status, and maximizing his or her

ability to live and, when possible, work in the community. Supportive Housing shall include associated facilities if used to provide services to housing residents. Supportive Housing does not include “Community care facilities” as set forth in Section 1502 of the Health and Safety Code and “Mental health rehabilitation centers” as defined in Section 5675 of the Welfare and Institutions Code.

- (nn) “TCAC” means the California Tax Credit Allocation Committee.
- (oo) “Target Population” means, as provided in Welfare and Institutions Code Section 5600.3, an adult or older adult with a Serious Mental Disorder or Seriously Emotionally Disturbed Children or Adolescents who are Homeless, Chronically Homeless, or At Risk of Chronic Homelessness. This includes persons with co-occurring mental and physical disabilities or co-occurring mental and substance use disorders.
- (pp) “Technical Assistance Allocation” means the funds made available pursuant to Welfare and Institutions Code Section 5849.10.
- (qq) “Transition-Aged Youth” means unaccompanied youth under age 25, including youth with children.
- (rr) “UMR” means the Uniform Multifamily Regulations commencing with 25 CCR Section 8300.
- (ss) “WIC” means the California Welfare and Institutions Code.

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.2, 5849.7(c), 5849.8, 5849.9, Welfare and Institutions Code.

Section 102. Funding and Formula Allocations

- (a) Funding from the NPLH Program will be available under a Technical Assistance Allocation, a Noncompetitive Allocation, a Competitive Allocation and an Alternative Process Allocation.
- (b) Technical Assistance Allocation. Technical Assistance Allocation funds shall be available in accordance with Welfare and Institutions Code Section 5849.10 and the most current Technical Assistance Allocation Guidelines separately adopted by the Department for these funds.
- (c) Noncompetitive Allocation. Noncompetitive Allocation funds shall be made available in accordance with Welfare and Institutions Code Section 5849.9 to every County in accordance with the requirements of Article II or Article IV as applicable.
 - (1) The amount of funds awarded to each County shall be the greater of: (1) \$500,000 or (2) a higher amount based on each County’s proportionate share of funds using the County’s most recent homeless Point-in-Time count of both sheltered and unsheltered homeless persons (as published by HUD) compared to the State’s total homeless population.

- (2) Noncompetitive Allocation funds administered under Article II for which Project applications have not been submitted by the County to the Department within 30 months of the issuance of the Department's initial NOFA shall be made available for award to Counties in the Competitive Allocation.
 - (3) Funds for capital uses awarded under the Noncompetitive Allocation that are not expended within 60 months of the issuance of the Department's initial NOFA may be made available for award to Counties under the Competitive Allocation Program. The Department may extend this expenditure deadline on a showing of good cause by the Applicant.
- (d) Competitive Allocation. Competitive Allocation funds will be made available in accordance with Welfare and Institutions Code Section 5849.8 to Counties grouped together by population size as follows: (1) the County of Los Angeles; (2) Large Counties with a population greater than 750,000; (3) Medium Counties with a population between 200,000 to 750,000; and (4) Small Counties with a population less than 200,000.
- (1) Competitive Allocation funds shall be available in accordance with the requirements in Article II.
 - (2) The amount of funds made available to each group of counties under the Competitive Allocation will be determined first using a formula that provides each group with a proportionate share of funds based on the following two factors:
 - A. The proportionate share of homeless persons among the counties within each group based on the most recent Point-in-Time count of both sheltered and unsheltered homeless persons as published by HUD, and as compared to the State's total homeless population. This factor will be weighted at 70%; and
 - B. The proportionate share of Extremely Low-Income renter households that are paying more than 50 percent of their income for rent using HUD's Comprehensive Housing Affordability Strategy dataset. This factor will be weighted at 30%.
 - (3) Notwithstanding the calculation made pursuant to subdivision (d)(2), the Small County Allocation shall be eight percent of the funds made available in the Competitive Allocation or the proportionate share of need attributable to Small Counties according to the above formula factors, whichever is greater.
- (e) Alternative Process Allocation. Counties with at least five percent of the State's homeless population according to the most recent sheltered and unsheltered homeless Point-in-Time count may apply for the Alternative Process Allocation.
- (1) Alternative Process Allocation funds shall be available in accordance with requirements in Article III.
 - (2) Counties may directly receive and administer available funds attributable to their share of need as calculated under the Competitive Allocation and the Noncompetitive Allocation.

- (3) These funds shall be awarded by the Department to Counties qualifying to receive funds under the Alternative Process Allocation at least once annually in accordance with anticipated demand. The Department in consultation with the Alternative Process County will review and determine the anticipated demand for Projects based on documentation provided by the Alternative Process County.

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.8, 5849.9, 5849.10, Welfare and Institutions Code.

Section 103. Funding Rounds

- (a) NPLH funds shall be made available pursuant of multiple Notices of Funding of Availability. The first NOFA shall be issued no later than 150 days after the effective date of a final judgment, with no future opportunity for appeals, in any court proceeding affirming the validity of the contracts authorized by the NPLH Program and any bonds to fund the NPLH Program, with at least three additional funding rounds completed no later than one year after each prior funding round. Following the first four funding rounds, additional funding rounds shall occur at least annually until the remaining funds have been exhausted.
- (b) Following the fourth round of funding, HCD may provide notice that it is discontinuing use of one or more of the following:
 - (1) The competitive groupings provided for in Welfare and Institutions Code Section 5849.6.
 - (2) The Alternative Process Allocation authorized by Welfare and Institutions Code Section 5849.8(b).
 - (3) The rural set aside authorized by Welfare and Institutions Code Section 5849.8(c).

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.8, Welfare and Institutions Code.

ARTICLE II. NONCOMPETITIVE AND COMPETITIVE PROGRAM ALLOCATIONS

Section 200. Uses and Terms of Noncompetitive and Competitive Allocations

- (a) NPLH funds shall be used to finance capital costs of Assisted Units in Rental Housing Developments, including but not limited to, costs associated with the acquisition, design, construction, rehabilitation, or preservation of Assisted Units as set forth under 25 CCR 7304(b) except for:
 - (1) Development costs of a residential unit reserved for childcare facilities, after-school care and social service facilities;
 - (2) Off-site improvements, such as sewers, utilities and streets. Utility connections to the Project are an eligible Project cost; and

- (3) Costs for design features not consistent with use of sustainable or durable materials appropriate for similar Permanent Supportive Housing Projects.
- (b) NPLH funds may be used to capitalize operating subsidy reserves for Assisted Units pursuant to the requirements of Section 209.
- (c) Projects may use NPLH funds to rehabilitate existing affordable housing Projects. Projects proposed for rehabilitation will be underwritten based on the number of NPLH tenants the Project will house upon completion of the rehabilitation.
- (d) The total amount of funds awarded shall not exceed the eligible costs associated with Assisted Units. In determining these costs, the cost allocation rules in 25 CCR Section 7304(c) shall apply. For purposes of this subsection, the term "Assisted Units" shall mean "Restricted Units."
- (e) Projects shall comply with the unit standards set forth in 25 CCR 8304.
- (f) The Competitive Allocation and the Noncompetitive Allocation funds awarded to Projects of five or more units shall be provided as post-construction, permanent loans underwritten and held by the Department as lender. These loans shall have an initial term of 55 years, or longer if necessary to match the period of affordability restrictions under the tax credit program, commencing on the date of recordation of the Department NPLH regulatory agreement.
- (g) Loans made by the Department shall have the following terms:
 - (1) Mandatory Annual Monitoring Payment. For the first 15 years of the loan term, annual monitoring payments in the amount of 0.42 percent of the outstanding principal loan balance not including the amount attributable to the COSR, shall be payable to the Department. After 15 years, the Department may reset the required payment amount to cover its monitoring costs. The Department may waive payment in writing of this amount in any given year if necessary to maintain Project feasibility only after receiving a written request from the Sponsor.
 - (2) Interest Payment. The loan shall bear simple interest at a rate of 3 percent per annum on the unpaid principal balance. All interest and principal payments shall be deferred for the term of the loan.
 - (3) Security. The loans shall be secured by the Project's real property and improvements, subject only to liens, encumbrances and other matters of record approved by the Department.
 - (4) Subordination. The loans shall meet the subordination policy requirements described in 25 CCR Section 8315.
 - (5) Loan Payment. All Program loan payments (not including the 0.42percent annual monitoring fee on the capital portion of the loan) shall be applied in the following order: (1) to any expenses incurred by the Department to protect the property or the

Department's security interest in the property, or incurred due to the Sponsor's failure to perform any of the Sponsor's covenants and agreements contained in the deed of trust or other loan documents; (2) to the payment of accrued interest; and (3) to the reduction of principal.

- (6) Term. The total outstanding principal and interest, including deferred interest, shall be due and payable in full to the Department at the end of the loan term. Upon request by the Sponsor, the Department may approve extensions to the loan term if the Department determines both of the following are met:
 - A. The Sponsor is in compliance with the Regulatory Agreement and other Program loan documents and agrees to continue to comply during the extended term;
 - B. Starting at the time of the extension of the loan term, the Project must achieve Fiscal Integrity for at least 15 years, or the length of the extension if the extension is shorter than 15 years; and
 - C. The extension is necessary to continue operations consistent with Program requirements.

- (h) Maximum per-unit loan amounts for loans underwritten by the Department shall be determined 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 the eligible uses set forth in Section 200;
 - 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 Restricted Unit, plus the amount per Restricted Unit required to reduce Rents from 30% of 30% of Area Median Income to the actual maximum restricted Rent for the Unit.
 - (3) For loan limit calculations, the Department shall include the number of Assisted Units within a Rental Housing Development and the number of bedrooms per Assisted Unit.
 - (4) For Assisted Units receiving rental assistance under renewable rental subsidy contracts, the loan amount will be based on the 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 a COSR are set at:

- A. \$100,000 per unit for Projects using nine-percent low-income housing tax credits.
 - B. \$175,000 per unit for Projects that do not use nine-percent low-income housing tax credits.
- (6) The COSR portion of the loan shall be determined pursuant to the requirements of Section 209.
 - (7) The maximum loan amount per Project in the first funding round, including all eligible capital and COSR costs, shall be \$20,000,000.
 - (8) Beginning January 2018, the amounts in subparagraph (5) above, will be adjusted annually based upon increases in the Consumer Price Index.

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.7, 5849.8, 5849.9, Welfare and Institutions Code.

Section 201. Threshold Requirements for Noncompetitive Allocation

- (a) Available Noncompetitive Allocation funds must be awarded by the Department to the County within 18 months of the issuance of the Department’s initial NOFA.
- (b) To receive an award under the Noncompetitive Allocation, no later than 12 months following the issuance of Department’s initial NOFA, the County must:
 - (1) Submit a resolution from the County Board of Supervisors that the County will submit one or more Project applications within 30 months of the issuance of the Department’s initial NOFA that propose to utilize the County’s Noncompetitive Allocation.
 - (2) Submit a certification on a form created by the Department, or approved by the Department, certifying that prior to receiving their Noncompetitive Allocation funds, the Projects submitted by the County will have met all the requirements under Article II, III, or IV as applicable.
 - (3) Submit a County plan that specifies the goals, strategies and activities both in process or to be initiated to reduce homelessness and make it non-recurring. Any plan that meets the following requirements is acceptable, including but not limited to Continuum of Care Plans, a County Mental Health Services Act fund expenditure plan that includes a section that specifically focuses on homelessness, or any other County plan specific to homelessness. Projects proposed by the County should be clearly connected to the goals and strategies outlined in the plan.
 - (A) The County plan must discuss all of the following: (i) a description of homelessness county-wide, including a discussion of the estimated number of residents experiencing homelessness or chronic homelessness among single adults, families, and unaccompanied youth; (ii) to the extent possible, the estimated number of residents experiencing homelessness or chronic

homelessness who are also experiencing serious mental illness, co-occurring disabilities or disorders, or who are children with a Serious Emotional Disturbance; (iii) special challenges or barriers to serving the Target Population; (iv) County resources applied to address the issue; (v) available community-based resources; (vi) an outline of partners in ending homelessness; and (vii) proposed solutions to homelessness.

- (B) The plan must have been developed in a collaborative process with community input that includes the following groups:
- i. County representatives with expertise from behavioral health, public health, probation/criminal justice, social services, and housing departments.
 - ii. The local homeless Continuums of Care within the County.
 - iii. Housing and homeless services providers, especially those with experience providing housing or services to those who are chronically homeless.
 - iv. County health plans or other health care providers, especially those implementing pilots or other programs that allow the County to use Medi-Cal or other non-MHSA funding to provide or enhance services provided to NPLH tenants, or to improve tracking of health outcomes in housing.
 - v. Public Housing Authorities.
- (C) The plan shall be no older than 5 years old at the time of the County's application, and be easily accessible to the public.

NOTE: Authority cited: Sections 5849.5, 5849.9, Welfare and Institutions Code. Reference cited: Sections 5849.7(c), 5849.9, Welfare and Institutions Code.

Section 202. Project Threshold Requirements

For loans underwritten by the Department which are awarded under the Noncompetitive Allocation or to receive an award from the Competitive Allocation, a Project must meet all the following minimum requirements:

- (a) Eligible Applicant. The application must be submitted by a single County as the sole Applicant if it is the Development Sponsor, or jointly with another entity as Development Sponsor. Two or more Counties may apply together as joint Applicants if there is a commitment to collaborate in the provision or coordination of supportive services or other resources to the Project, and if NPLH tenants from each of the Applicant counties are expected to reside in the Project.
- (b) Eligible Use of Funds. The application proposes that the Project's use of the NPLH funds will be limited to the eligible uses described in Section 200.

- (1) Proposed Projects involving new construction and requiring the demolition of existing residential units are eligible only if the number of bedrooms in the new Project is at least equal to the total number of bedrooms in the demolished structures. The new units may exist on separate parcels provided all parcels are part of the same Rental Housing Development and meet the requirements of “Scattered Site Housing” described in Subsection 202 (i).
- (c) Noncompetitive Allocation. Projects utilizing funds from a County’s Noncompetitive Allocation shall prioritize persons with mental health supportive service needs who are Homeless or At-Risk of Chronic Homelessness.
- (d) Financial Feasibility. The Project meets the requirements of Section 206 and 207 and has Fiscal Integrity. Loans underwritten by the Department must also meet the requirements of Section 208 and have a minimum of five Assisted Units.
- (e) Experience. Collectively, among the members of the Project team consisting of the Applicant County, any other Development Sponsor, the lead service provider and the property manager, all of the following minimum experience requirements must be met:
 - (1) For applications in Counties with a population of 200,000 or greater:
 - (A) Development, ownership, or operation of Permanent Supportive Housing, or at least two affordable rental housing Projects in the last ten years, where one of those Projects contains at least one unit housing a tenant who could qualify as a member of the Target Population.
 - (B) The entity that is the lead service provider has three or more years of experience serving persons who could qualify as members of the Target Population. If this experience does not include experience serving persons in Permanent Supportive Housing, it must include experience helping persons address barriers to housing stability or providing other support services related to housing retention.
 - (C) The entity that is the property manager has three or more years’ experience serving persons who could qualify as members of the Target Population.
 - (2) For applications in counties with a population of less than 200,000, the minimum experience requirements of the Project team may be satisfied by the requirements in paragraph (e)(1), or collectively the Project team must have met all the following requirements:
 - (A) Development, ownership, or operation of Permanent Supportive Housing, or at least two affordable rental housing Projects in the last ten years, where one of those Projects contains one unit housing a tenant who could qualify as a member of a special needs population that experience housing barriers similar to those of the Target Population, including such barriers as difficulty retaining housing, and mental health or substance use issues;

- (B) The entity that is the lead service provider has three or more years' experience serving persons who could qualify as members of one or more special needs populations whose service needs are similar to those of the Target Population. If this experience does not include experience serving persons in Permanent Supportive Housing, it must include experience helping persons address barriers to housing stability or providing other support services related to housing retention; and
 - (C) The entity that is the property manager has three or more years' experience serving persons who could qualify as members of one or more special needs populations whose property management needs are similar to those of the Target Population, including such barriers as difficulty retaining housing, and mental health or substance use issues.
- (f) Site Control. The Development Sponsor must have site control of the proposed Rental Housing Development that meets the requirements of the Uniform Multi-Family Housing Regulation (UMR), 25 CCR Section 8303, which requires the Sponsor to have site control of the proposed Project property, in the name of the Sponsor or an entity controlled by the Sponsor. The ownership interest may be demonstrated by fee title, a leasehold interest, an enforceable option to purchase, a disposition and development agreement, an agreement giving the Sponsor exclusive rights to negotiate for acquisition, or a land sales contract. This includes compliance (if applicable) with UMR 25 CCR Section 8316 for a leasehold interest on the property.
- (g) Integration. Proposed Projects demonstrate integration of the Target Population with the general public. In order to demonstrate compliance with this requirement, the following conditions must all be met:
- (1) NPLH units must be integrated with other units in the development and not separated onto separate floors or areas of the building;
 - (2) To promote integration of the Target Population with other Project tenants, in Projects of greater than 20 units, the Department will fund no more than 49 percent of the Project's total units as NPLH Assisted Units. This limitation shall not be interpreted to preclude occupancy of any Project units by persons with disabilities, or restrictions by other funding sources, including but not limited to TCAC, that result in more than 49 percent of the total Project units being restricted to persons with disabilities;
 - (3) Applicants must certify that they will facilitate or provide regular community building activities, architectural design features which promote tenant interaction (for example, indoor and outdoor community space within the development, wide hallways); and
 - (4) The service plan and property management plan submitted with the application must document policies that promote participation by tenants in community activities, and do not impose restrictions on guests that would not be common in other unsubsidized rental housing in the community.

- (h) Article XXXIV. All Projects shall comply with Article XXXIV Section 1 of the California Constitution, as clarified by Public Housing Election Implementation Law (H&S Code Section 3700 et seq.). Article XXXIV documentation for loans underwritten by the Department shall be subject to the review and approval by the Department prior to the execution of the Standard Agreement.
- (i) Scattered Site Housing is permitted provided that the following conditions are all satisfied prior to the closing of the loan:
- (1) All of the development sites in the Rental Housing Development must have a single owner and property manager;
 - (2) All of the development sites shall be governed by one set of NPLH Program Documents, which among other things, shall include similar tenant selection criteria, serve similar tenant populations and have similar rent and income restrictions;
 - (3) If the Rental Housing Development has a COSR, there shall only be one COSR for all sites in the development;
 - (4) There may be at most one lender with required payments senior to the Department's loan;
 - (5) There must be a single audit and annual report that covers all development sites;
 - (6) The Department's NPLH Loan Documents must be secured against all development sites, with lien priority relative to local public agency lenders and use of cash flow available for residual receipts loan payments determined in accordance with 25 CCR Section 8315; and
 - (7) The Department must be named on insurance policies covering all sites, with coverage meeting Department requirements.
- (j) Environmental Conditions. The Project site is free from severe adverse environmental conditions, such as the presence of toxic waste that is economically infeasible to remove and that cannot be mitigated.
- (k) State and Local Requirements. All Assisted Units and other units of the Project must be on a permanent foundation and must meet all applicable State and local requirements pertaining to rental housing, including but not limited to requirements for minimum square footage, and requirements related to maintaining the property in a safe and sanitary condition.
- (l) Amenities. The Project site is reasonably accessible to public transportation, shopping, medical services, recreation, schools, and employment in relation to the needs of the Project tenants and what is typically available in that County.

- (m) Relocation. The Development Sponsor of a NPLH Project resulting in displacement of tenants shall be solely responsible for providing the assistance and benefits set forth in this subsection and in applicable state and federal law.
- (1) All tenants of a property who are displaced as a direct result of the development of a NPLH Project shall be entitled to relocation benefits and assistance as provided in Title 1, Division 7, Chapter 16 of the Government Code, commencing at Section 7260, and Subchapter 1 of Chapter 6 of Title 25 of the California Code of Regulations, commencing at Section 6000.
 - (2) The Development Sponsor shall prepare a relocation plan in conformance with the provisions of California Code of Regulations, Title 25, Section 6038. For loans underwritten by the Department, the relocation plan or any other relocation documentation shall be subject to the review and approval by the Department prior to the disbursement of Program funds.
- (n) Applications must contain:
- (1) A resolution from the County Board of Supervisors to, for a minimum of 20 years, make available to the Project's NPLH tenants mental health supportive services and coordinate the provision or referral to other services as outlined in the County's supportive services plan for the Project, including but not limited to, substance use services. The County's obligations pursuant to this requirement shall begin when a Project receives its certificate of occupancy, or other evidence of Project completion for Projects already occupied.
 - (2) An initial plan for providing supportive services based on the anticipated needs of the Target Population proposed to be served by the Project. The supportive services plan must meet the requirements outlined in Section 203.
 - (3) A property management plan that:
 - A. Utilizes a low-barrier tenant selection process which prioritizes those with the highest needs for available housing;
 - B. Implements Housing First practices, consistent with the core components set forth in Welfare and Institutions Code Section 8255 (b); and
 - C. Implements policies and practices to prevent evictions and to facilitate the implementation of reasonable accommodation policies.
 - (4) If not already submitted by the County, the County's plan to combat homelessness that meets the requirements of Section 201.

NOTE: Authority cited: Sections 5849.5, 5849.7(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c), 5849.8, 5849.9, Welfare and Institutions Code.

Section 203. Supportive Services

- (a) Each application selected for funding must include a Project-specific supportive services plan developed by the County in partnership with the Project Developer, supportive service providers, and the property manager.
- (b) The property management staff and service providers must make participation in supportive services by NPLH tenants voluntary. Access to or continued occupancy in housing cannot be conditioned on participation in services or on sobriety. The supportive services plan must describe the services to be made available to NPLH tenants in a manner that is voluntary, flexible and individualized, so NPLH tenants may continue to engage with supportive services providers, even as the intensity of services needed may change. Adaptability in the level of services should support tenant engagement and housing retention.
- (c) The following supportive services shall be made available to NPLH tenants based on tenant need. Available mental health services shall be provided directly by the County. The County or Project Developer shall coordinate the provision of or referral to these services as needed by individual tenants. Except as otherwise noted below, the following services can be provided at the housing development or off-site at another location easily accessible to tenants:
 - (1) Case management;
 - (2) Peer support activities;
 - (3) Mental health care, such as assessment, crisis counseling, individual and group therapy, and peer support groups;
 - (4) Substance use services, such as treatment, relapse prevention, and peer support groups;
 - (5) Support in accessing physical health care, including access to routine and preventive health and dental care, medication management, and wellness services;
 - (6) Benefits counseling and advocacy, including assistance in accessing SSI/SSP, enrolling in Medi-Cal, and obtaining other needed services; and
 - (7) Basic housing retention skills (such as unit maintenance and upkeep, cooking, laundry, and money management).
- (d) The following supportive services are not required to be made available, but are encouraged to be part of a County's supportive service plan. These services may be provided directly by the County, or the County may coordinate the provision of or referral to these services as needed by individual tenants.
 - (1) Services for persons with co-occurring mental and physical disabilities or co-occurring mental and substance use disorders not listed above;

- (2) Recreational and social activities;
 - (3) Transportation planning and assistance for access to off-site services;
 - (4) Educational services, including assessment, GED, school enrollment, assistance accessing higher education benefits and grants, and assistance in obtaining reasonable accommodations in the education process; and
 - (5) Employment services, such as supported employment, job readiness, job skills training, job placement, and retention services, or programs promoting volunteer opportunities for those unable to work.
- (e) The following additional information shall be provided in the supportive services plan:
- (1) Description of the Target Population to be served, and identification of any additional subpopulation target or occupancy preference for the NPLH Project that the Applicant wishes to undertake beyond what is permitted under the Target Population requirements. Any additional subpopulation targeting or occupancy preference for NPLH Project must be approved by the Department prior to construction loan closing and must be consistent with federal and state fair housing requirements;
 - (2) Description of tenant outreach, engagement and retention strategies to be used;
 - (3) Description of each service to be offered, how frequently each service will be offered or provided depending on the nature of the service, who will be providing the services and the location of the services;
 - (4) Description of how the supportive services are culturally and linguistically competent, including how services will be provided to NPLH tenants who do not speak English, or have other communication barriers, and how communication among the services providers, the property manager and these tenants will be facilitated;
 - (5) Estimated itemized budget, and sources of funding for services;
 - (6) Description of how the supportive services staff and property management staff will work together to prevent evictions, to adopt and ensure compliance with harm reduction principles, and to facilitate the implementation of reasonable accommodation policies from rent-up to ongoing operations of the Project;
 - (7) General service provider and property manager communication protocols;
 - (8) Description of how the physical design of the Project fosters tenant engagement, on-site supportive services provision, safety and security, and sustainability of furnishings, equipment, and fixtures; and
 - (9) Other information needed by the Department to evaluate the supportive services to be offered consistent with the No Place Like Home Program.

- (f) Copies of draft written agreements or memoranda of understanding between the County, service providers, and the Project owner and property manager must be provided which are consistent with the information set forth in the supportive services plan.
- (g) The Department may request that any necessary updates to the supportive services plan or related documents, including fully executed written agreements, be provided prior to loan closing or prior to the beginning of the initial rent-up period.

NOTE: Authority cited: Sections 5849.5, 5849.9, Welfare and Institutions Code. Reference cited: Sections 5849.7(c), 5849.8, 5849.9, Welfare and Institutions Code.

Section 204. Application Process

- (a) Funds available through the Competitive Allocation and the Noncompetitive Allocation shall be offered through an application process, as set forth in a NOFA. The Department shall periodically issue a NOFA that specifies, among other things, the amount of funds available, application requirements, the allocation of rating points and minimum eligibility threshold point scores for applications submitted under the Competitive Allocation, the deadline for submittal of applications, and other general terms and conditions of funding commitments.
- (b) Applications shall be on forms made available by the Department.
- (c) Applications shall be evaluated for compliance with the threshold requirements set forth in Sections 201 and 202 (as applicable).
- (d) The following applies to applications submitted under the Competitive Allocation:
 - (1) If the total amount of funds requested in a County population group set forth under Section 102 exceeds the amount of funds available for that group, those applications will be scored based on the application selection criteria in Section 205.
 - (2) Within each county population group, the applications with the highest number of points shall be selected for funding, provided that all threshold and eligibility requirements are met. The Department may elect not to evaluate compliance with some or all eligibility requirements for applications that are not within the fundable range, as indicated by a preliminary point scoring.
 - (3) In the event of a tie between applications, funds will be awarded to the application with the greatest number of NPLH units restricted to Chronically Homeless. If a second tie-breaker is needed, funds will be awarded to the application with the highest overall readiness point score under Section 205 (d).
 - (4) If requesting a COSR, the Applicant must comply with the requirements in Section 210 of these Guidelines.

- (5) A city receiving funds pursuant to the Bronzan-McCorquodale programs under Welfare and Institutions Code Section 5701.5 shall not be funded for more than one Project per funding round within the Competitive Allocation unless that Project is being submitted by the County in which that city is located within the County's own population group.
- (6) The Department reserves the right to do the following:
 - (A) Score an application as submitted in the event that information is missing from the application;
 - (B) Request clarification of unclear or ambiguous statements made in an application and other supporting documents where doing so will not impact the competitive scoring of the application;
 - (C) If the total funds requested for a county population group is less than the amount made available in the NOFA, request missing information necessary to fund an application.
- (e) Applications selected for funding shall be approved at amounts, terms, and conditions specified by the Guidelines and NOFA. For each Project selected for funding, the Department shall issue an award letter.

NOTE: Authority cited: Sections 5849.5, 5849.9, Welfare and Institutions Code. Reference cited: Sections 5849.7(c), 5849.8, 5849.9, Welfare and Institutions Code.

Section 205. Competitive Allocation Application Rating Criteria

Applications submitted within a competitive funding round shall be evaluated using the following criteria. Total available points shall equal 200.

(a) Percentage of Total Project Units Restricted to the Target Population – 70 points maximum

- (1) Projects will receive up to a maximum of 30 points in five point increments for up to 30 percent of their total Project units restricted to the Target Population as NPLH units.

Percentage of Projects Units that are NPLH Units	Point Score
5 -10 percent	5
10.1-15 percent	10
15.1 - 20 percent	15
20.1 - 25 percent	20
25.1-29 percent	25
30 percent and above	30

- (2) Projects will receive 40 points if the Applicant commits to do either of the following for the term of the Department's loan:
 - A. Commit to use a Coordinated Entry System (CES) to fill all of the NPLH Assisted Units based on use of a standardized assessment tool which prioritizes those with the highest need for Permanent Supportive Housing and the most barriers to housing retention.
 - B. If a separate alternate system must be used to refer persons At-Risk of Chronic Homelessness, a minimum of 40 percent of the NPLH Assisted Units must be reserved for persons who qualify as Chronically Homeless and a maximum of 30 percent of the NPLH Assisted Units may be reserved for persons who are At-Risk of Chronic Homelessness. All referrals must be based on a prioritization of those with the highest need for Permanent Supportive Housing, and the most barriers to housing retention.

(b) Leverage of Development Funding –30 points maximum

Applications will be scored based on the ratio of permanent development funding attributable to NPLH Assisted Units to the requested Program loan amount, up to a maximum of 30 points.

- (1) Deferred developer fees and funds deposited in a reserve to defray operating deficits will not be counted in this computation.
- (2) Funds from the NPLH Noncompetitive Allocation dedicated to the proposed Project will be counted.
- (3) Land donations will be counted, where the value is established by a current appraisal. In order for the donation to be counted, if a lease payment is required, it must be nominal; for example, no more than one dollar per year. Any appraisal required by the Department shall be prepared at the Sponsor's expense by an individual or firm which: (A) has the appropriate license and the knowledge and experience necessary to competently appraise low-income residential rental property; (B) is aware of, understands, and correctly employs those recognized methods and techniques that are necessary to produce a credible appraisal; (C) in reporting the results of the appraisal, communicates each analysis, opinion and conclusion in a manner that is not misleading as to the true value and condition of the property; and; (D) is an independent third party having no identity of interest with the Sponsor, the partners of the Sponsor, the intended partners of the Sponsor, or with the general contractor.
- (4) For Projects utilizing nine percent competitive low-income housing tax credits, 0.12 points will be awarded for each full five-percentage point increment above 50 percent. For example, an application proposing other funds equal to 100 percent of Program funds, will receive 12 points. An application where other funds equal 250 percent of Program funds will receive 30 points.
- (5) For other Projects, approximately 0.2 points will be awarded for each five-percentage point increment above 25 percent. For example, an application

proposing other funds equal to 100 percent of Program funds will receive 20 points, and an application where other funds equal 150 percent of Program funds will receive 30 points.

(c) Leverage of Rental or Operating Subsidies– 35 points maximum

Applications will be scored based on the percentage of NPLH Assisted Units that have committed non-HCD Project-based or sponsor-based rental subsidies or other non-HCD operating assistance; 1.75 points will be awarded for each five-percentage increment of committed assistance up to a maximum of 35 points.

The assistance will be deemed committed if it has been allocated to the Project or sponsor subject to HUD or other allocating agency approval, or if the Department approves other evidence that the assistance will reliably be available.

- (1) Rental assistance must be substantially similar in terms to Project-based or sponsor-based housing choice vouchers, including but not limited to Section 8 housing choice vouchers, VASH vouchers, Family Unification Program vouchers, Continuum of Care Supportive Housing (previously known as Shelter Plus Care) rental subsidy. Project-based assistance must ensure that the tenant pays no more than 30% of their income in rent.
- (2) Other long-term local commitments will also count toward this rating factor, including but not limited to contributions made to any supplemental capitalized operating subsidy reserve established to address projected operating deficits attributable to the NPLH Assisted Units.

(d) Readiness to Proceed – 40 points maximum

Ten points will be awarded for each of the following categories as documented in the application. Any application demonstrating that a particular category is not applicable to Project readiness for the subject Project shall be awarded points in that category.

- (1) Obtaining enforceable commitments for all needed construction financing, not including tax-exempt bonds, and low-income housing tax credits. To receive credit for funds from other Department programs, these funds must be awarded prior to finalizing the preliminary point scoring of the NPLH application;
- (2) Obtaining enforceable commitments for all deferred-payment permanent financing, grants and subsidies, in accordance with TCAC requirements and with the same exceptions as allowed by TCAC. To receive credit for deferred payment financing, grant funds and subsidies from other Department programs, these funds must be awarded prior to finalizing the preliminary point scoring of the NPLH application;
- (3) Completion of all necessary environmental clearances, (California Environmental Quality Act and National Environmental Policy Act), and completion of a Phase I Environmental Site Assessment and Phase II environmental studies, if necessary;

- (4) Obtaining all necessary and discretionary public land use approvals except building permits and other ministerial approvals, and obtaining local design review approval to the extent such approval is required.

(e) Extent of On-Site and Off-Site Supportive Services – 20 points maximum

Points will be awarded in each of the following categories as indicated below based on information provided in the Supportive Services Plan as set forth under Section 203.

- (1) On-site case management services (5 points);
- (2) Implementing evidence-based practices to engage and assist tenants in addressing behaviors that could lead to eviction, such as critical time intervention, trauma-Informed care, motivational interviewing, assertive community treatment, cognitive-behavioral therapy, or other practices recognized as evidence-based by the federal Substance Abuse and Mental Health Services Administration (SAMHSA), the California Department of Health Care Services (DHCS), or HUD. One point will be awarded for each evidence-based practice to be implemented, for a total of up to five points.
- (3) Offering services listed under Section 203 (d). Two points will be awarded for each category of services listed under Section 203 (d), for a total of up to eight points.
- (4) Resident involvement, such as strategies to engage tenants in community building and services planning and operations, and tenant satisfaction surveys to inform and improve services provision, building operations, and property management (2 points).

(f) Past History of Evidence Based Practices – 5 points maximum

Up to five points will be awarded to Projects where the County, developer, lead service provider, or property manager can document past experience with implementing evidence-based best practices that have led to a reduction of the number of Chronic Homeless or At Risk of Chronic Homelessness individuals within the Target Population. Similar experience with evidence-based practices for other special needs populations can also be included if this experience can be shown to be relevant to serving the Target Population. Examples of evidence-based practices include, but are not limited to:

- (1) Use of a critical time Intervention or assertive community treatment model,
- (2) Cognitive behavioral therapy,
- (3) Trauma-informed care,
- (4) Motivational interviewing and other tools to encourage engagement in services, and
- (5) Other practices recognized as evidence-based by SAMHSA, DHCS, or HUD.

(g) Bronzan-McCorquodale – 5 points maximum

Projects located in cities that are receiving funds pursuant to the Bronzan-McCorquodale programs under Welfare and Institutions Code Section 5701.5 may receive five additional points if the application was submitted through the County in which that city resides rather than by the city within its population group under Section 102.

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.7(c), 5849.8, Welfare and Institutions Code.

Section 206. Occupancy and Income Requirements

- (a) Total household income at time of move-in shall not exceed the 30 percent Area Median Income limit as published by the Department.
- (b) The Development Sponsor shall maintain documentation of tenant eligibility in all the following ways, as applicable:
 - (1) Documentation of a Serious Mental Disorder or of a Seriously Emotionally Disturbed Child or Adolescent must be done by a qualified mental health worker in accordance with the requirements of Welfare and Institutions Code Section 5600.3.
 - (2) Documentation of a person's status as Chronically Homeless, Homeless, or At-Risk of Chronic Homelessness as defined under these Guidelines must be done in accordance with procedures established through the local Coordinated Entry System or other procedures established by the County for determining whether a person qualifies as Chronically Homeless, At-Risk of Chronic Homelessness, or Homeless. Acceptable procedures are those in which use of relevant third-party documentation establishes compliance with the applicable definition in Section 101.
 - (3) In no event shall a person be required to be a client of the County behavioral health department or a recipient of mental health or other services in order to qualify for or remain in an Assisted Unit.
- (c) Occupancy requirements shall apply for the full term of the Program loan.

NOTE: Authority cited: Sections 5849.5, 5849.7(c), 5849.9, Welfare and Institutions Code. Reference cited: Sections 5849.8, 5849.9, Welfare and Institutions Code.

Section 207. Rent Limits

- (a) All Assisted Units shall be restricted to 30 percent of AMI or below as specified in the Project NPLH regulatory agreement.
- (b) If at the time of recertification, a NPLH household's income exceeds the income limit designated for the household's unit, but does not exceed 30 percent of AMI, the Sponsor may increase the household's Rent to an amount not exceeding the Rent limit applicable to the household's income level at the time of recertification. For purposes of this subsection, income levels shall consist of five percent increments of AMI.

- (c) The minimum amount of the transition reserve for renewable Project-based rental assistance described in subdivision 25 CCR Section 7312(f) shall be the amount sufficient to prevent rent increases for one year following the loss of the rental assistance. The minimum amount of the transition reserve for non-renewable Project-based rental assistance or operating subsidies shall be the amount sufficient to prevent rent increases for two years following the loss of the rental assistance.

NOTE: Authority cited: Sections 5849.5, 5849.7(c), 5849.9, Welfare and Institutions Code. Reference cited: Sections 5849.8, 5849.9, Welfare and Institutions Code.

Section 208. Underwriting Standards

- (a) In analyzing Project feasibility, the Department shall follow the underwriting requirements of its Uniform Multifamily Regulations (UMRs) as follows:
 - (1) 25 CCR Section 8308, (Operating Reserves),
 - (2) 25 CCR Section 8309, (Replacement Reserves),
 - (3) 25 CCR Section 8310 (Underwriting Standards),
 - (4) 25 CCR Section 8311 (Limits on Development Costs),
 - (5) 25 CCR Section 8312 (Developer Fee),
 - (6) 25 CCR Section 8314 (Use of Operating Cash Flow), and
 - (7) 25 CCR Section 8315 (Subordination Policy).
- (b) Notwithstanding the above, residential vacancy rates for NPLH Assisted Units shall be assumed to be 7 percent, unless a lower figure is required by another funding source (including TCAC) or is supported by compelling market evidence.
- (c) In addition to the operating reserve required by 25 CCR 8308, a Sponsor may establish a Capitalized Operating Subsidy Reserve (COSR) for the Assisted Units meeting the requirements of Section 209.

NOTE: Authority cited: Sections 5849.5, 5849.9, Welfare and Institutions Code. Reference cited: Sections 5849.7(c), 5849.8, 5849.9, Welfare and Institutions Code.

Section 209. Capitalized Operating Subsidy Reserve

- (a) For Projects receiving 9 percent low-income housing tax credits, not more than 100 percent of the total per unit amount for capital determined pursuant to Section 200 (h) may be provided per unit for a COSR to address Project operating deficits attributable to the NPLH Assisted Units.

- (b) For Projects not receiving 9 percent low-income housing tax credits, not more than \$175,000 per unit may be provided for a COSR to address Project operating deficits attributable to the NPLH Assisted Units. Beginning January 2018, this amount may be adjusted annually based upon increases in the Consumer Price Index.
- (c) In order to be eligible to receive a COSR, the Applicant must first demonstrate, and the Department must verify prior to issuing an award letter for the Project, that the Applicant or its development partners have tried to secure other Project-based rental or operating assistance to support the NPLH assisted units at 30 percent of AMI or below, in lieu of providing COSR assistance to that unit.
- (d) The COSR shall be sized to cover anticipated operating deficits attributable to the NPLH Assisted Units for a minimum of 20 years. The total amount of a Project COSR will be determined based upon the individual Project underwriting performed by the Department pursuant to the requirements of these Guidelines.
- (e) The following additional assumptions will be used for the purpose of establishing the total amount of a Project COSR:
 - (1) In Projects of greater than 20 units, NPLH will assist no more than 49 percent of total Project units;
 - (2) The vacancy rate for the NPLH Assisted Units shall be 7 percent;
 - (3) Thirty percent of the NPLH Assisted Units shall be receiving Project-based rental or operating subsidy sufficient to cover the operating costs for those units; and
 - (4) Forty percent of the NPLH assisted households shall have one household member who will be receiving income from Supplemental Security Income/State Supplementary Payments (SSI/SSP) within 36 months of initial occupancy.
- (f) The Department shall hold all Project COSR in a subaccount under the No Place Like Home Fund established pursuant to Welfare and Institutions Code Section 4849.4.
- (g) The Department will make an annual disbursement to the Project from the COSR subaccount based on the results of an independent bifurcated audit for the Project prepared by a certified public accountant for the prior operating year. The bifurcated audit must distinguish actual annual income and expenses for the NPLH Assisted Units and the other Project units in order to determine the amount of any operating deficit specifically attributable to the NPLH Assisted Units. In the first year of the Department's loan, the Department may base the amount of the COSR payment on the Department's most recent underwriting of the Project.
- (h) Notwithstanding the above, in order to sustain the availability of the COSR for a minimum of 20 years, distributions from the COSR shall be subject to the following.
 - (1) The Department may not disburse more than five percent of the total COSR award made to a Project per year, except that in any given year where the operating deficit attributable to the NPLH Assisted-Units exceeds this amount, the Department may,

in its sole discretion, increase the disbursement to up to 10 percent of the total COSR award.

- (2) Asset Management and partnership management fees and deferred developer fees shall only be paid in accordance with the requirements of Subsection (j).
- (i) If, after review of the Project's annual bifurcated audit, the Department finds that the Project did not need as much from the COSR as it received for that year, the Department may:
- (1) Provide less in COSR payments in a subsequent year to make up the difference between what the Project received and the actual amount of the operating deficit attributable to the NPLH Assisted Units;
 - (2) Require the Project to return to the Department the amount provided that was in excess of the amount of the operating deficit attributable to the NPLH Assisted Units. These funds shall be returned to the Project's COSR subaccount.
- (j) Operating expenses that are not eligible to be paid from the COSR include:
- (1) Costs associated with non-NPLH units;
 - (2) Any loan payments; however, the Department's 0.42 percent annual monitoring fee may be paid from the COSR;
 - (3) Ground lease payments;
 - (4) Sponsor distributions;
 - (5) Developer fees not paid in accordance with the requirements of subparagraph (6) below;
 - (6) Asset management fees, partnership management fees and deferred developer fees attributable to the NPLH Assisted Units that can be paid for out of cash flow from the non-NPLH units. Asset management fees, partnership management fees and deferred developer fees attributable to the NPLH Assisted Units that cannot be paid for out of cash flow from the non-NPLH units can only be paid out of the COSR if all other eligible Operating Expenses have been paid and the total amount of the COSR payment for that year does not exceed five percent of the total COSR award;
 - (7) Deposits to reserves beyond those required by HCD under the UMRs, including reserves required by other Project financing sources;
 - (8) Vacancy loss beyond three months for a tenant who has left the unit; and
 - (9) Supportive services costs not permitted as part of the Project budget under the UMRs.

- (k) Any funds remaining in the COSR after Year 20 shall continue to be disbursed by the Department to the Project in accordance with the requirements of this Section.

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.4, 5849.7(c), 5849.8, 5849.9, Welfare and Institutions Code.

Section 210. Operating Budgets

The Sponsor shall submit proposed operating budgets to the Department prior to permanent loan closing, and annually thereafter. These budgets shall be subject to Department written approval, and shall comply with the requirements in 25 CCR Section 7326.

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.8, 5849.9, Welfare and Institutions Code.

Section 211. Tenant Selection

Tenants shall be selected through use of a Coordinated Entry System (CES) or other similar system for those At-Risk of Chronic Homelessness in accordance with the provisions of 25 CCR Section 8305 and in compliance with Housing First requirements consistent with the core components set forth in Welfare and Institutions Code Division 8 Chapter 6.5 Section 8255 subsection (b), and basic tenant protections established under federal, state, and local law.

- (a) Reasonable selection criteria, as referred to in 25 CCR Section 8305(a)(1), shall include priority status under a local CES developed pursuant to 24 CFR 578.7(a)(8).
- (b) If the Coordinated Entry System existing in the County cannot refer persons At-Risk of Chronic Homelessness, the alternate system used must prioritize those with the greatest needs among this group for referral to available NPLH housing.
- (c) Sponsors shall accept tenants regardless of sobriety, participation in services or treatment, history of incarceration, credit, or history of eviction.
- (d) The requirements of 25 CCR 8205 (a)(4)(A) and 25 CCR 8205 (a)(4)(D) shall be implemented as approved by the Department in a manner that is consistent with the requirements of the CES.

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.8, 5849.9, Welfare and Institutions Code.

Section 212. Rental Agreements and Grievance Procedures

Rental or occupancy agreements for Assisted Units shall comply with 25 CCR Section 8307. Tenants shall not be required to maintain sobriety, be tested for substances, or participate in services or treatment.

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.8, 5849.9, Welfare and Institutions Code.

Section 213. Other Requirements

- (a) Labor Code Section 1720 et seq. requires payment of prevailing wages for certain developments paid for in whole or in part from any public funding source, and exempts other developments from this requirement. All funds provided under this Program are public funds within the meaning of these Labor Code sections. Program funding of a portion of a Project shall not necessarily, in and of itself, be considered public funding of the entire Project. Each Applicant shall be responsible for determining on a case-by-case basis the extent of applicability of State prevailing wage law to its individual Project. If applicable, prior to the close of the Program loan, the Development Sponsor shall provide to the Department a certification that prevailing wages have been paid or will be paid, and that the records shall be available consistent with the requirements of this subsection.
- (b) Projects must meet the accessibility requirements specified in the TCAC regulations, as may be amended and renumbered from time to time, including those of Section 10325(f)(7)(M) and, for senior projects, those of Section 10325(g)(2)(B) and (C). Exemption requests, as provided for in the TCAC regulations, must be approved in writing by the Department prior to the start of construction. Projects must also provide a preference for accessible units to persons with disabilities requiring the features of the accessible units in accordance with Section 10337(b)(2) of the TCAC regulations. Projects must also ensure that any other applicable federal, state, and local accessibility requirements are met.

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.8, 5849.9, Welfare and Institutions Code.

Section 214. Reporting

- (a) Not later than 90 days after the end of each Project's fiscal year, the Sponsor shall submit an independent audit of the development prepared by a certified public accountant and in accordance with the Department's current audit requirements.
- (b) For all Assisted Units in loans underwritten by the Department, Sponsors will be required to submit annual compliance reports similar to reports annually submitted to the Department under 40025 CCR 7300 et.seq.
- (c) On an annual basis, the County shall submit the data listed in paragraph (e) below for each of its NPLH Assisted Units. The County shall work with each Project's property manager and lead service provider to gather this data. The data may be gathered from the local Homeless Management Information System (HMIS) but is not required to be gathered from HMIS.
- (d) The data shall be submitted in electronic format on a form provided by the Department. The County and the property manager and lead service provider, shall work together to resolve any data quality concerns to the best of their ability prior to submission of the data to the Department.

- (e) The data below shall be submitted to the Department no later than September 30th of each year for the previous state fiscal year of activity (July 1st-June 30th) and shall include all the following information:
- (1) Project location, services, and amenities;
 - (2) Number of NPLH-Assisted Units, total units assisted by other housing programs, and total non-assisted units;
 - (3) Project occupancy restrictions;
 - (4) Number of individuals and households served,
 - (5) Homeless, veteran, and mental health status; and
 - (6) Average Project vacancy rate during the reporting period (12-month average).

For NPLH units only:

- (7) Average vacancy rate of NPLH units during the reporting period (12-month average);
- (8) Head of Household gender, race, ethnicity, age;
- (9) Income levels of NPLH tenants as a percentage of AMI, (i.e., 10 percent of AMI, 15 percent of AMI, 20percent of AMI, etc.);
- (10) The percentage of NPLH tenants who have lived in the building: less than 12 months, 12-24 months, and longer than 24 months;
- (11) The number of tenants who moved into an NPLH unit during the reporting period who, prior to Project entry, experienced the following: they were (A) Chronically Homeless, (B) Homeless, or (C) At-Risk of Chronic Homelessness, as defined under Section 101 of these Guidelines.
- (12) The number of tenants who served on active duty in the armed forces of the United States (for tenants over age 18),
- (13) The number of tenants who continue to have a “Serious Mental Disorder” or the number who are “Seriously Emotionally Disturbed Children or Adolescents” as defined in Welfare and Institutions Code Section 5600.3;
- (14) Of those who moved in during the reporting period, the number of tenants who were referred from:
 - (A) CES and/or;
 - (B) The County behavioral health department or a service provider acting on their behalf,

- (C) A Department of Developmental Services Regional Center, or
 - (D) Another source.
- (15) Of those who moved in during the reporting period, the length of time prior to moving in that they reported they were:
- (A) On the streets (including a vehicle or other place not meant for human habitation), or
 - (B) In an emergency shelter, safe haven, or interim housing.
- (16) Of those who moved in during the reporting period, and to the extent the information was available prior to referral to the Project, the number of tenants who had:
- (A) A physical, mental, or emotional impairment, including an impairment caused by alcohol or drug abuse, post-traumatic stress disorder, or brain injury that:
 - (i) Is expected to be long-continuing or of indefinite duration;
 - (ii) Substantially impedes the individual's ability to live independently; and
 - (iii) Could be improved by the provision of more suitable housing conditions.
 - (B) A developmental disability, as defined in section 102 of the Developmental Disabilities Assistance and Bill of Rights Act of 2000 (42 U.S.C. 15002); or
 - (C) The disease of acquired immunodeficiency syndrome (AIDS) or any condition arising from the etiologic agency for acquired immunodeficiency syndrome (HIV).
- (17) For tenants who exited NPLH units during the reporting period—
- (A) The number of tenants who exited during the reporting period to:
 - (i) other permanent housing,
 - (ii) the street, emergency shelter, transitional housing, or safe haven, and
 - (iii) an institutional destination, and the specific institutional destination, if known (including, but not limited to hospitalization or psychiatric hospitalization, residential substance use treatment facility, skilled nursing facility, or jail or prison).
- (18) The number of tenants who died during the reporting period.
- (19) For tenants who leased or remained in NPLH units during the reporting period:

- (A) Changes in employment income during the reporting period;
 - (B) Changes in non-employment cash income during the reporting period,
 - (C) Changes in total cash income during the reporting period,
- (f) Notwithstanding the requirements of paragraph (c), the Department may modify the data collected over time to conform to changes in the specific data metrics required by HUD through CES, or required by another state or federal agency.
- (g) If readily available, Counties may also provide aggregated data on: (1) emergency room visits for NPLH tenants before and after move in; (2) average number of hospital and psychiatric facility admissions and in-patient days before and after move-in; and (3) number of arrests and returns to jail or prison before and after move-in.
- (h) Data collected annually pursuant to subsections (c) through (g) will be compiled by the Department and made available on the Department's website.

NOTE: Authority cited: Section 5849.5, Welfare and Institutions Code. Reference cited: Sections 5849.8, 5849.9, 5849.11, Welfare and Institutions Code.

Section 215. Legal Documents

- (a) Upon the award of Program funds to a Project, the Department shall enter into one or more agreements with the Applicant(s), which may include a conditional commitment letter and a Standard Agreement issued by the Department committing monies from the No Place Like Home Fund in an amount sufficient to fund the approved loan amount. The agreement or agreements shall contain the following:
- (1) A description of the approved Project and the permitted uses of Program funds;
 - (2) The amount and terms of the loan;
 - (3) The regulatory restrictions to be applied to the Project through the Regulatory Agreement;
 - (4) Provisions governing the construction work and, as applicable, the acquisition of the Project site, and the disbursement of loan proceeds;
 - (5) Special conditions imposed as part of Department approval of the Project;
 - (6) Requirements for the execution and recordation of the agreements and documents required under the Program;
 - (7) Terms and conditions required by federal or state law;

- (8) Requirements regarding the establishment of escrow accounts for the deposit of documents and disbursement of loan proceeds;
 - (9) The approved schedule for the Project, including land acquisition if any, commencement and completion of construction or Rehabilitation work, and occupancy by Eligible Households;
 - (10) The approved Project development budget and sources and uses of funds and financing;
 - (11) Requirements for reporting to the Department;
 - (12) Terms and conditions for the inspection and monitoring of the Project in order to verify compliance with the requirements of the Program;
 - (13) Provisions regarding tenant relocation;
 - (14) Provisions regarding compliance with Article XXXIV Section 1 of the California Constitution, as clarified by Public Housing Election Implementation Law (H&S Code Section 3700 et seq.);
 - (15) Provisions relating to the erection and placement on or in the vicinity of the Project site a sign indicating that the Department has provided financing for the Project. The Department may also arrange for publicity of the Program loan in its sole discretion; and
 - (16) Other provisions necessary to ensure compliance with the requirements of the NPLH Program.
- (b) The Department shall enter into a Regulatory Agreement with the County Applicant or a separate Development Sponsor for not less than the original term of the loan that shall be recorded against the Rental Housing Development prior to the disbursement of funds. The Regulatory Agreement shall include, but not be limited to, the following:
- (1) The number, type and income level of Assisted Units pursuant to Sections 206, 207, and 208;
 - (2) Standards for tenant selection pursuant to Section 211;
 - (3) Provisions regulating the terms of the rental agreement pursuant to Section 212;
 - (4) Provisions related to an annual operating budget approved by the Department pursuant to Section 210;
 - (5) Provisions related to a management plan pursuant to Sections 202 and 217;
 - (6) Provisions related to a Rent schedule, including initial Rent levels for Assisted Units and non-Assisted Units pursuant to Section 207;

- (7) Conditions and procedures for permitting Rent increases pursuant to Section 207;
 - (8) Provisions for limitations on Distributions pursuant to Section 208 and Section 209;
 - (9) Provisions related to annual reports, inspections, independent audits and related reports;
 - (10) Provisions regarding the deposit and withdrawal of funds to and from reserve accounts;
 - (11) Assurances that the Rental Housing Development will be maintained in a safe and sanitary condition in compliance with state and local housing codes pursuant to Section 202;
 - (12) Description of the conditions constituting breach of the Regulatory Agreement and remedies available to the parties thereto;
 - (13) Special conditions of loan approval imposed by the Department;
 - (14) Provisions specifying that the Regulatory Agreement shall be binding on all assigns and successors in interest of the Sponsor and that all sales, transfers, and encumbrances shall be subject to Section 216; and
 - (15) Other provisions necessary to assure compliance with the requirements of the NPLH Program.
- (c) All loans shall be evidenced by a promissory note payable to the Department in the principal amount of the loan and stating the terms of the loan consistent with the requirements of the Program. The note shall be secured by a deed of trust on the Project property naming the Department as beneficiary or by other security acceptable to the Department. This deed of trust or other security shall be recorded junior only to such liens, encumbrances and other matters of record approved by the Department and shall secure the Department's financial interest in the Project and the performance of the Applicant's Program obligations.

NOTE: Authority cited: Section 5849.5, 5849.9, Welfare and Institutions Code. Reference cited: Sections 5849.7, 5849.8, 5849.9, Welfare and Institutions Code.

Section 216. Sales, Transfers, and Encumbrances

- (a) A Sponsor shall not sell, assign, transfer, or convey the Rental Housing Development, or any interest therein or portion thereof, without the express prior written approval of the Department. A sale, transfer or conveyance shall be approved only if all of the following requirements are met:
 - (1) The existing Sponsor is in compliance with the NPLH regulatory agreement, or the sale, transfer or conveyance will result in the cure of any existing violations;
 - (2) The successor-in-interest to the Sponsor agrees to assume all obligations of the

existing Sponsor pursuant to the NPLH regulatory agreement and the Program;

- (3) The successor-in-interest is an eligible Sponsor and demonstrates to the Department's satisfaction that it can successfully own and operate the Rental Housing Development and comply with all Program requirements; and
 - (4) No terms of the sale, transfer, or conveyance jeopardize or reduce either the Department's security or the successor's ability to comply with all Program requirements including but not limited to retaining Department approved reserve account balances.
- (b) If the Sponsor or its successor-in-interest is a partnership, the Sponsor shall not discharge or replace any general partner or amend, modify or add to its partnership agreement, or cause or permit the general partner to amend, modify or add to the organizational documents of the general partner, without the prior written approval of the Department. The Sponsor may transfer the limited partnership interests without the prior written approval of the Department.
- (c) The Department shall grant its approval of a sale, assignment, transfer, or conveyance subject to such terms and conditions as may be necessary to preserve or establish the Fiscal Integrity of the Project. Such conditions may include:
- (1) The deposit of sales proceeds, or a portion thereof, to maintain required reserves, or to offset negative cash flow;
 - (2) The recapture of syndication proceeds or other funds in accordance with special conditions included in any agreement executed by the Sponsor; or
 - (3) Such conditions as may be necessary to ensure compliance with the Program requirements.
- (d) The Sponsor shall not encumber, pledge, or hypothecate the Rental Housing Development, or any interest therein or portion thereof, or allow any lien, charge, or assessment against the Rental Housing Development without the prior written approval of the Department. The Department may permit refinancing of existing liens or additional financing secured by the Rental Housing Development to the extent necessary to maintain or improve the Fiscal Integrity of the Project, to maintain affordable Rents, to decrease Rents for the Target Population, or to fund Department approved improvements to the Project.

NOTE: Authority cited: Sections 5849.5, 5849.9 Welfare and Institutions Code. Reference cited: 5849.8, 5849.9, Welfare and Institutions Code.

Section 217. Management and Maintenance

- (a) The Sponsor shall be responsible for all management functions of the Rental Housing Development including selection of the tenants, annual recertification of household income and size, evictions, and collection of Rent.
- (b) The Sponsor shall be responsible for all repair and maintenance functions of the Rental

Housing Development, including ordinary maintenance and replacement of capital items. The Sponsor shall ensure maintenance of residential units, commercial space and common areas in accordance with local health, building, and housing codes, and the management plan.

- (c) The Sponsor shall ensure that the Rental Housing Development is managed by an entity approved by the Department that is actively in the business of managing permanent supportive housing. Any management contract entered into for this purpose shall be subject to Department approval and contain a provision allowing the Sponsor to terminate the contract upon 30-days' notice. The Sponsor shall terminate said contract as directed by the Department upon determination that management does not comply with Program requirements.

- (d) The Sponsor shall develop a management plan subject to Department written approval prior to loan closing. Any change to the plan shall be subject to the written approval of the Department. The plan shall be consistent with Program requirements and shall include the following:
 - (1) The role and responsibility of the Sponsor and its delegation of authority, if any, to the managing agent;
 - (2) Personnel policy and staffing arrangements, including ongoing training of staff in best practices for serving the Target Population;
 - (3) Plans and procedures for publicizing and achieving early and continued occupancy;
 - (4) Procedures for determining tenant eligibility and selecting tenants and for certifying and annually recertifying household status, income and size;
 - (5) Plans for carrying out an effective maintenance and repair program;
 - (6) Rent collection policies and procedures;
 - (7) A program for maintaining adequate accounting records and handling necessary forms and vouchers;
 - (8) Plans for enhancing tenant-management relations;
 - (9) The management agreement, if any;
 - (10) Provisions for periodic update of the management plan;
 - (11) Appeal and grievance procedures;
 - (12) Plans for collections for tenant-caused damages and preventing, and if necessary, processing evictions and terminations; and
 - (13) Description of how service staff and property management staff will work together to

prevent evictions and to facilitate the implementation of reasonable accommodation policies;

- (14) Provisions for meeting all reporting requirements of this Program; and
- (15) Provisions for addressing tenant exits; for example, placement in other permanent housing, referrals to other housing, as required by this Program;
- (16) Other provisions necessary to assure compliance with the requirements of the NPLH program.

NOTE: Authority cited: Sections 5849.5, 5849.9 Welfare and Institutions Code. Reference cited: Sections 5849.8, 5849.9, Welfare and Institutions Code.

Section 218. Defaults and Loan Cancellations

- (a) In the event of a breach or violation by the Sponsor of any of the provisions of the NPLH Program Documents:
 - (1) The Department may accelerate all amounts, including outstanding principal and interest, due under the loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amounts in full, the Department may proceed with a foreclosure in accordance with the provisions of the deed of trust and State law regarding foreclosures.
 - (2) The Department may seek, in a court of competent jurisdiction, an order for specific performance of the defaulted obligation or the appointment of a receiver to operate the Rental Housing Development in accordance with Program requirements.
 - (3) The Department may seek such other remedies as may be available under the relevant agreement or any law.
 - (4) If the breach or violation involves charging tenants Rent or other charges in excess of those permitted under the regulatory agreement, the Department may demand the return of such excess Rents or other charges to the respective households. In any action to enforce the provisions of the regulatory agreement, the Department may seek, as an additional remedy, the repayment of such overcharges.
- (b) The Department may cancel loan awards prior to funding under any of the following conditions:
 - (1) The objectives and requirements of the Program cannot be met;
 - (2) Implementation of the Project cannot proceed in a timely fashion in accordance with the approved plans and schedules;
 - (3) Special conditions have not been fulfilled within required time periods; or

- (4) There has been a material change, not approved by the Department in writing, in the principals or management of the Sponsor or Project.
 - (5) The Department, in writing and upon demonstration by the Sponsor of good cause, may extend the date for compliance with any of the conditions in this Subsection.
- (c) Upon receipt of a written notice from the Department of intent to cancel the loan, the Sponsor shall have the right to appeal to the Director. The Department may use any funds available to it to cure or avoid a Sponsor's default on the terms of any loan or other obligation that jeopardizes the fiscal integrity of a Project or the Department's security in the Project. Such defaults may include defaults or impending defaults in payments on mortgages, failures to pay taxes, or failures to maintain insurance or required reserves. The payment or advance of funds by the Department pursuant to this Subsection shall be solely within the discretion of the Department and no Sponsor shall be entitled to or have any right to payment of these funds. All funds advanced pursuant to this Subsection shall be part of the Program loan and, upon demand, due and payable to the Department. Where it becomes necessary to use state funds to assist a Project to avoid threatened defaults or foreclosures, the Department shall take those actions necessary, including, but not limited to, foreclosure or forced sale of the Project property, to prevent further, similar occurrences and ensure compliance with the terms of the applicable agreements.

NOTE: Authority cited: Sections 5849.5, 5849.9 Welfare and Institutions Code. Reference cited: Sections 5849.8, 5849.9, Welfare and Institutions Code.

ARTICLE III. ALTERNATIVE PROCESS ALLOCATION

Section 300. Alternative Process County Designation

To be designated as an Alternative Process County by the Department, the following requirements must be satisfied at least 30 days prior to issuance of the Department's initial NOFA in a given calendar year in which the Department determines allocation amounts pursuant to Section 102 (e) utilizing the most recent Point in Time Count of sheltered and unsheltered homeless persons as published by HUD. The Department shall solicit information related to qualifications to become an Alternative Process County no later than 90 days prior to issuance of the NOFA. These requirements must be satisfied once every two years concurrent with running the formula allocation under Section 102, unless the Alternative Process County designation has been revoked or relinquished.

- (a) The County's most recent Homeless Point-in-Time Count of sheltered and unsheltered homeless persons as published by HUD must equal at least five percent of the State's total homeless population;
- (b) The County or its subcontractor must have demonstrated ability to finance permanent supportive housing, and monitor Program requirements for the required period of affordability as evidenced by documentation of all of the following:
 - (1) Administration of at least one local or federally funded affordable housing program in the past five years that funded a minimum of four multifamily rental Project loans per year, including at least one loan per year for Permanent Supportive Housing.

- (2) A description of its proposed method of distributing NPLH funds that meets the requirements outlined in Section 301 and includes an estimate of how frequently awards will be made. At a minimum, awards shall be made on an annual basis until all funds available to the County have been committed.
 - (3) A description of the underwriting standards, financial management systems, reporting, and long-term monitoring systems currently in place that will be utilized in administering NPLH funds in compliance with these Guidelines and other Program requirements. This shall include standards for determining the amount of any COSR to be provided to a Project in accordance with the requirements of Section 305.
- (c) The County or its subcontractor must have a past history of committing project based vouchers to Permanent Supportive Housing as evidenced by a list of projects along with the number of project-based vouchers or locally-funded rental assistance programs that the County public housing authority or its city public housing authorities or other local departments have committed to homeless and other special needs populations in Permanent Supportive Housing in the last two years.
 - (d) Past performance delivering supportive services to the Target Population in housing as evidenced by a list of projects where the County or subcontractor is currently providing or coordinating the provision of supportive services to the Target Population. Along with this list, the County must include a description of the types of services offered, the financing sources for those services, and whether those services are provided on-site or off-site for the listed projects.
 - (e) Evidence of an operational CES, including a description of how the CES will prioritize the most vulnerable within the Target population for available NPLH units. The CES must be able to comply with these requirements by the time the Department designates the County as an Alternative Process County.
 - (f) If existing CES systems are not equipped to assess the needs of, provide housing navigation services to, or locate supportive housing for persons At-Risk of Chronic Homelessness, the County must also describe what alternate system it will put in place to ensure that the most vulnerable persons among this group will be prioritized for available housing. This system must be in place prior to rent-up of the County's first NPLH Assisted Project.
 - (g) The County must commit to provide mental health services, and to coordinate the provision of or referral to other supportive services, including but not limited to substance use treatment services, to NPLH tenants for a minimum of 20 years. The County's obligations pursuant to this requirement shall begin when a Project receives its certificate of occupancy, or other evidence of Project completion for Projects already occupied.
 - (h) The County must commit to implementing measures that promote integration of the Target Population into the community.
 - (1) In Projects of more than 20 units, the County may choose to fund or otherwise restrict no more than 49 percent of a Project's total units to the Target Population.

- (2) If the County will fund or restrict more than 49 percent of a Project's total units to the Target Population, it must document specific measures it will undertake to ensure that the requirements of *Olmstead v. L.C.* (527 U.S. 581 (1999)) are being met in its implementation of the Program.
 - (3) The County must describe the processes it has in place to ensure that funded Projects will meet federal, state, and local fair housing, accessibility, and nondiscrimination requirements, and to ensure they are not excluding any potential tenants on the basis of disability.
- (i) The County must have a plan to address homelessness that meets the requirements of Section 201.
 - (j) The Department may impose restrictions on a County's designation as an Alternative Process County that are consistent with the County's experience level or proposed Program design.
 - (k) An Alternative Process County may contract with a city to perform the functions of the County as set forth in this Article as long as that city meets the experience requirements in paragraphs (b), (c), and (d) of this Section and the city agrees to administer the NPLH Program county-wide.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 301. Method of Distribution

- (a) Before committing funds to a Project, Alternative Process Counties shall evaluate the following:
 - (1) Whether the proposed use of Program funds is eligible as set forth under Section 302;
 - (2) The development team's capacity to develop, own, and operate Permanent Supportive Housing for the Target Population through examination of the experience and qualifications of the developer, service providers, and property manager;
 - (3) Each Project's financial feasibility for the period of affordability. All Projects shall remain affordable for a minimum of 55 years and shall meet the income, rent, and underwriting restrictions in Sections 303 and 304;
 - (4) Suitability of each Project's location for the Target Population, including proximity to transportation, services, and other amenities in a manner that ensures integration of the Target Population in the community;

- (5) The Project site must be free from severe adverse environmental conditions, such as the presence of toxic waste that is economically infeasible to remove and that cannot be mitigated.
- (6) All Assisted Units and other units of the Project must be on a permanent foundation and must meet all applicable State and local requirements pertaining to rental housing, including but not limited to requirements for minimum square footage, and requirements related to maintaining the property in a safe and sanitary condition.
- (7) Each Project's readiness to proceed to construction;
- (8) Capital, operating subsidy, and supportive services leverage;
- (9) The Project's proposed supportive services. Before awarding a Project funds, the Project must meet, at a minimum, the requirements of Section 203;
- (10) Proposed measures for integrating the Target Population within the community. At a minimum:
 - A. NPLH units must be integrated with other units in the development and not separated onto separate floors or areas of the building; and
 - B. Funded Projects must encourage social interaction through community-building activities and architectural design.
- (11) Compliance with the requirements in Section 202 relating to property management practices;
- (12) All Assisted Units in a Scattered Site or Shared Housing Project must have common ownership, financing, and property management. Prior to move-in, each tenant who is not a minor accompanied by an adult or two adults who constitute a single household must also sign a lease and shall have all the rights and responsibilities of tenancy, have a bedroom door with a workable lock, and be allowed choice of roommates;
- (13) All Projects shall comply with Article XXXIV Section 1 of the California Constitution, as clarified by Public Housing Election Implementation Law (H&S Code Section 3700 et seq.);
- (14) All Projects shall comply with applicable state and federal relocation laws including Government Code, commencing at Section 7260, and 25 CCR commencing at Section 600; and
- (15) Compliance with the other requirements of Sections 302.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 302. Uses and Terms of Program Assistance

- (a) An Alternative Process County shall allocate NPLH funds for the same eligible uses identified in Section 200(a).
- (b) NPLH funds may be used to capitalize operating subsidy reserves for Assisted Units subject to the limitations specified in Section 305.
- (c) The County may only use Program funds for Projects within its geographic boundaries.
- (d) Program assistance may be provided as predevelopment, construction, or post-construction permanent financing. If predevelopment or construction financing is provided, this assistance must convert to post construction permanent financing.
- (e) Financing for eligible uses shall be provided in the form of a deferred payment loan that shall have an initial affordability period of 55 years or longer commencing on the date of recordation of the regulatory agreement. The loan may bear a zero percent interest rate. Pursuant to Welfare and Institutions Code Section 5849.4(b), any interest payment, loan repayments, or other return of funds must be returned to the Department and deposited in the No Place Like Home Fund established by Welfare and Institutions Code Section 5849.4.
- (f) Program assistance shall be secured by the Project's real property and improvements, and subject only to liens, encumbrances and other matters of record approved by the County.
- (g) Up to 10 percent of Program funds awarded to the County by the Department may be used by the County for Program administration costs. The County may also charge reasonable and customary annual monitoring fees for compliance monitoring during the period of affordability. These fees must be based upon the average actual cost of performing the monitoring of the Assisted Units. The basis for determining the amount of the fee must be documented and the fee must be included in the costs of the Project as part of the Project underwriting.
- (h) Alternative Process Allocation funds not committed to Projects within 24 months of award by the Department shall be returned to the Department and made available for award to Counties in the Competitive Allocation. Evidence of committed funds may include award letters or commitment letters.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 303. Occupancy Requirements

- (a) Occupancy of all Assisted Units shall be restricted to households with at least one member who qualifies as a member of the Target Population. Total household income at time of move-in shall not exceed the 30 percent Area Median Income (AMI) limit as published by TCAC or the Department.

- (b) Projects shall maintain documentation of tenant eligibility consistent with these Guidelines.
 - (1) Documentation of a Serious Mental Disorder or a Seriously Emotionally Disturbed Child or Adolescent must be done by a qualified mental health worker in accordance with the requirements of WIC Section 5600.3.
 - (2) Documentation of a person's status as Chronically Homeless, Homeless, or At-Risk of Chronic Homelessness as defined under these Guidelines must be done in accordance with procedures established through the local Coordinated Entry System (CES) or other procedures established by the County for determining whether a person qualifies as Chronically Homeless, At-Risk of Chronic Homelessness, or Homeless as defined in Section 101.
 - (3) In no event shall a person be required to be a client of the County behavioral health department or a recipient of mental health or other services in order to qualify for or remain in an Assisted Unit.
- (c) Occupancy requirements shall apply for the full term of the Program loan.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 304. Underwriting Standards and Other Requirements

- (a) All Assisted Units shall be restricted to 30 percent AMI or below as specified in the Project regulatory agreement with the County.
- (b) Before committing funds to a Project, the County must evaluate the Project in accordance with underwriting standards it has chosen to use for this Program. These standards must consider at a minimum such things as: the reasonableness of projected construction and operating expenses, income and expense escalators, vacancy rate assumptions, debt coverage ratio, operating reserves, replacement reserves, budgeted construction contingency, limits on development costs, developer fees, asset management and partnership fees, and the use of operating cash flow.
- (c) The maximum amount of assistance provided per unit shall take into account the number of bedrooms per unit or other measures of unit size, as well as the level of affordability provided per unit, with more affordable units provided more subsidy.
- (d) The total amount of Program assistance to a Project shall not exceed the eligible costs associated with Assisted Units in accordance with a methodology that allocates costs among the Assisted and non-assisted units in reasonable proportion to their anticipated share of costs.
- (e) Labor Code Section 1720 et seq. requires payment of prevailing wages for certain developments paid for in whole or in part from any public funding source, and exempts other developments from this requirement. All funds provided under this Program are public funds within the meaning of these Labor Code sections. Program funding for a

portion of a Project shall not necessarily, in and of itself, be considered public funding of the entire Project. The County shall be responsible for determining on a case-by-case basis the extent of applicability of State prevailing wage law to each individual Project.

- (c) Projects must meet the accessibility requirements specified in the TCAC regulations, as may be amended and renumbered from time to time, including those of Section 10325(f)(7)(M) and, for senior Projects, those of Section 10325(g)(2)(B) and (C), or a higher standard if required by the County. Exemption requests, as provided for in the TCAC regulations, must be approved by the County. Projects must also provide a preference for accessible units to persons with disabilities requiring the features of the accessible units in accordance with Section 10337(b)(2) of the TCAC regulations, or a higher standard if required by the County. Projects must also ensure that any other applicable federal, state, and local accessibility requirements are met.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 305. Capitalized Operating Subsidy Reserve

- (a) Not more than 100 percent of the total per unit amount provided for capital may be provided for a Capitalized Operating Subsidy Reserve (COSR) to address Project operating deficits attributable to NPLH Assisted Units.
- (b) In order to be eligible to receive a COSR, the Applicant must first demonstrate, and the County must verify prior to issuing an award letter for the Project, that the Applicant or its development partners have tried to secure other Project-based rental or operating assistance to support the NPLH-assisted units in lieu of having a COSR.
- (c) COSRs may be provided in the form of a zero-interest deferred payment forgivable loan with a term of not less than 20 years.
- (d) The COSR shall be sized to cover anticipated operating deficits attributable to the NPLH Assisted Units for a minimum of 20 years. The total amount of a Project COSR will be determined based upon the individual Project underwriting performed by the County pursuant to the requirements of the County's Method of Distribution.
- (e) In determining how to size Project COSRs, the County shall also consider such things as: (1) the maximum percentage of units it will assist per Project; (2) anticipated Project vacancy rates; (3) the anticipated percentage of Assisted Units that will have other operating or rental subsidy, (4) the anticipated percentage of households that are expected to be receiving SSI/SSP or other sources of stable income; and (5) operating expenses that the County will consider ineligible for payment from the COSR.

The County shall hold each Project COSR in a segregated interest-bearing account for the benefit of the Project's NPLH Assisted Units for as long as funds remain in the COSR but for not less than 20 years.

- (f) The County shall establish procedures for disbursement of amounts from the COSR to the Project based on the results of an independent bifurcated audit prepared by a

certified public accountant which establishes the amount of Project operating deficit, if any, attributable to the NPLH Assisted Units.

- (g) The County shall review each COSR balance at least once annually to determine if adjustments need to be made to disbursement levels in order to ensure the long-term sustainability of each COSR.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 306. Operating Budgets

The County shall review proposed annual operating budgets of funded Projects to ensure that budget line items, including any proposed rent increases, are reasonable and necessary in light of costs for comparable Permanent Supportive Housing Projects and prior year budgets.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 307. Tenant Selection, Rental Agreements and Grievance Procedures

- (a) Chronically Homeless and Homeless persons shall be referred to Assisted Units through the local Coordinated Entry System (CES).
- (b) If the CES existing in the County cannot refer persons At-Risk of Chronic Homelessness, the alternate system used must prioritize those with the greatest needs among this group for referral to available NPLH housing.
- (c) Projects utilizing funds from a County's Noncompetitive Allocation under Section 102 (c) shall prioritize persons with mental health supportive service needs who are Homeless or At-Risk of Chronic Homelessness
- (d) The County shall have reasonable standards for Project rental agreements, property management plans, and tenant grievance procedures to ensure compliance with Housing First requirements consistent with the core components set forth in Welfare and Institutions Code Section 8255(b), and compliance with basic tenant protections established under federal, state, and local law.
- (e) Tenants shall be accepted regardless of sobriety, participation in services or treatment, history of incarceration, credit, or history of eviction.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 308. Disbursement of Funds

- (a) Of the amounts for Project activities awarded annually to the County under Section 102 (e), the Department shall disburse funds in no more than two draws per year to the County if the Department has received all of the following:

- (1) An award letter or other evidence of commitment of NPLH funds by the County to the specific Project(s) for which funds are being requested;
 - (2) A cash flow analysis which indicates how much the County is projected to need for those Projects for the specific period of time for which funds are being requested
 - (3) A certification that the County awarded the funds to the specific Project(s) in accordance with the Method of Distribution approved by the Department under Section 301.
- (b) The amount of funds disbursed by the Department annually to the County for its Program administration costs shall not exceed 10 percent of the amount anticipated to be awarded annually by the Department to the County pursuant to Section 102 (e). The Department shall disburse Program administration funds no more than once per year.
 - (c) All requests for disbursement of funds shall be made by the County on forms provided by the Department.

Section 309. Reporting

- (a) The County and Project owners shall comply with the reporting requirements of Section 214 except for subsections (a) and (b).
- (b) For each Project completed by June 30th of the reporting year, the County shall submit to the Department a Project completion report with evidence acceptable to the Department that the Project is complete, and that all NPLH units in that Project are occupied by persons meeting the income, rent, and tenant eligibility requirements for those units. This information shall be provided on forms made available by the Department.
- (c) The Department may extend the deadline for submission of a Project completion report, if a Project was completed less than 150 days prior to the deadline for submission of the report under Section 214 (e) in order to enable the Project to submit occupancy information based on an initial rent-up period not to exceed 120 days.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 310. Legal Documents

After the County is sent a letter providing notice of award and prior to actual disbursement of funds pursuant to that award, the Department and County shall enter into a State "Standard Agreement," which shall constitute a conditional commitment of said funds. The Standard Agreement shall require the County to comply with the requirements and provisions of the NPLH Program statutes, these Guidelines, and generally applicable State contracting rules and requirements. The Standard Agreement shall encumber State monies in an amount no more than is available to the County under Section 102, and said amount shall be consistent with the corresponding award letter. The Standard Agreement shall contain the terms necessary to

ensure the County complies with all NPLH Program requirements, including but not limited to, the following:

- (a) Requirements for the execution of an operating reserve agreement, or other Project-specific contracts as may be applicable;
- (b) On all loans held by the County, requirements for a promissory note payable to the County in the principal amount of the loan. The promissory note shall be secured by a deed of trust against the fee estate underlying the property or an acceptable leasehold security naming the County as the primary beneficiary. Such security shall be executed prior to the disbursement of funds to a Project.
- (c) Requirements, where appropriate, for the execution and recordation of covenants, regulatory agreements, or other instruments restricting the use and occupancy of and appurtenant to a Project and the property thereunder (for the purposes of this Article III, all such documents are collectively herein referred to as the "AP Program Agreements");
- (d) The County's responsibilities for timing of all local awards of funds, as well as any reporting requirements;
- (e) Remedies available to the Department in the event of a violation, breach or default of the Standard Agreement; and
- (f) Any and all other provisions necessary to ensure compliance with the requirements of the NPLH Program and applicable State and Federal law.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 311. Monitoring

- (a) The County is responsible for managing the day-to-day operations of the NPLH Project, ensuring that NPLH funds are used in accordance with all Program requirements and written agreements. The County must take appropriate action when performance problems arise. While the County may use subcontractors to perform these functions, contracting out these functions will not relieve the County of these responsibilities. The performance and compliance of each Project must be reviewed as set forth in paragraph (b). The County must have and follow written policies, procedures, and systems, including a system for assessing risk of activities and Projects and a system for monitoring Projects, to ensure developers, property managers, and services providers are meeting all Program requirements.
- (b) To ensure that funded Projects are completed, Projects are able to meet long-term affordability, and Projects are meeting other Program requirements as set forth in these Guidelines and in statute, the County must meet the following minimum requirements for Project monitoring:
 - (1) On-site inspections of all Projects as needed during construction, at Project completion, and at least once every three years during the term of the loan;

- (2) Annual review of Project operating budgets, audits or other certified financial statements. All Projects that receive a COSR must submit a bifurcated annual audit. The bifurcated audit must distinguish actual annual income and expenses of units that receive capitalized operating subsidies from those units that do not receive the subsidies;
 - (3) Annual review of supportive services plans and outcome measures to ensure that the supportive services being offered are the most appropriate and effective for existing NPLH tenants and the tenants proposed to be served in the Project regulatory agreement;
- (c) The Department will review the performance of each Alternative Process County in carrying out its Program responsibilities whenever determined necessary by the Department in order to assess the existence and use of County processes in meeting Program requirements such as:
- (1) Award of funds in accordance with the approved County method of distribution pursuant to Section 301;
 - (2) Use of processes which address compliance with Program requirements on an ongoing basis, including but not limited to:
 - A. Use of underwriting standards to determine Project feasibility,
 - B. Uses and terms of Program assistance,
 - C. Occupancy requirements,
 - D. Documentation of local property inspections to assess compliance with habitability and accessibility standards related to maintaining the property in a safe and sanitary condition,
 - E. Processes to assess the availability and appropriateness of the supportive services plan and the property management plan for the Target Population, and
 - F. Documentation of compliance with reporting requirements.
- (d) In conducting performance reviews, the Department will rely primarily on information obtained from the County's records and reports, findings from County on-site monitoring, and County financial reports that the County shall make available upon request by the Department. Where applicable, the Department may also consider relevant information pertaining to a County's performance gained from other sources, including citizen comments, complaint determinations, government regulatory information referrals or determinations, and litigation.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Sections 5849.8(b), 5849.11, Welfare and Institutions Code.

Section 312. Defaults and Cancellations

- (a) The Department may revoke an Alternative Process County designation if the County or its funded Projects have engaged in repeated violations of Program requirements that cannot be satisfactorily resolved to bring the County into compliance. This may include failure of the County to obtain substantial compliance from a Project Sponsor with Program requirements within a reasonable period of time. Prior to revoking an Alternative Process County designation, the Department will work with the County for a period of not less than 90 days to identify and implement measures that can be taken to bring the County into compliance.
- (b) With at least 30 days written notice to the County, the Department may cancel or reduce funding allocations to the County or terminate or amend Standard Agreements under any one of the following conditions:
 - (1) Implementation of the County NPLH Program is not in compliance with Program requirements;
 - (2) Implementation of the County NPLH Program is not in compliance with the time frames and goals stated in the Standard Agreement;
 - (3) Special conditions for funding as stated in the Standard Agreement have not been fulfilled; or
 - (4) The department has been notified of a reduction in or elimination of NPLH bond proceeds.
- (c) Upon notification by the Department that the funding allocation is canceled or reduced and the Standard Agreement is terminated or amended, the County shall:
 - (1) Complete all work affected by the cancellation or reduction that is in progress; and
 - (2) Terminate any other planned activities that cannot be paid for with NPLH funds as a result of the termination or reduction.
- (d) Notwithstanding the above, the County shall continue to carry out all of its responsibilities under the Program to Projects it funded prior to discontinuing as an Alternative Process County. This includes, but is not limited to loan servicing, Project monitoring, and submitting required reports.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

Section 313. Rescission of Alternative County Designation

- (a) A County may discontinue receiving funds as an Alternative Process County with a minimum 180-day written notice to the Department.

- (b) Following a written notice by an Alternative Process County to the Department, the amounts previously available to the County will be returned to the Department and are available for reallocation pursuant to Section 102(d) (Competitive Allocation) in the next funding round. The County will be able to participate in the Competitive Allocation pursuant to the requirements of Articles I and II in the next funding round.
- (c) Notwithstanding the above, the County shall continue to carry out all of its responsibilities under the Program for Projects it made awards to prior to discontinuing as an Alternative Process County.
- (d) Once a County decides not to continue participating as an Alternative Process County, this decision remains in effect for a minimum of three years. After the expiration of this period, the County may choose to apply for recertification as an Alternative Process County for future funding rounds under this Article III.

NOTE: Authority cited: Section 5849.8(b) Welfare and Institutions Code. Reference cited: Section 5849.8(b), Welfare and Institutions Code.

ARTICLE IV. NONCOMPETITIVE ALLOCATION SHARED HOUSING REQUIREMENTS

Section 400. Noncompetitive Allocation Shared Housing Administration

- (a) Shared Housing shall not be funded out of the Competitive Allocation.
- (b) Counties may choose to administer their Noncompetitive Allocation funds to provide Shared Housing. Counties exercising this option may utilize up to 10 percent of the amount of their Noncompetitive Allocation utilized for Shared Housing for associated administration costs in accordance with the requirements of Section 408. Counties may also charge a long-term monitoring fee not to exceed 0.42 percent of each Project loan.
- (c) Noncompetitive Allocation funds for Shared Housing for which Project applications have not been submitted to the County within 30 months of the Department's issuance of the initial NOFA shall be made available for award to Counties in the Competitive Allocation. Funds for capital uses awarded under the Noncompetitive Allocation that are not expended within 60 months of the issuance of the Department's initial NOFA may be made available under the Competitive Allocation Program. The Department may extend this expenditure deadline on a showing of good cause by the Applicant.
- (d) Counties wishing to fund Shared Housing Projects must commit to assume responsibility for all of the following for a minimum of 20 years:
 - (1) Project underwriting to ensure Project financial feasibility. Counties may use their own underwriting standards rather than those used by the Department for loans that they will underwrite;
 - (2) Monitoring of all work performed;

- (3) Loan servicing;
 - (4) Making available to NPLH tenants mental health supportive services, and coordinating the provision or referral to other services, as outlined in the County's supportive services plan for the funded Project(s), including but not limited to, substance use services. The County's obligations pursuant to this requirement shall begin when a Project receives its certificate of occupancy, or other evidence of Project completion for Projects already occupied;
 - (5) Long-term monitoring of the assisted Projects to ensure compliance with NPLH income and rent restrictions, physical condition in compliance with State and local codes, and compliance with all other NPLH Program requirements.
- (e) To be designated to administer their Noncompetitive Allocation, Counties shall submit documentation of the following at least 30 days prior to issuance of the Department's initial NOFA. The Department shall solicit this information as necessary no later than 90 days prior to issuance of the NOFA.
- (1) Demonstrated ability to finance proposed Shared Housing development activities with local and federal funds, and monitor Program requirements for a minimum of 20 years.
 - (2) A description of the proposed method of distributing NPLH funds that meets the requirements outlined in Section 401 and includes an estimate of how frequently awards will be made.
 - (3) A description of the underwriting standards, financial management systems, reporting, and long-term monitoring systems currently in place that will be utilized in administering NPLH funds in compliance with these Guidelines and other Program requirements. This shall include standards for determining the amount of any COSR to be provided to a Project in accordance with the requirements of Section 405.
 - (4) A description of the Project-based vouchers available to Assisted Units.
 - (5) Past performance of delivering supportive services to the Target population, or other special needs populations that experience housing barriers similar to those of the Target Population, including such barriers as difficulty retaining housing, and mental health or substance use issues.

- (6) A description of how the County will prioritize the most vulnerable within the Target population who are Homeless or At-Risk of Chronic Homelessness for available NPLH units.
- (7) A plan to combat homelessness that meets the requirements of Section 201.
- (8) A plan for implementing measures which promote integration of the Target Population into the community in accordance with the requirements of Section 401.

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, Welfare and Institutions Code.

Section 401. Shared Housing Noncompetitive Allocation Method of Distribution

Before committing funds to a Shared Housing Project, Counties shall evaluate the following.

- (a) Whether the proposed use of Program funds is eligible as set forth under Section 402;
- (b) The development team's capacity to develop, own, and operate Permanent Supportive Housing for the Target Population through examination of the experience and qualifications of the developer, service providers, and property manager;
- (c) Each Project's financial feasibility for the period of affordability. All Projects shall remain affordable for a minimum of 20 years and shall meet the income, rent, and underwriting restrictions in Sections 403 and 404;
- (d) Suitability of each Project's location for the Target Population, including proximity to transportation, services, and other amenities in a manner that ensures integration of the Target Population in the community;
- (e) Each Project's readiness to proceed with proposed development activity;
- (f) Capital, operating subsidy, and supportive services leverage;
- (g) The Project site must be free from severe adverse environmental conditions, such as the presence of toxic waste that is economically infeasible to remove and that cannot be mitigated;
- (h) All Assisted Units and other units of the Project must be on a permanent foundation and must meet all applicable State and local requirements pertaining to rental housing, including but not limited to requirements for minimum square footage, and requirements related to maintaining the property in a safe and sanitary condition;

- (i) The Project's proposed supportive services. Before awarding a Project funds, the Project must meet, at a minimum, the requirements of Section 203;
- (j) Proposed measures for integrating the Target Population within the community. At a minimum:
 - (1) NPLH Projects must be integrated with other housing in the community; and
 - (2) Funded Projects must encourage social interaction through community-building activities and architectural design.
- (k) Compliance with the requirements in Section 202 relating to property management practices;
- (l) Prior to move-in, each tenant who is not a minor accompanied by an adult or two adults who constitute a single household must also sign a lease and shall have all the rights and responsibilities of tenancy, have a bedroom door with a workable lock, and be allowed choice of roommates; and
- (m) All Projects shall comply with Article XXXIV Section 1 of the California Constitution, as clarified by Public Housing Election Implementation Law (H&S Code Section 3700 et seq.).

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, Welfare and Institutions Code.

Section 402. Uses and Terms of Program Assistance

- (a) Counties shall allocate funds for Shared Housing for the same eligible uses identified in Section 200(a).
- (b) NPLH funds may be used for a COSR for Assisted Units subject to the limitations specified in Section 405.
- (c) Program assistance may be provided as predevelopment, construction, or post-construction permanent financing. If predevelopment or construction financing is provided, this assistance must convert to post construction permanent financing.
- (d) Financing for eligible uses shall be provided in the form of a deferred payment loan that shall have an initial affordability period of 20 years or longer commencing on the date of recordation of the regulatory agreement. The loan may bear a zero percent interest rate. Pursuant to Welfare and Institutions Code Section 5849.4(b), any interest payment, loan repayments, or other return of funds must be returned to the Department and deposited

in the No Place Like Home Fund established by Welfare and Institutions Code Section 5849.4.

- (e) Program assistance shall be secured by the Project's real property and improvements, and subject only to liens, encumbrances and other matters of record approved by the County.

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, Welfare and Institutions Code.

Section 403. Occupancy Requirements

- (a) Occupancy of all Assisted Units shall be restricted to households with at least one member who qualifies as a member of the Target Population. Total household income at the time of move-in shall not exceed the 30 percent AMI limit as published by TCAC or the Department.
- (b) Projects shall maintain documentation of tenant eligibility consistent with these Guidelines.
 - (1) Documentation of a Serious Mental Disorder or a Seriously Emotionally Disturbed Child or Adolescent must be done by a qualified mental health worker in accordance with the requirements of WIC Section 5600.3.
 - (2) Documentation of a person's status as Chronically Homeless, Homeless, or At-Risk of Chronic Homelessness as defined under these Guidelines must be done in accordance with procedures established through the local CES or other procedures established by the County for determining whether a person qualifies as Chronically Homeless, At-Risk of Chronic Homelessness, or Homeless as defined in Section 101.
 - (3) In no event shall a person be required to be a client of the County behavioral health department or a recipient of mental health or other services in order to qualify for or remain in an Assisted Unit.
- (c) Occupancy requirements shall apply for the full term of the Program loan.

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, Welfare and Institutions Code.

Section 404. Underwriting Standards and Other Requirements

- (a) All Assisted Units shall be restricted to 30 percent AMI or below as specified in the Project regulatory agreement with the County.

- (b) Before committing funds to a Project, the County must evaluate the Project in accordance with underwriting standards it has chosen to use for Shared Housing. These standards must consider at a minimum such things as: the reasonableness of projected development and operating expenses, income and expense escalators, vacancy rate assumptions, debt coverage ratio, operating reserves, replacement reserves, budgeted rehabilitation or construction contingency, limits on development costs, and the use of operating cash flow.
- (c) The maximum amount of assistance provided per unit shall take into account the number of bedrooms per unit or other measures of unit size, as well as the level of affordability provided per unit, with more affordable units provided more subsidy.
- (d) The total amount of Program assistance to a Project shall not exceed the eligible costs associated with Assisted Units in accordance with a methodology that allocates costs among the Assisted and any non-Assisted units in reasonable proportion to their anticipated share of costs.
- (e) Labor Code Section 1720 et seq. requires payment of prevailing wages for certain developments paid for in whole or in part from any public funding source, and exempts other developments from this requirement. All funds provided under this Program are public funds within the meaning of these Labor Code sections. Program funding for a portion of a Project shall not necessarily, in and of itself, be considered public funding of the entire Project. The County shall be responsible for determining on a case-by-case basis the extent of applicability of State prevailing wage law to each individual Project.
- (f) All Projects shall comply with applicable state and federal relocation laws including Government Code, commencing at Section 7260, and 25 CCR commencing at Section 600;
- (g) All Projects shall comply with and maintain copies of local inspection records documenting evidence of compliance with all applicable federal, state, and local accessibility requirements.

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, Welfare and Institutions Code.

Section 405. Capitalized Operating Subsidy Reserve

- (a) Not more than 100 percent of the NPLH amount for capital provided per-bedroom may be provided per bedroom for a Capitalized Operating Subsidy Reserve (COSR) to address Project operating deficits attributable to NPLH Assisted Units.
- (b) In order to be eligible to receive a COSR, the Applicant must first demonstrate, and the County must verify prior to issuing an award letter for the Project, that the Applicant or its

development partners have tried to secure other Project-based rental or operating assistance to support the NPLH-assisted units in lieu of having a COSR.

- (c) COSRs may be provided in the form of a zero-interest deferred payment forgivable loan with a term of not less than 20 years. Pursuant to Welfare and Institutions Code Section 5849.4(b), any interest payment, loan repayments, or other return of funds must be returned to the Department and deposited in the No Place Like Home Fund established by Welfare and Institutions Code Section 5849.4.
- (d) The COSR shall be sized to cover anticipated operating deficits attributable to the NPLH Assisted Units for a minimum of 20 years. The total amount of a Project COSR will be determined based upon the individual Project underwriting performed by the County pursuant to the requirements of the County's Method of Distribution as established under Section 401.
- (e) In determining how to size Project COSRs, the County shall also consider such things as: (1) the maximum percentage of units it will assist per Project; (2) anticipated Project vacancy rates; (3) the anticipated percentage of Assisted Units that will have other operating or rental subsidy; (4) the anticipated percentage of households that are expected to be receiving SSI/SSP or other sources of stable income; and (5) operating expenses that the County will consider ineligible for payment from the COSR.
- (f) The County shall hold each Project COSR in a segregated interest-bearing account for the benefit of the Project's NPLH Assisted Units for as long as funds remain in the COSR but for not less than 20 years.
- (g) The County shall establish procedures for disbursement of amounts from the COSR to the Project based on the results of an independent bifurcated audit prepared by a certified public accountant which establishes the amount of Project operating deficit, if any, attributable to the NPLH Assisted Units.
- (h) The County shall review each COSR balance at least once annually to determine if adjustments need to be made to disbursement levels in order to ensure the long-term sustainability of each COSR.

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c), 5849.9, Welfare and Institutions Code.

Section 406. Operating Budgets

The County shall review proposed annual operating budgets of funded Projects to ensure that budget line items, including any proposed rent increases, are reasonable and necessary in light of costs for comparable Permanent Supportive Housing Projects and prior year budgets.

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, Welfare and Institutions Code.

Section 407. Tenant Selection, Rental Agreements and Grievance Procedures

- (a) Chronically Homeless and Homeless persons shall be referred to Assisted Units through the local Coordinated Entry System (CES).
- (b) If the CES existing in the County cannot refer persons At-Risk of Chronic Homelessness, the alternate system used must prioritize those with the greatest needs among this group for referral to available NPLH housing.
- (c) Shared Housing Projects shall prioritize persons with mental health supportive service needs who are Homeless or At-Risk of Chronic Homelessness
- (d) The County shall have reasonable standards for Project rental agreements, property management plans, and tenant grievance procedures to ensure compliance with Housing First requirements consistent with the core components set forth in Welfare and Institutions Code Section 8255(b), and compliance with basic tenant protections established under federal, state, and local law.
- (e) Tenants shall be accepted regardless of sobriety, participation in services or treatment, history of incarceration, credit, or history of eviction.

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, Welfare and Institutions Code.

Section 408. Disbursement Process.

- (a) Of the amounts for Project activities provided under this Article, the Department shall disburse no more than two draws per Project to the County if the Department has received all of the following:
 - (1) An award letter or other evidence of commitment of NPLH funds by the County to the specific Project(s) for which funds are being requested;
 - (2) A certification that the County awarded the funds to the specific Project(s) in accordance with the Method of Distribution approved by the Department under Section 401.
- (b) The initial request for disbursement may be an advance of up to 50 percent of the amount of NPLH funds awarded per Project. The remainder shall be disbursed when a Project completion report is received by the Department in accordance with paragraph (e) below.

- (c) The Department shall disburse Program administration funds in an amount not to exceed 10 percent of the total amount of Project funds awarded by the County per year pursuant to the requirements of Section 401.
- (d) All requests for disbursement of funds shall be made by the County on forms provided by the Department.
- (e) In order to receive the remainder of a Project's funds under paragraph (b), the County shall provide the Department with evidence acceptable to the Department that the Project is complete, and that all NPLH units in that Project are occupied by persons meeting the income, rent, and tenant eligibility requirements for those units. This information shall be provided on forms made available by the Department.

Section 409. Reporting

The County and Project owners shall comply with the reporting requirements of Section 214 except for subsections (a) and (b).

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, 5849.11 Welfare and Institutions Code.

Section 410. Legal Documents

After the County is sent a letter providing notice of award and prior to actual disbursement of funds pursuant to that award, the Department and County shall enter into a State "Standard Agreement," which shall constitute a conditional commitment of said funds. The Standard Agreement shall require the County to comply with the requirements and provisions of the NPLH Program statutes, these Guidelines, and generally applicable State contracting rules and requirements. The Standard Agreement shall encumber State monies in an amount no more than is available to the County under Section 102, and said amount shall be consistent with the corresponding award letter. The Standard Agreement shall contain the terms necessary to ensure the County complies with all NPLH Program requirements, including but not limited to, the following:

- (a) Requirements for the execution of an operating reserve agreement, or other Project-specific contracts as may be applicable;
- (b) On all loans held by the County, requirements for a promissory note payable to the County in the principal amount of the loan. The promissory note shall be secured by a deed of trust against the fee estate underlying the property or an acceptable leasehold security naming the County as the primary beneficiary. Such security shall be executed prior to the disbursement of funds to a Project.

- (c) Requirements, where appropriate, for the execution and recordation of covenants, regulatory agreements, or other instruments restricting the use and occupancy of and appurtenant to a Project and the property thereunder (for the purposes of this Article IV, all such documents are collectively herein referred to as the “Noncompetitive Allocation Program Agreements”);
- (d) The County’s responsibilities for timing of all local awards of funds, as well as any reporting requirements;
- (e) Remedies available to the Department in the event of a violation, breach or default of the Standard Agreement; and
- (f) Any and all other provisions necessary to ensure compliance with the requirements of the NPLH Program and applicable State and Federal law.

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, Welfare and Institutions Code.

Section 411. Monitoring

- (a) The County is responsible for managing the day-to-day operations of the NPLH Project, ensuring that NPLH funds are used in accordance with all Program requirements and written agreements. The County must take appropriate action when performance problems arise. While the County may use subcontractors to perform these functions, contracting out these functions will not relieve the County of these responsibilities. The performance and compliance of each Project must be reviewed as set forth in paragraph (b). The County must have and follow written policies, procedures, and systems, including a system for assessing risk of activities and Projects and a system for monitoring Projects, to ensure developers, property managers, and services providers are meeting all Program requirements.
- (b) To ensure that funded Projects are completed, Projects are able to meet long-term affordability, and Projects are meeting other Program requirements as set forth in these Guidelines and in statute, the County must meet the following minimum requirements for Project monitoring:
 - (1) On-site inspections of all Projects as needed during construction or rehabilitation, at Project completion, and at least once every three years during the term of the loan;
 - (2) Annual review of Project operating budgets, audits or other certified financial statements. All Projects that receive a COSR must submit a bifurcated annual audit. The bifurcated audit must distinguish actual annual income and expenses of units that receive capitalized operating subsidies from those units that do not receive the subsidies;

- (3) Annual review of supportive services plans and outcome measures to ensure that the supportive services being offered are the most appropriate and effective for existing NPLH tenants and the tenants proposed to be served in the Project regulatory agreement;
- (c) The Department will review the performance of each County in carrying out its Program responsibilities whenever determined necessary by the Department in order to assess the existence and use of County processes in meeting Program requirements such as:
- (1) Award of funds in accordance with the approved County method of distribution pursuant to Section 401.
 - (2) Use of processes which address compliance with Program requirements, on an ongoing basis including but not limited to:
 - A. Use of underwriting standards to determine Project feasibility,
 - B. Uses and terms of Program assistance,
 - C. Occupancy requirements,
 - D. Documentation of local property inspections to assess compliance with habitability and accessibility standards related to maintaining the property in a safe and sanitary condition,
 - E. Processes to assess the availability and appropriateness of the supportive services plan and the property management for the Target Population, and
 - F. Documentation of compliance with reporting requirements.
- (d) In conducting performance reviews, the Department will rely primarily on information obtained from the County's records and reports, findings from County on-site monitoring, and County financial reports that the County shall make available upon request of the Department. Where applicable, the Department may also consider relevant information pertaining to a County's performance gained from other sources, including citizen comments, complaint determinations, government regulatory information referrals or determinations, and litigation.

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, 5849.11 Welfare and Institutions Code.

Section 412. Defaults and Cancellations

- (a) The Department may revoke a County's ability to administer funds pursuant to this Article if the County or its funded Projects have engaged in repeated violations of Program requirements that cannot be satisfactorily resolved to bring the County into compliance. This may include failure of the County to obtain substantial compliance from a Project Sponsor with Program requirements within a reasonable period of time. Prior to revocation, the Department will work with the County for a period of not less than 90 days to identify and implement measures that can be taken to bring the County into compliance.

- (b) With at least 30 days written notice to the County, the Department may cancel or reduce funding allocations to the County or terminate or amend Standard Agreements under any one of the following conditions:
 - (1) Implementation of the County NPLH Program is not in compliance with Program requirements;
 - (2) Implementation of the County NPLH Program is not in compliance with the time frames and goals stated in the Standard Agreement;
 - (3) Special conditions for funding as stated in the Standard Agreement have not been fulfilled; or
 - (4) The department has been notified of a reduction in or elimination of NPLH bond proceeds.

- (c) Upon notification by the Department that the funding allocation is canceled or reduced and the Standard Agreement is terminated or amended, the County shall:
 - (1) Complete all work affected by the cancellation or reduction that is in progress; and
 - (2) Terminate any other planned activities that cannot be paid for with NPLH funds as a result of the termination or reduction.
 - (3) Return any unobligated NPLH funds to the Department.

- (d) Notwithstanding the above, the County shall continue to carry out all of its responsibilities under the Program to Projects it made awards to prior to discontinuing administering funds pursuant to this Article.

NOTE: Authority cited: Section 5849.9(c), Welfare and Institutions Code. Reference cited: Sections 5849.7(c)(4), 5849.9, Welfare and Institutions Code.