

Notice of Funding Availability Round 3

Veterans Housing and Homelessness Prevention Program

Issued By



In Collaboration With



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

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Department of Housing and Community Development**

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NOTICE OF FUNDING AVAILABILITY (NOFA) – ROUND 3
VETERANS HOUSING AND HOMELESSNESS PREVENTION PROGRAM

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A. Introduction

The Department of Housing and Community Development (HCD), in collaboration with the California Housing Finance Agency and California Department of Veterans Affairs, is announcing the availability of approximately \$75 million in funding for veterans and their families under the Veterans Housing and Homeless Prevention Program (VHHP). Funding for this NOFA is provided pursuant to Chapter 727, Statutes of 2013 and Proposition 41 (2014). Approximately \$65 million is available for the development of Affordable Multifamily Rental Housing containing permanent Supportive Housing units, Transitional Housing units or Affordable Housing units.

Pursuant to Chapter 44, Statutes of 2016 (Chapter 44), the remaining \$10 million in Round III funding is dedicated exclusively to Transitional Housing and Emergency Shelters. Projects applying for the \$10 million governed by Chapter 44 are subject to modified scoring criteria and eligibility requirements. **These rules are described in Section C of the NOFA and in more detail in Section 121 of the VHHP Program Guidelines.**

Information on this funding opportunity is available on HCD's website at <http://www.hcd.ca.gov/fa/vets/>.

"Veteran" means any person who served in the active military, naval, or air service of the United States, or as a member of the National Guard who was called to and released from active duty or active service, for a period of not less than ninety consecutive days or was discharged from the service due to a service-connected disability within that ninety-day period. This includes all veterans regardless of discharge status.

B. Program Guidelines and Legal Authority

The administration of VHHP is governed by the VHHP Program Guidelines (Guidelines), dated December 12, 2016, and as may be amended (both "Guidelines" and "Round III Guidelines"). These Guidelines establish terms, conditions, and procedures for funds awarded under VHHP. The Guidelines implement and interpret the Veterans Housing and Homeless Prevention Act (Act) as set forth in Military and Veteran's Code Division 4 Chapter 6, Article 3.2, commencing with Section 997.001. The Guidelines interpret and make specific the following sections applicable to this Program (and programs thereunder): Sections 987.005, 987.007, 987.008.

The Round III Guidelines implement and interpret Chapter 44, and relevant statutes that pertain to the \$10 million set-aside for Transitional Housing and Emergency Shelters (Section 121) and the Article XXXIV exemption for VHHP funded units (Section 102(q)).

The Guidelines are available on HCD's website at <http://www.hcd.ca.gov/fa/vets/>.

C. Application Workshops and Webinar

HCD will host a webinar on January 11, 2017. The time of and instructions for joining this webinar will be posted on the website.

Workshops are scheduled as follows:

Date	Location	Time
January 9, 2017	Elihu Harris State Building 1515 Clay Street, Auditorium Oakland 94612	10 am to 2 pm
January 13, 2017	Ronald Reagan State Building 300 South Spring Street, Auditorium Los Angeles 90013	1 pm to 3 pm

ADVANCE REGISTRATION FOR THE WORKSHOPS IS REQUESTED. Space is limited and will be reserved on a first come basis. To ensure a spot, register early but no later than 24 hours before the workshop. To register, please complete Attachment 1 and return via email to Gail.Tillman-Mitchell@hcd.ca.gov or fax to (916) 263-2764, attention: Gail Tillman-Mitchell. **Printed materials will not be provided at the Workshop. Materials will be made available for download and printing from HCD's website or via e-mail by request.**

D. Guideline Changes

This is a summary of significant changes and does not include all minor or clarifying changes.

- Section 101 – Definitions
 - Modified the definition of *Assisted Unit* to exclude units treated as Assisted Units under other state funding programs, which means that these units cannot be counted towards the total VHHP loan amount.

- Section 102 – Threshold Requirements
 - Added a requirement that projects must restrict occupancy of at least twenty percent of total units or five units to veterans, whichever is greater.
 - For projects with more than twenty units, no more than half of total project units may be restricted under VHHP as either Chronically Homeless or Homeless with a Disability (This does not preclude the project from using other funding sources to restrict additional units for persons with disabilities or allowing occupancy of any units by persons with disabilities).
 - Projects must achieve a minimum readiness score of seven and a half points.
 - Added language to clarify Chapter 44 regarding Article XXXIV of the California Constitution and the VHHP Program.

- Section 103 – Uses and Terms of Program Assistance
 - Clarified that program funds shall only be used for capital asset related expenses as required by section 16727 of the Government Code.
 - Maximum per-unit loan amounts have been modified:
 - The initial base for nine percent tax credit projects is \$20,000 lower than Round 2 base amount, now at a base amount of \$45,000 per unit.
 - The initial base for projects that do not use nine-percent tax credits is \$45,000 greater than Round 2 base amount, now at a base amount of \$125,000 per unit.
 - The Operating Reserve Offset Tranche has been eliminated.

- Section 108 – Use of Operating Cash Flow
 - Clarified that the specified limits on supportive services costs payable as operating expenses also apply to non-VHHP units if another public agency program restricts the units to serve a similar population.

- Section 110 – Application Process
 - Projects must achieve a minimum readiness score of seven and a half points.
 - Projects must achieve a minimum rental/operating subsidy leverage score of four points.

- Section 111 – Application Selection Criteria
 - The following scoring tiebreakers apply in descending order:
 1. the percentage of Assisted Units restricted to Supportive Housing for Chronically Homeless Veterans;
 2. the readiness score;
 3. the percentage of Assisted Units with two or more bedrooms with an occupancy preference for households with children;
 4. the Supportive Services Plan point score; and
 5. leverage of state subsidy funds with other resources.
 - Revised the development funding leverage ratio scoring scale for projects without nine percent competitive low-income housing tax credits and with units for the Chronically Homeless.

- Section 112 – Housing First Practices
 - Projects must not mandate daily activities or limit privacy, visitors, or individuals' abilities to engage freely in community activity.

- Section 121 – Chapter 44, Statutes of 2016 (AB 1622) Funds
 - Added provisions that apply solely to the \$10 million set-aside for Transitional Housing and Emergency Shelter.

- This section includes language on eligible activities, defined terms, eligibility requirements, and other items.
- These funds are subject to application selection criteria specified in Section 111 and also may receive up to twenty points based on the extent that properties: 1) demonstrate high need for the targeted population; 2) focus on long-term solutions such as funding for mental health services; and 3) are sponsored by organizations that demonstrate proven long-term effectiveness.
- Loan limits for Emergency Shelter and Transitional Housing projects that receive funds from the \$10 million set aside authorized by Chapter 44 vary. For more information see Section 121.

E. Geographic Distribution

To the extent there are applications from the identified regions in Section 110 that meet all Program eligibility requirements and score above the minimum required point score, awards will be adjusted to meet the geographic distribution objectives in Section 110(f)(2). The geographic distribution objectives are as summarized as follows:

Not less than fourteen percent of the total amount awarded (estimated to be \$9.1 million) to projects located in the counties of Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Santa Cruz or Sonoma.

Not less than thirty-one percent of the total amount awarded (estimated to be \$20.15 million) to projects located in Los Angeles County.

Not less than eight percent of the total amount awarded (estimated to be \$5.2 million) to projects located in the counties of Orange, Riverside or San Bernardino.

Not less than seven percent of the total amount awarded (estimated to be \$4.55 million) to projects located in San Diego County.

Not less than sixteen percent of the total amount awarded (estimated to be \$7.8 million) to projects located outside any of the previously named counties.

Funds remaining after satisfying the geographic distribution objectives set forth in this Section shall be awarded without regard to project location.

The \$10 million Transitional Housing and Emergency Shelter set-aside is not subject to the provisions of this Geographic Distribution.

F. Maximum Loan Amount

The maximum loan per project is \$10 million. Under this NOFA, the maximum per unit loan amount will be computed as shown in Section 103 of the Guidelines with the exception of projects funded under the \$10 million Chapter 44 Transitional Housing and Emergency Shelter set-aside.

G. Eligible Project Sponsor

Sponsor is the borrowing entity that HCD relies upon for experience and capacity, and which controls the project during development and occupancy. Sponsor is the applicant for the award. In a project with multiple layers of ownership, the Sponsor cannot have more than one entity between itself and the borrowing entity. Sponsors and borrowing entities may be organized on a for-profit or not-for-profit basis. Any public agency or private entity capable of entering into a contract is eligible to apply, provided they meet the threshold requirements in Section 102 of the Guidelines.

Special eligibility requirements apply to the \$10 million Chapter 44 Transitional Housing and Emergency Shelter set-aside.

H. Use and Terms of Program Assistance

VHHP funds will be provided as post-construction permanent loans. All Program funds shall be used for the development costs in CCR Section 7304 (a) and (b) and to refinance loans used to cover such costs. Program loans no longer include an operating reserve offset tranche. The total amount of VHHP assistance shall not exceed the lesser of the development costs associated with Assisted Units, or \$10 million.

Program assistance shall have an initial term of fifty-five years or longer to match the period of affordability restrictions under the Low Income Housing Tax Credit Program. Program loans shall be secured by the project's real property and improvements, subject only to liens, encumbrances, and other matters of record approved by HCD consistent with CCR Section 8316.

The Loan terms are described in Guidelines Section 103.

I. Threshold Requirements

To be eligible to receive funding, projects must meet the requirements of Guidelines Section 102. Projects must involve new construction or acquisition/rehabilitation of an Affordable Rental Housing Development or Transitional Housing, or conversion of an existing structure into one of these housing types. Projects shall restrict occupancy for at least forty-five percent of Assisted Units to Extremely Low Income Veterans, with rents not exceeding thirty percent of the thirty percent Area Median Income (AMI) limit, calculated in accordance with Tax Credit Allocation Committee (TCAC) regulations and procedures, i.e. TCAC's thirty percent AMI Rent limit.

Projects must restrict either twenty percent of total units in the projects or five units to veterans, whichever is greater. These units can be restricted under the VHHP program or another public agency program.

For projects with Supportive Housing or Transitional Housing, additional requirements concerning the lead service provider experience including comprehensive case management, adherence to Housing First property management and tenant selection practices, and the supportive service requirements of Section 115 are required.

Special rules apply to projects applying for the \$10 million Chapter 44 Transitional Housing and Emergency Shelter set-aside.

The VHHP Program regulatory agreement will not restrict more than half of the total project units to households that qualify as either Chronically Homeless or Homeless with a Disability in projects greater than twenty units. This limitation does not preclude any other funding sources from restricting additional units to persons with disabilities and exceeding more than half of total project units restricted by the combined funding sources to persons with disabilities.

For projects proposing new construction of Transitional Housing, projects shall have a physical configuration that allows for ready conversion of the Transitional Housing to permanent housing at minimal cost.

Additional threshold requirements pertaining to all projects types are contained in Guidelines Section 102 (f)–(m).

J. Occupancy Requirements

Occupancy of all Assisted Units shall be restricted to households including one or more Veterans with incomes at move-in not exceeding the limits approved by HCD and specified in the Program regulatory agreement. At least forty-five percent of total Assisted Units within a Project must be restricted to Extremely Low Income Veterans. The maximum income limit at move-in may not exceed sixty percent of AMI.

Occupancy for units designated as Supportive Housing or Transitional Housing is restricted to veteran households experiencing homelessness, as defined in the Guidelines.

Occupancy requirements are detailed in Section 104 of the Guidelines and shall apply for the full term of the Program loan.

K. Rent and Income Limits

Assisted Unit rent and tenant incomes will be restricted in accordance with the rent and income limits proposed by the project Sponsor in their VHHP application, with rents generally not exceeding thirty percent of the applicable income limit. The income limits are posted on the HCD website. These limits will be similar to those used in HCD's Multifamily Housing Program. Funding will be available for income limits up to sixty percent AMI.

Emergency shelter projects that apply under the \$10 Million Chapter 44 Transitional Housing and Emergency Shelter set-aside shall not charge rent.

L. Miscellaneous Requirements

VHHP projects must adhere to the requirements in Section 109, that five percent of the contracting work be awarded to a Disabled Veteran Business Enterprise (DVBE). Also, Sponsors must make a good faith effort to hire veterans for development, construction and related jobs associated with the project. Sponsors are encouraged to contact the CalVet

SB/DVBE Advocate at 916-651-3045, or via email at gloria.anderson@calvet.ca.gov for assistance locating DVBE. Also, here is a suggested link to search for DVBE companies: <http://www.bidsync.com/DPXBisCASB>.

As part of the application for program funds, applicants shall submit a Utilization Plan describing how this requirement will be satisfied, including identification of a plan administrator responsible for implementing the plan and ensuring achievement of the five percent requirement; and description of outreach methods to be used to recruit DVBEs. For more information on the Utilization Plan see Section 109(a)(1) of the Guidelines.

Prior to the commencement of construction, the Sponsor shall submit a report to HCD and the California Department of Veterans Affairs on their DVBE plan implementation. Upon completion of construction, and prior to the Program loan closing, the Sponsor shall submit a report detailing actual payments to DVBEs.

If the Sponsor fails to achieve the five percent minimum requirement, HCD may award negative points for subsequent VHHP applications for funding.

For additional requirements see refer to Section 109 (c)-(f).

M. Application Process

Applications must be submitted on forms provided or approved by HCD. Application forms must not be modified. The Application form will be available on HCD's website on or about December 19, 2016. HCD will only accept applications through a postal carrier service such as U.S. Postal Service, UPS, Fed Ex or other carrier services that provide date stamp verification confirming delivery to HCD's office at:

Veterans Housing and Homelessness Prevention Program
Department of Housing and Community Development
Division of Financial Assistance
2020 W. El Camino Avenue, Suite 500
Sacramento, CA 95833

A complete original application and two electronic copies on CD or flash drive with all applicable information must be received by HCD via postal carrier no later than **5:00 p.m. on Tuesday, February 21, 2017**. No facsimiles, late applications, incomplete applications, application revisions, electronically transmitted, or walk-in application packages will be accepted. Applications must meet all eligibility requirements upon submission. Applications having material internal inconsistencies will not be rated and ranked. For application questions, contact any member of the VHHP staff as listed in the application.

N. Required Minimum Point Scores

To be considered for a funding award each project must receive a minimum overall application score for the applicable project type, as well as minimum scores in the Supportive Services Plan and Readiness to Proceed scoring categories.

Overall Application:

- One-hundred Points for Projects with Supportive Housing
- Eighty Points for Projects with Transitional Housing but not Supportive Housing
- Sixty-five Points for All Other Projects

Supportive Services Plan

- Ten Points for Projects that include Supportive Housing or Transitional Housing
- Seven Points for All Other Projects

Leverage of Rental or Operating Subsidies

- Four Points for All Project Types

Readiness to Proceed

- Seven and a half Points for All Project Types

O. Application Selection Criteria

The criteria that will be used to score projects are described in Section 111 and summarized below.

Scoring Category	Max. Points w/SH Units or TH Units	Max. Points All Other Projects	Comments
Development Team Experience	33	15	Only SH or TH will be scored on Lead Service Provider experience for an additional eighteen points.
Supportive Housing Units	25	0	Only SH or TH projects will be scored in this category, to receive any points in this category a minimum of twenty-five percent of VHHP Assisted Units must be restricted as SH.
Supportive Services Plan or Resident Services Coordination Plan	20	10	To ensure a minimum level of service quality, projects must receive a minimum point score of ten points for Supportive Services Plans and seven points for Resident Services Coordination Plans.
Leverage of Development Funding	15	15	

Leverage of Rental or Operating Subsidies	20	20	Projects without rental subsidy contracts or operating subsidy reserves will be allowed to garner points in this category if they can deliver the same rents as projects with these contracts or reserves. Projects are required to receive a minimum point score of four points in this category.
Readiness to Proceed	15	15	To ensure a minimum level of project readiness, projects are required to receive a minimum point score of seven and a half in this category.
Confirmation of Local Need	5	5	
Total Maximum Points	133	80	

Projects that receive funds from the \$10 million governed by Chapter 44 are eligible for an additional twenty points based on the target population's need, the focus on long-term solutions, and the effectiveness of the services. For more information on this \$10 million set-aside, please see Section 121 of the Guidelines.

In the event of tied point scores the following tie breakers will be used:

1. the percentage of Assisted Units restricted as Supportive Housing for Chronically Homeless Veterans;
2. the readiness score;
3. the percentage of Assisted Units with two or more bedrooms with an occupancy preference for households with children;
4. the Supportive Services Plan point score; and
5. leverage of state subsidy funds with other resources.

P. Housing First Practices

Applicants will certify and document adherence to Housing First practices in the application, property management plan, and supportive services plan. Adherence to Housing First practices shall be subject to periodic compliance monitoring.

Housing First is an approach adopted by federal veteran and housing agencies where persons experiencing homelessness, usually chronically homeless individuals and families or especially vulnerable homeless individuals and families; are provided immediate access to housing and then offered supportive services to foster long- term housing stability. More information on Housing First best practices may be found at

http://usich.gov/resources/uploads/asset_library/Housing_First_Checklist_FINAL.pdf

For additional information on VHHP Housing First requirements, please see Section 112.

Q. Tenant Selection

Sponsors shall select tenants in accordance with the provisions of 25 CCR Section 8305, the Uniform Multifamily Regulations. Reasonable selection criteria, as referred to in Section 8305(a)(1), includes priority status under a local coordinated access (also known as coordinated assessment) system developed pursuant to the 24 Code of Federal Regulations 578.7(a)(8). Supportive and Transitional Housing projects shall prioritize highly vulnerable households referred by the local coordinated access system. If local systems are not in place, these VHHP developments shall coordinate with outreach and shelter programs serving vulnerable people experiencing homelessness.

Potential tenants shall not be rejected based on the type of military discharge, unless specifically required by a public agency funding source for the project. For more information, please see Section 113.

R. Supportive Services and Property Management Requirements

All VHHP projects shall be designed to provide affordable housing occupants with access to an array of services and amenities delivered both on-site and through off-site community or veteran-specific services. Service provider experience and service plan requirements (included in both threshold and scoring evaluations) differ for projects depending on their configuration and inclusion of Supportive, Transitional and Affordable Housing units.

As part of the VHHP application, Sponsors must identify their service provider and submit a Supportive Services Plan that meets the requirements of Section 115. Scoring of the supportive service providers and plans is detailed in Section 111.

The Supportive Services Plan must also identify the parties responsible for Homeless Management Information System (HMIS) and other reporting, which must also be reflected in the required agreements and commitment letters.

S. Same-Sex Restricted Projects

In order to best address the needs of veterans, some applicants may want to propose housing where all adult occupants are restricted to be of the same sex. Yet, under State and Federal fair housing and civil rights laws (collectively "FH laws") any such restriction, without an adequate legal justification, would likely constitute impermissible facial discrimination. Although there remains considerable legal uncertainty as to what the basis for such a legal justification would be, HCD, in order to best serve the needs of our Veterans, is willing to consider awards to same-sex-restricted projects provided the project application can meet the jurisprudential test set forth in *Community House, Inc. v. City of Boise*, 490 F.3d 1041, 1050 (9th Cir. 2007). In order to demonstrate that a proposed same-sex-restricted project will meet this FH law standard, each proponent of such a project must submit (along with its other application materials) a project-specific legal opinion letter with supporting materials documenting how it satisfies FH laws as described below (Opinion). No scoring advantage will accrue to same-sex-restricted projects.

The Opinion must be authored and executed under penalty of perjury by a licensed member of the California State Bar. The Opinion must demonstrate that the applicant has considered the legal requirements of FH laws as applied to the relevant facts of its proposed project. It must demonstrate how the proposed same-sex-restriction, despite being facially discriminatory, is still permissible under FH law.

The Opinion must describe the population to be housed and its gender or sex-related special condition (Condition) that requires (and therefore justifies) housing in a same-sex setting. Each such description must be supported by project-specific medical, psychiatric, or psychological support referenced by and attached to the Opinion (Professional Documentation). The Opinion, taken together with the Professional Documentation, must explain how and why a same-sex-restriction is both necessary and still the least restrictive means by which to properly and holistically address or treat the Condition(s) presented by the inhabitants of that particular housing development. The Professional Documentation must be authored and executed under penalty of perjury by a licensed member of the California Board of Behavioral Sciences, or a physician licensed by the Medical Board of California.

Lastly, the Opinion must also describe the means by which the applicant will initially and individually screen and continue to document (with tenant-specific Professional Documentation) each tenant condition(s) justifying her or his need for same-sex-restricted housing.

Attachment 1

VHHP Workshop Registration Form

The Veterans Housing and Homelessness Prevention Program (VHHP) workshop is designed to provide training on the VHHP application and technical assistance for applicants. It is strongly recommended that you attend. At least 24 hours prior to the workshop date, please RSVP by completing and submitting this single page (no cover sheet is needed) to Gail.Tillman-Mitchell @hcd.ca.gov or FAX (916) 263-2764.

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

Name of Attendee(s):	
Organization's Name:	
Address:	
City, Zip Code:	
E-mail:	
Phone Number:	
Fax:	

Please indicate the workshop you wish to attend:

_____ **Oakland – Monday, January 9**

_____ **Los Angeles – Friday, January 13**