

Round 6 VHHP Draft Guidelines Explanation of Changes

This document describes the rationale behind significant proposed changes to the Veterans Housing and Homelessness Prevention (VHHP) Program Guidelines for Round 6.

Section 101 – Definitions

The following definitions were added because the reference to the Multifamily Housing Program (MHP) Guidelines or Regulations were replaced with direct language from the MHP Guidelines and these are defined terms under the MHP Guidelines:

101 (b) – “Affordable Rents”

101 (i) – “Commercial Space”

101 (r) – “Fiscal Integrity”

101 (v) - “Initial Operating Year”

101 (x) – “Manager’s Unit”

101 (cc) – “Refinance”

101 (ee) – “Rehabilitation”

Section 101 – Definitions (Continued)

101 (d) – “Area Median Income” was added, as it was not previously defined.

101 (f) – “Borrower” – This definition was added to clarify that the Borrower is as identified in the Regulatory Agreement.

101 (o) – “Eligible Households” - The definition of “Eligible Households” was added for clarity. Eligible Households is a defined term in the Regulatory Agreement.

101 (s) – “Gross Income” - This definition was added to provide a basis for calculating gross income. The word “income” has been replaced with “Gross Income” where appropriate. The definition comes from 25 CCR Section 6914, Housing and Community Development.

101 (z) – “Operating Income” - Operating Income was previously not listed as a definition but is referred to in the VHHP Guidelines.

101 (bb) – “Project” – This definition was added from the UMRs, due to incorporating language from the MHP Guidelines.

101 (d) “Regulatory Agreement” – this definition was added from the UMRs. It is capitalized in the MHP Guidelines, that has been incorporated into the VHHP Guidelines.

101 (gg) – “Restricted Units” - This definition was added based on adding the definition of Manager’s Unit. Restricted Unit is a defined term within the Manager’s Unit definition from the MHP Guidelines.

101 (ii) – “Schedule of Rental Income” was added, as it is now referenced in the Guidelines.

101 (mm) – “Target Population” - Added a definition for Target Population that is appropriate for supportive housing projects from Health & Safety Code 50675.14(b)(3)(A).

101 (rr) – “Veterans with a Disability Experiencing Homelessness” - Added the reference to 42 U.S.C. 11360(9)(A) for monitoring purposes.

Section 102 - Threshold Requirements

102 (c) – Income limits - Removed “The 2019 limits went into effect on April 24, 2019.” Income limits are updated annually and posted on HCD’s website, as noted under the Extremely Low Income definition.

Section 102 - Threshold requirements for projects qualifying as Supportive Housing or Transitional Housing

102 (d)(1)(C)(1) - Reworded this section for clarity that a contract with the Lead Service Provider (LSP) is not required for HUD-VASH case management services provided directly by the Department of Veterans Affairs (VA) that are consistent with the HUD-VASH Program requirements.

102 (d)(4) - Changed “households” to “Eligible Households”, based on adding the definition of Eligible Households.

Section 102 – Threshold Requirements

102 (i)(1) - Added a critical portion of the UMRs regarding special purpose entities to allow for a special purpose entity formed and controlled by the Sponsor as detailed in 25 CCR 8313.2 (a). This is in the Standard Agreement boilerplate.

Section 103 - Uses and Terms of VHHP Assistance

103 (a) - Due to adding the direct MHP language it is not necessary to state: “except that the limitation on the Developer Fee specified in Section 107 shall apply instead of the limitation in Section 7304 (b)(10)”.

103 (b) - Due to replacing the reference with direct MHP language, the following language was moved from (a) to (b) to maintain the reference: “VHHP funds shall only be used for capital asset related expenses as required by section 16727 of the Government Code”.

103 (b)(2) - Replacing reference to MHP regulations 25 Section CCR 7304 with direct language from the MHP Guidelines.

103 (c) - Due to replacing the reference to 25 CCR Section 7304(c) with direct language from the MHP Guidelines, units referred to as “Restricted” in MHP will be referred to as “Assisted” in VHHP, per the previous instruction to substitute Assisted Units with Restricted Units.

Added “as deemed reasonable to appropriate areas.”

Section 104 – Occupancy Requirements,

104 (b) and (c) - This language is meant to provide protection for co-tenants in the case of the Veteran moving out or passing away, in regard to the unit being considered an Assisted Unit.

Section 105 – Rent Limits

105 (a) - Replacing the reference to CCR Section 7312 with direct language from the MHP Guidelines.

105 (b) is being replaced with direct language from the MHP Guidelines Section 7312(f) and that language has been modified appropriately for VHHP. VHHP is a blend of one and two year, in regard to rent increase.

Additional language was added to Section 105(d) that a feasibility plan must be submitted and approved before an increase in Rents above those permitted in this section.

Section 106 - Underwriting Standards

106 (a)(11) - Added a critical portion of the UMRs that Department liens(s) shall not be subordinated to the liens of a local governmental entity with exceptions that follow 25 CCR Section 8315(b).

106 (a)(12) - Added language that local governmental entities cannot exceed a .42 percent monitoring fee.

106 (a)(13) - Added clarification that VHHP Assisted Units subsidized with HUD-VASH vouchers shall be considered Supportive Housing units.

Section 108 - Use of Operating Cash Flow

108 (c) - Supportive service coordination and case management costs have been updated for the year 2021.

Section 109 – Miscellaneous Requirements

109 (g) - Added that the “Sponsor shall, upon receipt, submit a copy of the certificate of occupancy to the Department.” This is so that HCD and CalVet are aware of when construction has been completed or is near completion, the project is ready for occupancy, and the project will begin leasing up.

Section 110 – Application Process

110 (b) - This language is added to disincentivize applicants from disencumbering their VHHP awards. The Multifamily Housing Program is proposing to add similar language to future Guidelines: Applicants seeking to swap previously awarded funds must forfeit their prior award, in writing, prior to the application due date without assurance of receiving a new award. This prohibition applies to funds awarded under any Department program, including a prior VHHP award.

Section 111 - Application Selection Criteria

111 (a)(3) (Development Team Experience) - Added three years, as the look back period, for Developer/Sponsor/Lead Service Provider Performance Issues.

111 (a)(3)(A)(5) (Development Team Experience) - Negative points to be given for unauthorized rent increases, which are not approved by HCD and above the allowable amount, that result in the displacement of residents.

111 (a)(3)(C) (Development Team Experience) - Additional information from the UMR’s regarding excessive development costs. UMR 25 CCR Section 8311 (b) clarifies criteria which will result in negative points

111 (a)(5)(B) (Development Team Experience) - Changing number points to shift emphasis to successful outcome documentation rather than just years of experience.

111 (a)(5)(E) (Development Team Experience) - Clarified language regarding outcomes and how a LSP demonstrates meeting goals and that the timeframe for the outcome measures is for 24 consecutive months.

111 (c)(1)(A)(2), 111 (c)(1)(A)(3), and 111 (c)(2)(A)(2)– (Quantity and Quality of Services) - Changed “in” to “and” to clarify and distinguish between staff experience, credentials, and job duties **and** Veteran cultural competency. Changing points to shift emphasis to cultural competency tailored to Veterans.

111 (c)(1)(A)(3)(c) – Added “and de-escalation”, as it is a feature of trauma-informed care.

111 (f)(3) – (Readiness to Proceed) - Changed “and” to “or” to clarify that it is A or B or C. This matches MHP guidelines. Also added direct language from MHP Guidelines Section 7320 (b)(5)(C)(iv) instead of a reference.

Section 113 – Tenant Selection

113 (b)(2) - Changed “local coordinated access system” to “CES” to match existing language in Section 113 and clarification on VA Programs.

Section 114 – Rental Agreements and Grievance Procedures

Added clarification related to requirements of the rental agreement and occupancy documents. This is in the Regulatory Agreement.

Section 115 - Supportive Services for Projects qualifying as Supportive Housing or Transitional Housing

115 (b)(1) – Language was added that designated supportive services staff must not be combined with property management staff and that any proposed change to the LSP must be first approved by the Department and CalVet.

115 (b)(1)(A) - Added language to state that the LSP organization shall not be the same as the Property Manager organization without prior approval from the Department and CalVet. This is to avoid conflict of interest and to separate the activities and interests of the LSP and Property Manager.

115 (b)(3) – Updated “case management services” to “comprehensive case management” to clarify language and the intended reference to case management, not case management services.

115 (b)(7)(E) – Added language from the HCD Grievance Procedure Template for clarity and that the grievance procedure will be a neutral process with no detriment to the tenant.

Section 117 – Reporting Requirements

117 (b) and (c) - Added clarification that the Department will only collect data on the SH and TH units that are VHHP Assisted Units. Also, clarified what the Sponsor shall report annually to the Department and CalVet.

Section 118 – Annual Operating Budget and Schedule of Rental Income

Added direct language from the MHP Guidelines, instead of a reference to 25 CCR Section 7326 and added language from the Regulatory Agreement to Section 118 (b) Also, clarified that the Schedule of Rental Income (SRI) is required with the Operating Budget and other documents as requested.