



# Disaster Recovery Multifamily Housing Program

## Frequently Asked Questions

This document provides answers to frequently asked questions from units of general local government (Subrecipients) allocated Disaster Recovery Multifamily Housing Program (DR-MHP) funding.

### 1. Is acquisition an eligible project cost for DR-MHP funds?

No. DR-MHP is intended to provide gap funds for shovel-ready, or near shovel-ready projects due to the grant expenditure timeline.

In order for the Department to consider funding project acquisition, a Subrecipient must request a waiver in the form of a letter, submitted to the Department, summarizing the project and anticipated costs and justifying the need for DR-MHP funds to be used for acquisition costs. The summary of anticipated costs should list all costs by source and use, including the anticipated costs of acquisition, proposed to be paid with DR-MHP funds. Additionally, the letter must provide a project schedule and discuss how and when the property will provide permanent affordable housing units in the community.

### 2. Are emergency shelters and transitional housing eligible for DR-MHP funding?

No. Pursuant to the Disaster Recovery (DR) Action Plan, “HCD has not allocated funding to address the rehabilitation, reconstruction, or replacement of emergency shelters and transitional housing.”

### 3. Is rehabilitation an eligible activity?

Rehabilitation is an eligible activity as long as the project results in the addition of affordable units to the jurisdiction’s housing stock. As an example, an unrestricted rental housing unit that is not presently habitable or occupied would be eligible because that unit would be added to the jurisdiction’s affordable housing stock as a result of the rehabilitation. Resyndication projects are not eligible. Rehabilitation projects for existing affordable housing units are not eligible, unless the units sustained damage as a result of DR-4344 or DR-4353.

### 4. Is there a minimum percentage of a project’s total units that need to meet a special purpose (large family, senior, etc.) as defined in the DR-MHP Policies and Procedures?

The threshold percentage for each identified special purpose is specified in the Multifamily Housing Program Guidelines (available at:



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<https://www.hcd.ca.gov/grants-funding/active-funding/mhp/docs/Round-1-MHP-Final-Guidelines.pdf> and linked in the DR-MHP Policies and Procedures.

### 5. What level of environmental review is required for projects?

Expenditure of DR-MHP funds requires an appropriate level of environmental review under the National Environmental Policy Act (NEPA). Projects that have the potential to alter physical conditions, generally, will be Categorically Excluded, Subject to Part 58.5 review (for rehabilitation), or require an Environmental Assessment (for demolition, reconstruction, or new construction). Projects must also complete the required level of review or applicable waiver under California Environmental Quality Act (CEQA).

### 6. Who is responsible for completing the environmental review for each project?

Subrecipients are responsible for completing the environmental review and maintaining the environmental review record for each project submitted for DR-MHP funding.

Costs associated with completing the environmental review, including staff time or consultant fees, are considered activity delivery costs and can be reimbursed to the Subrecipient for approved projects only.

### 7. When is the Environmental Review Record (ERR) required to be submitted?

If the environmental review is complete prior to submitting the DR-MHP Project Application, Subrecipients are required to submit the environmental review documentation and Request for Release of Funds (RROF) with each project application, except as otherwise noted below. If the project is approved, the Department will issue an Authority to Use Grant Funds (ATUGF) with the Notice to Proceed (NTP).

If the environmental review is not complete prior to submitting the DR-MHP Project Application, Subrecipients will receive a conditional commitment letter for approved projects which will require submission of the environmental review record and Request for Release of Funds (if applicable) prior to the Department issuing a NTP and ATUGF.



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Please note: a project for rehabilitation that is documented as Categorically Excluded, Subject to Part 58.5 review, has the possibility of converting to Exempt. The conversion to Exempt must be documented. That documentation must be submitted to the Department as part of the ERR. However, if that project does not convert to Exempt, an RROF must be submitted.

AUTGF for DR-MHP funds is provided by HCD and does not require submission to HUD.

### **8. When do other funds need to be documented as committed?**

All sources of funding required to complete the project must be identified in the DR-MHP application for each individual project. However, all sources of funding do not need to be committed at the time of DR-MHP application. Subrecipients are required to provide proof of funding commitments for each project prior to the Department issuing an NTP. If that proof is not provided at DR-MHP application and the project is approved by the Department, the Department will issue a conditional commitment letter which will require the submission of proof of funding commitments prior to the Department issuing an NTP.

### **9. If a Subrecipient is only aware of one viable project that could meet DR-MHP timelines and requirements, does the Subrecipient still have to implement a project solicitation process?**

Yes, each Subrecipient is required to facilitate an open solicitation process as described in the DR-MHP Policies and Procedures. The local project solicitation process shall set forth the project selection schedule and local requirements, in addition to the requirements set forth in the DR-MHP Policies and Procedures Manual, and criteria for how Subrecipients will select projects for submission to HCD to receive DR-MHP funds.

In cases where there are very few applications expected, the Subrecipient may implement an initial notice of interest process to allow potential respondents an opportunity to identify potential projects before starting the local project solicitation process. If there is no interest expressed in response to the initial notice of interest process within a reasonable period of time (30 – 60 days), the Subrecipient may submit a request for waiver of the project solicitation process requirement in a letter to the Department, describing how the one project meets all DR-MHP requirements and documenting the published notice of interest process, described above.



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- 10. Can a Subrecipient provide a letter of intent to a developer applying to TCAC for use of DR-MHP funds prior to an executed master standard agreement, and/or completion of a DR-MHP project solicitation process?**

Yes, however there is a level of risk associated with issuing letters of intent prior to HCD review and approval of project applications. To mitigate this risk, Subrecipients should conduct a review of those projects through the DR-MHP lens pursuant to the program policies and procedures manual at minimum and complete a thorough underwriting process. DR-MHP still requires all Subrecipients to conduct a local project solicitation process and local underwriting. Additionally, Subrecipients are still required to submit project applications in Grants Network for HCD's review and approval, and issuance of a Notice to Proceed, as outlined in the DR-MHP Policies and Procedures.

- 11. What form of assistance is available from HCD to Subrecipient?**

DR-MHP assistance from HCD to the Subrecipient will be in the form of a grant. The Grant may be used for eligible project costs and activity delivery costs, up to the allocation amounts by City and County. These amounts are listed in Section 2.9 of the Policy and Procedures. Grant funds will be disbursed to Subrecipients on a reimbursement basis.

- 12. What form of assistance is available from the Subrecipient to Developer?**

The DR-MHP Policies and Procedures specify three forms of assistance: a grant, a forgivable loan, or other forms of assistance which may be approved by HCD on a case-by-case basis concurrent with application review and approval. The request for review of other forms of assistance shall be submitted with the project application. HCD will review the request as part of the project application review and approval process. Review and approval of alternative forms of assistance to Developers may necessitate additional HCD review time depending on the degree of review required and the complexity of the alternative form of assistance. This may add approximately 2-4 weeks of additional review time.

- 13. Can 50% of the developer fee can be drawn down in the last reimbursement request?**

There is nothing in the program policies that would prohibit it; but as a reminder, DR-MHP is reimbursement only. If the City has reservations or



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policies about how much of the developer's fee can be advanced when, you are free to exercise that policy. Withholding the developer's fee is really about mitigating the risk of a developer not finishing the project or not leasing it up.

**14. Does the resolution that needs to be approved by the City Council require a public hearing?**

The City should follow its standard policies and procedures to hold a public meeting or hearing when the resolution is presented to council. We suggest following the normal process as is required by their annual CDBG funding.

**15. Can subrecipients be reimbursed for interest associated with loans used to pay costs while awaiting DR-MHP reimbursement?**

Interest payments are an eligible cost under CDBG-DR. Subrecipients should identify the interest and fees associated with a working capital loan as activity delivery line items in the MSA budget. Subrecipients must demonstrate how and why a loan and the associated terms are necessary and reasonable costs, and should include a budget narrative to explain the use of funds.

**16. Regarding the 504 requirement, can the letter come from the Architect instead of the Engineer? Typically, the architect certifies this requirement for TCAC.**

Yes provided the architect is certifying 504 compliance based on the project as-built. The certification must include identification of the specific 504 accessible units and the accessibility features available in those units (mobility / sensory). We currently require certification of the planned build with the application. Need to add a requirement to the Project Completion Report to certify as-built.



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**17. Can the city prioritize workforce housing?**

No.

**18. Can the CDBG-DR MHP grant funds be used in conjunction with Project-based Section 8 funding? And if so, would that project then be allowed to exceed HIGH HOME rent limits?**

CDBG-DR MHP grant funds can be used in conjunction with project-based Section 8 funding. The Fair Market Rents may be charged to the Housing Authority so as long as the tenant portion is below HIGH HOME limits and meets its project-based voucher rule of 30 to 40 percent.

**19. Is overtime an allowable expense to be reimbursed?**

Allowable provided that the subrecipient follows the standards for documentation of personnel expenses.

**20. Can CDBG DR funds allocated to the project be used to pay for upfront project reserves?**

The Collateral Loan Structure does not appear to be an issue since this will be a forgiven loan and program income will not be generated from a CDBG-funded activity. There are not any terms placed on this approach.