Round 5 VHHP Guidelines Explanation of Changes

November 8, 2019

This document describes the rationale behind significant changes to the Veterans Housing and Homelessness Prevention (VHHP) Program Round 5 Guidelines. Areas in red, in this document, identify changes to the Round 5 Guidelines after the public comment period.

The final VHHP Guidelines are available at http://www.hcd.ca.gov/grants-funding/active-funding/vhhp.shtml, with changes from the previous VHHP funding round shown in strikeout and underline format.

Section 101 (e) – "Chronic Homelessness"

The amended definition is based on the definition of Chronic Homelessness in the Multifamily Housing Program (MHP).

Section 101 (m) – "Homelessness"

The amended definition is based on the definition of Homelessness in the MHP Program.

Section 101 (n) – "Individuals with a Disability Experiencing Homelessness"

The amended definition is based on the amended definitions in Section 101 (d) and (k).

Section 101(o)- "Housing First"

"Housing First" has the same meaning as in Welfare and Institutions Code Section 8255(d)(1), including all of the core components listed therein.

Section 101 (i) – "Developer Fee", Section 101 (r) "Net Developer Fee"

To align with the Uniform Multifamily Regulations, the definition of "Developer Fee" was added and means the same as the definition in the California Code of Regulations, Title 4, Section 10302 and the definition of "Net Developer Fee" was removed.

Section 102(c) – Threshold requirement to restrict 25 percent of total units

This change removes "or another public agency program" and is intended to make it clear that only VHHP Assisted Units would meet the 25 percent threshold requirement.

Section 102(k) – Threshold requirement for site control through award date

This change shortens the time a Sponsor shall maintain site control from construction closing to award date to be consistent with other programs.

Section 102(k)(1) – Threshold requirement of readiness to proceed with a minimum of 10 points

The categories that included fee title ownership, a long-term leasehold, or 50 percent of completed working drawings did not demonstrate an influence on project readiness, and therefore were removed. The Department lowered the threshold from 13 to 10 points to account for this change.

Section 102(l)(2) – Threshold requirement may include a market study

The requirement for a market study prepared by third party was removed and language that a market study may be required as a condition of funding was added to align with Section 7309 of the MHP Guidelines.

Section 102(p) – Threshold requirement that names programs that trigger stacking limits

This change clarifies the subsidy stacking prohibition by naming HCD funding sources that cannot be stacked on the same unit.

Section 103 (a) Uses and Terms of VHHP Assistance

This section was changed to clarify a reference citation, referring to Section 107(a) and (b) and removing “instead of the limitation in Section 7304(b)(9)”.

Section 103(e) (1) – (10) Uses and terms of VHHP assistance – loan terms

The changes in this section clarify VHHP loan terms and align with MHP Guidelines and changes the base loan amount per Assisted Unit to $95,000 for 9 percent tax credit projects and $175,000 for projects that do not use 9 percent tax credits.

Section 104(b) –Occupancy Requirements for families remaining after Veteran vacates

Added language to clarify that if another funding source in the Assisted Unit has a stricter occupancy requirement than the stricter rule applies. The unit shall still be considered in Assisted Unit.

Section 106(a)(8) – Underwriting Standards for balloon payments

Addition of sandwich loans to be treated as a balloon payment with the same potential risks of requiring senior financing to be paid off prior to Department loan term.

Section 107(a) Fee Limits and Cost Limitations

In Section 107(a)(1), the changes allow a 4 percent project to have a Developer Fee in cost equal to the TCAC maximum, thereby maximizing equity. The fee paid from development funding sources cannot exceed $2 million for acquisition/rehabilitation projects and $2.2 million for new construction. The new construction fee limit is adjusted by the project's high cost ratio.

Section 107(d) Fee Limits and Cost Limitations

The changes align with MHP Guidelines and clarify the limits on development costs specified in UMR Section 8311, noting exceptions related to property acquisition prices and the amount of funds set aside to cover future land lease payments.

Section 108 (a) Use of Operating Cash Flow.

The change here replaces 25 CCR Section 8314 (a)(1)(A) with the following language: Approved deferred Developer Fee, pursuant to Section 107, provided that the aggregate of the Developer Fee paid from sources and paid as deferred shall not exceed $3,500,000.

$3.5 million limit in this section refers to the aggregate amount of Developer Fee that may be paid from funding sources and taken as a priority cash flow distribution. Developer fee above $3.5 million is allowed in cost but may only be paid from owner distributions, as allowed in the UMRs.

Section 108(b)-Use of Operating Cash Flow

The provisions of these Guidelines shall prevail in the use of operating cash flow, over the UMRs.

Section 108(c) – Use of Operating Cash Flow

The is a change to the supportive service coordination and case management costs, increasing the growth rate each year after 2019 from 2 percent per year to 3.5 percent per year.

Section 111(a)(3)(A) and (B)– Developer/Sponsor/Lead Service Provider Performance Issues

This section clarifies the points will be deducted, in subsequent rounds, for not achieving the required five percent minimum Disabled Veteran Business Enterprise (DVBE) contracting and provides a scale to evaluate projects that fail to achieve the 5 percent minimum DVBE contracting requirement.

Language is also added to this section stating that points will be deducted for failing to restrict occupancy of assisted units as required by the regulatory agreement.

Section 111 (f)(1)&(5) – Application selection criteria for readiness to proceed

Projects utilizing 9 percent tax credits or TCAC hybrid tiebreaker incentives will not receive points for obtaining enforceable commitments for construction and deferred-payment financing, grants and subsidies.

Section 111(f)(3) and (4) – Application selection criteria for readiness to proceed

Language was added to allow for a change in points for the local approval process.

The categories that included fee title ownership, a long-term leasehold, and demonstration that working drawings are at least 50 percent complete were removed, as they did not demonstrate an influence on project readiness.

Section 111(h)(3) – Application selection criteria for readiness to proceed location efficiency and access to destinations

Added “or a VA health facility”, to allow one point to be awarded for projects that provide a map highlighting the location of the existing and operational services within one-half mile of the project areas (two miles for rural communities) of a medical clinic that accepts Medi-Cal or a VA health facility.

Section 112(b and c)(2) – Housing First practices related to criminal history

Replaced "minor criminal convictions" with "criminal convictions unrelated to tenancy". Based on 2018 Housing First Statute update (WIC CHAPTER 6.5. Housing First and Coordinating Council 8255 – 8257).

Section 115(b)(1) – Supportive Services - Lead Service Provider detail to include a Memorandum of Understanding

The change requires a formal agreement between the Sponsor and Lead Service Provider (LSP) and must detail roles and responsibilities in the implementation of all elements of the supportive services plan and must be consistent with organizational charts and property management plan. In the event of a change to LSP, the Sponsor will provide the formal agreement to CalVet and the Department no later than 30 days after the date that the new LSP begins services.

Section 115(b)(3) – Supportive Services -Case Manager requirements

If the Sponsor is relying on VA staff to fulfill the master’s degree requirement, then the Sponsor will be responsible for maintaining satisfaction of this educational requirement regardless of any changes initiated by the VA. and must provide to CalVet and the

Department, the name and credentials of the Case Manager satisfying this requirement throughout the effective period of loan terms.

Section 115(b)(6) – Supportive Services – tenant engagement

The change requires a tenant satisfaction survey to be conducted at least annually.

Section115(b)(10)– Supportive Services – supportive services plan

In the event of a change to the supportive services plan or LSP, additional review and revisions to the supportive services plan may become required.

Section115(b)(10)(B)(1)– Supportive Services – supportive services plan budget

Any reduction of budgeted amounts will require prior approval by the Department and CalVet.

Section115(b)(10)(C)– Supportive Services – supportive services plan documentation

This change adds language that documentation supporting the line item budget must also include a plan and track record of the Sponsor and LSP in filling gaps in supportive services funding, due to loss of funding sources(s) and increase in services costs.

Section 117(b)(2) – Supportive Housing and Transitional Housing-annual reporting
Sponsors shall report annually on staffing levels and budgets (e.g., operating and services).

Section 119(a) – Legal Documents

Clarifies the requirement for the execution of a Sponsor operating agreement.