

VETERANS HOUSING AND HOMELESSNESS PREVENTION PROGRAM

Draft Guidelines – ROUND 6

Veterans Housing and Homelessness Prevention Program



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Section 100. Purpose and Scope

- (a) These Guidelines establish standards, rules, and procedures for the Veterans Housing and Homelessness Prevention (VHHP) Program authorized pursuant to the Veterans Housing and Homeless Prevention Act of 2014 (the Act), as set forth in Article 3.2 (commencing with Section 987.001) of Chapter 6 of Division 4 of the Military and Veterans Code. The Guidelines interpret and make specific the following provisions of the Military and Veterans Code: Sections 987.005, 987.007, 987.008. The Act relies on and references provisions of the Veterans Housing and Homeless Prevention Bond Act of 2014 (the VHHP Bond Act), as set forth in Article 5y (commencing with Section 998.540) of Chapter 6 of Division 4 of the Military and Veterans Code. The Act and the VHHP Bond Act were enacted pursuant to Statutes 2013, chapter 727, sections 1 and 3 (AB 639). The Act relies on and references provisions of Sections 4, 5, 6, 7, and 8 of AB 639, which amend the following sections of the Health and Safety Code: 50408, 50501, 50505, 50510, and 50512. The Guidelines should be interpreted in accordance with all the foregoing references to provisions of AB 639 (even those that are not part of the Act itself) to the extent that the Act relies on those provisions.
- (b) These Guidelines are adopted to govern the sixth round of the VHHP Program under the Notice of Funding Availability (NOFA) issued in 2021.

Section 101. Definitions

All terms not defined below shall, unless their context suggests otherwise, be interpreted in accordance with the meanings of terms ascribed in Subchapter 19 of Chapter 7 of Division 1 of Title 25 of the California Code of Regulations (CCR) (commencing with Section 8300).

- (a) “Affordable Rental Housing Development” means a structure or set of structures with rental housing units restricted by the Department in accordance with these Guidelines, operated under landlord-tenant law, and with common financing, ownership, and management. This term includes Supportive Housing. No more than one of the dwelling units may be occupied as a primary residence by a person or household who is the owner of the structure or structures.
- (b) “Affordable Rents” means Rents established for Assisted Units in accordance with Section 105.
- (c) “Alternative Process County” means a county designated to administer its Alternative Allocation of funds under Article III of the No Place Like Home Guidelines.
- (d) “Area Median Income” or “AMI” means the most recent applicable county median family income published by California Tax Credit Allocation Committee (TCAC).
- (e) “Assisted Unit” means a housing unit that is subject to VHHP Rent and/or occupancy restrictions as a result of financial assistance provided under the VHHP Program.
- (f) “Borrower” means the entity identified as such in the Regulatory Agreement.

- (g) “Case Manager” means a social worker or other qualified individual (see Section 115(b)(3) of these Guidelines) who assists in individualized service planning, and the assessment, coordination, monitoring, referral and advocacy of services to meet tenants’ supportive services needs, including, but not limited to, access to medical and mental health services, substance abuse services, vocational training, employment, and crisis management and interventions. Resident service coordinators are not Case Managers. For tenants with U.S. Department of Housing and Urban Development - Veterans Affairs Supportive Housing (HUD-VASH) vouchers, the Case Manager for services in accordance with the HUD-VASH Program will be the applicable U.S. Department of Veterans Affairs (VA) Case Manager (or third-party provider selected by the VA).
- (h) “Chronic Homelessness” means the condition experienced by people defined as “Chronically Homeless” under the federal Continuum of Care Program, at 24 Code of Federal Regulations (CFR) 578.3. It also includes the condition of individuals and families:
- (1) Residing in an Emergency Shelter, Safe Haven, or place not meant for human habitation, after experiencing Chronic Homelessness, and subsequently residing in permanent housing within the last year;
 - (2) Residing in Transitional Housing who were experiencing Chronic Homelessness prior to entering the Transitional Housing;
 - (3) Residing and has resided in a Safe Haven, Emergency Shelter, or a place not meant for human habitation, for at least 12 months in the last three years, but has not done so on four separate occasions; or
 - (4) Receiving assistance through the VA-funded homeless assistance programs and met one of the above criteria at intake to the VA’s homeless assistance system.
- (i) “Commercial Space” means any nonresidential space located in or on the property of a Affordable Rental Housing Development that is, or is proposed to be, rented or leased by the owner of the Project, the income from which shall be included in Operating Income.
- (j) “Coordinated Entry System” or “CES” means a centralized or coordinated process developed pursuant to 24 CFR Section 578.7(a)(8), designed to coordinate program participant intake, assessment, and provision of referrals. A CES 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.
- (k) “CPI” means the Consumer Price Index for All Urban Consumers, West Region, All Items, as published by the Bureau of Labor Statistics, United States Department of Labor.
- (l) “Department” means the California Department of Housing and Community Development.

- (m) “Developer Fee” means the same as the definition of that term in Title 4 CCR Section 10302 (l).
- (n) “Distributions” means the same as defined in Title 25 CCR Section 8301(h) of the Uniform Multifamily Regulations (UMR).
- (o) “Eligible Households” means a household whose composition includes at least one Veteran, as defined in Section 101 (oo), who meets the criteria of Target Populations, as defined in Section 101 (kk), and whose gross incomes do not exceed the income limit specified by TCAC or other lower income limits agreed to by a Project Sponsor and the Department.
- (p) “Emergency Shelter” as defined by 24 CFR 578.3.
- (q) “Extremely Low Income” means households with gross incomes not exceeding 30 percent of Area Median Income, published on HCD’s website at <http://www.hcd.ca.gov>, as part of the Official State Income Limits.
- (r) “Fiscal Integrity” means that the total Operating Income plus funds released pursuant to the Regulatory Agreement from the operating reserve account is sufficient to: (1) pay all current Operating Expenses; (2) pay all current debt service (excluding deferred interest); (3) fully fund all reserve accounts (other than the operating reserve account) established pursuant to the Regulatory Agreement; and (4) pay other extraordinary costs permitted by the Regulatory Agreement. The ability to pay any or all of the permitted annual Distributions shall not be considered in determining Fiscal Integrity.
- (s) “Gross Income” means all income as defined in Title 25 CCR Section 6914.
- (t) “Homelessness” means the condition of individuals and households who meet the definition of “homeless” in 24 CFR Section 578.3. “Homelessness” includes “Chronic Homelessness”. Occupants of a development undergoing Rehabilitation with Program funds, or being replaced by a Program-funded development, shall be deemed to be experiencing this condition under this definition if they were experiencing this condition upon initial occupancy.
- (u) “Housing First” has the same meaning as in Welfare and Institutions Code Section 8255(d)(1), including all of the core components listed therein.
- (v) “Initial Operating Year” means the initial period of operation of the Affordable Rental Housing Development, beginning at the time of the initial occupancy of the completed Project and ending on the last day of the fiscal year for the development.
- (w) “Lead Service Provider” means the organization that has overall responsibility for the provisions of supportive services and implementation of the supportive services plan in the Project. The Lead Service Provider (LSP) may directly provide comprehensive case management services or contract with other agencies that provide services. For HUD-VASH tenants, the LSP will enable the applicable VA Case Manager to administer services in accordance with the HUD-VASH Program.

- (x) “Manager’s Unit” means a Unit in which the onsite manager of the Project resides. A Manager’s Unit will not be considered to be a VHHP Assisted Unit, nor will it be considered to be a Restricted Unit for the purpose of calculating allowable Distributions. A Manager’s Unit will be considered to be a Restricted Unit for the purpose of allocating development costs and may qualify for a loan amount up to the amount applicable to the 60 percent of AMI level.
- (y) “Operating Expenses” means the same as defined in 8301(k) of the UMR.
- (z) “Operating Income” means all income generated in connection with operation of the Affordable Rental Housing Development including rental income for Assisted Units and non-Assisted Units, rental income for Commercial Space or commercial use, laundry and equipment rental fees, rental subsidy payments, and interest on any accounts, other than approved reserve accounts, related to the Affordable Rental Housing Development. “Operating Income” does not include security and equipment deposits, payments to the Sponsor for Supportive Services not included in the Department-approved operating budget, cash contributed by the Sponsor, or tax benefits received by the Sponsor.
- (aa) “Program” means the Veterans Housing and Homelessness Prevention Program, authorized by Proposition 41, the Veterans Housing and Homeless Prevention Bond Act of 2014.
- (bb) “Project” means a Affordable Rental Housing Development, and includes the development, the construction or rehabilitation, and the operation thereof, and the financing structure and all agreements and documentation approved in connection therewith.
- (cc) “Refinance” means to pay off all or a portion of existing debt secured by the Project with the proceeds of a Program loan or other financing also secured by the Project.
- (dd) “Regulatory Agreement” means the written agreement between the Department and the Sponsor that will be recorded as a lien on the Affordable Rental Housing Development to control the use and maintenance of the Project, including restricting the rent and occupancy of the Assisted Units.
- (ee) “Rehabilitation” means the term as defined in Section 50096 of the HSC, including improvements and repairs made to a residential structure acquired for the purpose of preserving its affordability.
- (ff) “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.
- (gg) “Restricted Unit” means the same as that term is defined in the UMR Section 8301, excluding units restricted at levels above 60 percent of AMI.

- (hh) “Safe Haven” as defined by 24 CFR 578.3.
- (ii) “Schedule of Rental Income” or “SRI” means the same as described in the Regulatory Agreement.
- (jj) “Sponsor” means the same as defined in Section 8301(s) of the UMR.
- (kk) “SSVF” means the Supportive Services for Veteran Families Program established pursuant to 38 CFR Part 62 and operated by the VA.
- (ll) “Supportive Housing” means the same as defined under Health and Safety Code Section 50675.14(b)(2), and refers to Assisted Units.
- (mm) “Target Population” definition is the same as stated in Health & Safety Code 50675.14(b)(3)(A).
- (nn) “TCAC” means the California Tax Credit Allocation Committee.
- (oo) “Transitional Housing” means the same as defined in Section 8301(w) of the UMR.
- (pp) “VA” means the United States Department of Veterans Affairs.
- (qq) “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 90 consecutive days or was discharged from the service due to a service-connected disability within that 90-day period. This includes all Veterans regardless of discharge status.
- (rr) “Veterans with a Disability Experiencing Homelessness” refers to Veterans experiencing the same condition as individuals experiencing “Chronic Homelessness”, excluding the requirement of having experienced Homelessness for a defined period of time, and as defined in 42 U.S.C. 11360(9)(A), and as determined by a medical doctor or nurse practitioner.

Section 102. Threshold Requirements

To be eligible to receive funding, Projects must:

- (a) Involve the acquisition and/or construction or rehabilitation of an Affordable Rental Housing Development or Transitional Housing, or the conversion of an existing structure into one of these housing types.
- (b) Restrict occupancy to the greater of 25 percent of total units in the Project or 10 units to Veterans under VHHP. However, if a Project is determined to be rural as defined in Health and Safety Code Section 50199.21, then a minimum of five units must be restricted.

- (c) Restrict occupancy for at least 45 percent of Assisted Units to Extremely Low-Income Veterans, with rents not exceeding 30 percent of Area Median Income (AMI), calculated in accordance with TCAC regulations and procedures. TCAC utilizes the information published by HUD to calculate maximum rents and income limits for California Low Income Housing Tax Credit (LIHTC) Projects.
- (d) For Projects qualifying as Supportive Housing or Transitional Housing:
 - (1) Utilize a LSP with at least four years of experience providing services to individuals and households experiencing Homelessness that includes comprehensive case management (individualized services planning, and the provision of connections to mental health, substance abuse, employment, health, housing retention, and similar services).
 - (A) This experience must include two years of experience providing services that include comprehensive case management in affordable rental or Transitional Housing, which can include scattered site housing with multiple owners.
 - (B) Experience must be documented through contracts with public agencies, housing owners or foundations for services provided to at least 10 households at any one time, either in housing Projects subject to agreements with public agencies restricting rent and occupancy, or through tenant-based housing assistance programs.
 - (C) If the LSP is not part of the ownership entity, the Sponsor must have a written agreement with the LSP to implement the supportive services plan, and submit this agreement along with the application for funding. Only the LSP may enter into written agreements for services under provisions of the supportive services plan. All service providers must have a written agreement with the LSP prior to commencement of services.
 - (1) A contract with the LSP is not required for HUD-VASH case management services provided directly by the VA that are consistent with the HUD-VASH Program requirements.
 - (D) Any change of the LSP or change to the supportive services plan throughout the life of the loan requires prior written approval by the California Department of Veterans Affairs (CalVet).
 - (2) Certify adherence to Housing First property management and tenant selection practices, as described in Sections 112, 113 and 114 of these Guidelines.
 - (3) Satisfy the requirements of Section 115 of these Guidelines regarding supportive services.
 - (4) For Projects with more than 20 units, restrict under the VHHP Regulatory Agreement no more than half of the total Project units to Eligible Households that qualify as either experiencing Chronic Homelessness or Veterans with a Disability

Experiencing Homelessness. (This limitation shall not be interpreted to preclude occupancy of any Project units by persons with disabilities, or restrictions by other funding sources that result in more than half of the total Project units being restricted to persons with disabilities.)

- (e) For Projects with Assisted Units other than Supportive Housing and Transitional Housing, utilize an organization to provide resident services coordination that has at least 24 months experience in providing this service in publicly assisted affordable housing.
- (f) For 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 costs.
- (g) Follow the requirements of the federal Uniform Relocation Act, if tenant relocation is necessary. Federal funding will trigger relocation requirements under the federal Uniform Relocation Act (per Title 25 CCR Section 6018).
- (h) Not have commenced construction prior to the VHHP funding award date, excluding emergency repairs to existing structures, with the exception of developments where construction has halted due to a major change in the development plan. Examples of major changes include the conversion of a market-rate development to affordable housing, or the cancellation of redevelopment agency funding commitments, or where limited work has been completed to meet the requirements of a Project-based HUD commitment.
- (i) Involve a Sponsor with a long-term, controlling interest in the Project that has successful prior experience developing and owning at least two affordable rental or Transitional Housing developments that are subject to agreements with public agencies restricting rent and occupancy. If at least 35 percent of the Assisted Units in the proposed Project will be Supportive Housing and/or Transitional Housing, this requirement may be satisfied if the Sponsor has a developer partner with the required development experience, and if the Sponsor has owned or operated at least two affordable rental or transitional housing developments that are subject to agreements with public agencies restricting rent and occupancy.
 - (1) Allow for a special purpose entity formed and controlled by the Sponsor as detailed in Title 25 CCR 8313.2 (a).
- (j) Involve a development site that has reasonable accessibility to public transit, public schools, public parks or other public recreational facilities, and is within reasonable proximity to services and amenities for the proposed tenant population. The development site must also be within reasonable proximity to employment opportunities available to the tenant population. The development must give consideration to the hours that the services and amenities are available and the frequency, travel time, and cost of transportation to the tenants. The criteria used to establish reasonable accessibility and reasonable proximity are specified in Section 111(h) Location Efficiency and Access to Destinations of these Guidelines. To be eligible pursuant to this subsection, the Sponsor

must provide documentation verifying the foregoing requirements. Such documentation must be satisfactory to the Department.

- (k) Involve a development site controlled by the Sponsor at the time of application as detailed in Title 25 CCR 8303, with the exception that the Sponsor shall maintain site control through the term of the proposed award, as stated in the NOFA, and with the option to extend.
- (l) Demonstrate clear market demand for the proposed Project and Target Population through waiting lists and low vacancy rates for comparable Projects serving similar tenants, statistical information from the VA, the local Continuum of Care, or other similar information.
 - (1) As a condition of funding, the Department may require a market study to assess fiscal feasibility.
 - (2) Any market study required by the Department shall conform to the market study guidelines adopted by TCAC and be prepared at the Sponsor's expense by an individual or firm which:
 - (A) Demonstrates to the Department's satisfaction knowledge and experience necessary to conduct a competent market study for low-income residential rental property;
 - (B) Demonstrates to the Department's satisfaction an awareness, understanding, and correct employment of those recognized methods and techniques that are necessary to produce a credible market study;
 - (C) In reporting the results of the market study, communicates each analysis, opinion and conclusion in a manner that is not misleading as to the true market needs for low-income residential 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.
- (m) Have reasonable development costs (not counting capitalized reserves) as compared to other similar Projects and as determined by the Department's portfolio in the area of the Project site, and adequate development sources to cover these costs.
- (n) Ensure compliance with the Disabled Veteran Business Enterprise (DVBE) and Veteran hiring requirements set forth in Section 109 of these Guidelines.
- (o) Meet the occupancy requirements set forth in Section 104, the underwriting standards set forth in Section 106, the fee limitations in Section 107, and otherwise comply with these Guidelines. Achieve the minimum point score specified in Section 110(d)(3). All sections referenced in this subsection are sections of these Guidelines.

(p) Multiple Department Funding Sources

- (1) Use of multiple Department Funding Sources on the same Assisted Units (subsidy stacking) is prohibited. "Department Funding Sources" shall mean loan or grant funds awarded for permanent funding of development costs (which shall not include funds specifically designated for capitalized operating reserves) under the following programs:
 - (A) Multifamily Housing Program
 - (B) Supportive Housing Multifamily Housing Program
 - (C) Housing for a Healthy California Program, including funds awarded either by the Department or a county
 - (D) No Place Like Home Program, including funds awarded either by the Department or an Alternative Process County
 - (E) Affordable Housing and Sustainable Communities Program Affordable Housing Development loan, except for grants for infrastructure, transportation-related amenities and program costs
 - (F) Transit Oriented Development Program rental housing development loan, except for grants for infrastructure
 - (G) Joe Serna, Jr. Farmworker Housing Grant Program
 - (H) SB 2 Farmworker Housing Program
 - (I) National Housing Trust Fund Program
 - (J) Veterans Housing and Homelessness Prevention Program
- (2) As an exception to Subsection (p)(1), a previously Department-Assisted Unit is eligible for funding assistance from other Department programs upon re-syndication, or 14 years from the Placed in Service date noted on the TCAC form 8609 (Placed in Service Package).

- (q) The Sponsor must demonstrate to the satisfaction of the Department that all applicable sources of public assistance to the Project comply with the requirements of Article XXXIV of the California Constitution. Although public assistance to the Project provided pursuant to the VHHP Program is exempt from Article XXXIV, pursuant to Health and Safety Code §37001.5(h) (the "VHHP Exception"), Sponsors must demonstrate that other public funding separately satisfies Article XXXIV. The Department will not regard the VHHP exception as the basis for Article XXXIV compliance for other public funding sources provided to a VHHP Project, even where those sources are used along with VHHP funds toward the same Project related support, activities, or development components.

Section 103. Uses and Terms of VHHP Assistance

- (a) Funds shall be used only for approved eligible costs that are incurred on the Project as set forth in this section, including the Refinance of interim loans used to pay such costs. In addition, the costs must be necessary and must be consistent with the lowest reasonable cost consistent with the Project's scope and area as determined by the Department.
- (b) VHHP funds shall only be used for capital asset related expenses as required by section 16727 of the Government Code. Eligible costs include the following:
 - (1) Property acquisition;
 - (2) Refinancing of existing long-term debt, only in connection with a Project involving a Rehabilitation contract in an amount equal to or exceeding the amount specified in UMR Section 8312 (a)(1), and only to the extent necessary to reduce debt service to a level consistent with the provision of Affordable Rents in Assisted Units and with the Fiscal Integrity of the Project;
 - (3) Land lease payments as deemed reasonable by the Department;
 - (4) New construction and rehabilitation of Assisted Units as deemed reasonable by the Department;
 - (5) Offsite improvements, such as sewers, utilities and streets, directly related to, and required by the Affordable Rental Housing Development when other infrastructure funding is unavailable and inaccessible;
 - (6) Onsite improvements related to the Affordable Rental Housing Development;
 - (7) Architectural, appraisal, engineering, legal, and other consulting costs and fees, which are directly related to the planning and execution of the Project and which are incurred through third-party contracts as deemed reasonable by the Department;
 - (8) Development costs of a residential Unit reserved for an onsite manager, childcare facilities, and after-school care and social service facilities integrally linked to, and addressing the needs of, the tenants of the Assisted Units;
 - (9) Rent-Up costs as deemed reasonable by the Department;
 - (10) Carrying costs during construction, including insurance, construction financing fees and interest, taxes, and any other expenses necessary to hold the property while the Affordable Rental Housing Development is under construction as deemed reasonable by the Department;
 - (11) Building permits and state and local fees, as deemed reasonable by the Department;

- (12) Capitalized operating and capitalized replacement reserves up to the amount of the initial deposit required by the Department pursuant to UMR Sections 8308(b) and 8309(b);
 - (13) Escrow, title insurance, recording, and other related costs;
 - (14) Costs for items intended to assure the completion of construction, such as contractor bond premiums;
 - (15) Environmental hazard reports, surveys, and investigations;
 - (16) Costs of relocation benefits and assistance required by law; and
 - (17) Any other costs of Rehabilitation or new construction approved by the Department.
- (c) Except as provided in subsection (b)(8) above, no Program funds shall be used for costs associated exclusively with non-Assisted Units or Commercial Space. A Manager's Unit supporting the Assisted Units may be considered to be a Restricted Unit for the purpose of allocating development costs. If only a portion of the Affordable Rental Housing Development consists of Assisted Units, the Program loan amount shall not exceed the sum of the following:
- (1) The costs of all items specified in subsection (b), above, associated exclusively with the Assisted Units;
 - (2) A share of the costs of common areas used primarily by residential tenants. This share shall be in direct proportion to the ratio between the gross floor area of the Assisted Units and the gross floor area of all residential units;
 - (3) A share of the cost of other items such as roofs that cannot specifically be allocated to Assisted Units, non-Assisted Units, or Commercial Space. This share shall be in direct proportion to the ratio between:
 - (A) The gross floor area of the Assisted Units, plus a share of the gross floor area of common areas used primarily by residential tenants in direct proportion to the ratio between the gross floor area of the Assisted Units and the gross floor area of all Units; and
 - (B) The total gross floor area of the structure or structures.
- (d) VHHP assistance shall be provided as post-construction, permanent loans. VHHP loans shall have an initial term of 55 years or longer to match the period of affordability restrictions under the tax credit Program, commencing on the date of recordation of the VHHP loan documents.

- (e) VHHP loans 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 Department, consistent with Title 25 CCR Section 8315. Projects with ground leases shall be subject to Title 25 CCR Section 8316.
- (f) VHHP loans shall have the following terms:
 - (1) Loans shall bear simple interest on the unpaid principal balance at a rate that is the lesser of:
 - (A) 3 percent per annum; or
 - (B) If the Project has received an allocation of tax credits the maximum rate that allows the Program loan to be treated as debt for federal or state low-income housing tax credit purposes, or that avoids the inability to syndicate due to projected negative capital account balances, but not less than 0.42 percent, but only if the change in interest rate:
 - (1) Materially increases the feasibility of the Project; and
 - (2) Ensures long term affordability for the residents.
 - (2) Interest shall accrue from the date that funds are disbursed by the Department to or on behalf of the Sponsor.
 - (3) The Department may require a third-party tax professional to verify the necessity for reducing the interest rate below 3 percent, pursuant to subdivision (e)(1)(B) of this section above, the cost of which shall be borne by the Sponsor.
 - (4) For the first 30 years of the loan term, payments in the amount of 0.42 percent of the outstanding principal loan balance shall be payable to the Department commencing on the last day of the Initial Operating Year and continuing on each anniversary date thereafter. The balance of accrued interest shall be payable out of Operating Income remaining after payment of approved Operating Expenses, debt service on other loans, reserve deposits, and Sponsor Distributions. Commencing on the 30th anniversary of the last day of the Initial Operating Year, interest shall be payable in an amount equal to the lesser of: (1) the full amount of interest accruing on the outstanding principal loan amount; or (2) the amount determined by the Department to be necessary to cover the costs of continued monitoring of the project for compliance with the requirements of the Program. HUD Sections 811 and 202 Projects will be subject to the requirements of this subsection.
 - (5) Except for the required payment of 0.42 percent of the outstanding principal loan balance, the Department shall permit the deferral of accrued interest for such periods and subject to such conditions as will enable the Sponsor to maintain Affordable Rents, maintain the Fiscal Integrity of the Project, and pay allowable Distributions pursuant to Title 25 CCR Section 8314.

- (6) All Program loan payments (including the 0.42 percent loan payment) 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.
 - (7) 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, including any extension granted by the Department.
 - (8) The loan amount shall not exceed the total eligible costs required, when considered with other available financing and assistance, including the full amount of any tax credit equity generated by the Project, in order to:
 - (A) Enable the acquisition, development and/or construction or rehabilitation of the Affordable Rental Housing Development;
 - (B) Ensure that Rents for Assisted Units comply with Program requirements; and
 - (C) Operate in compliance with all other Program requirements.
 - (9) The loan amount is further limited to the sum of:
 - (A) A base amount per Assisted Unit with initial base amounts set at:
 - i. \$95,000 for 9 percent tax credit Projects
 - ii. \$175,000 for Projects that do not use 9 percent tax credits
 - (B) The amount per Assisted Unit required to reduce Rents from 30 percent of 60 percent of AMI to the actual maximum restricted Rent for the Unit, assuming that the Rent reduction will be achieved by substituting Program funds for private amortized debt, and calculated by the Department based on private market multifamily rental loan terms available at the time of issuance of each Notice of Funding Availability.
 - (10) In each Notice of Funding Availability, the Department shall establish a maximum per Project loan amount.
- (g) Each Applicant shall elect and disclose whether the Project will be part of an application to TCAC seeking tiebreaker incentives for hybrid 4 percent and 9 percent tax credit Projects. A Sponsor that will apply to TCAC seeking hybrid tiebreaker incentives may submit applications for one or both hybrid component Projects, but each component Project must apply independently with a separate application. The hybrid election is irrevocable unless all of the following conditions are met as determined by the Department at application submission:

- (1) The 9 percent hybrid component is seeking to convert to a 4 percent Project so that both Projects will be receiving 4 percent tax credits;
- (2) No additional funding from the Department will be required, nor requested or awarded; and
- (3) If the Project was approved in a competitive funding round, there will be no negative impact on Project scoring resulting from the conversion from 9 percent to 4 percent.

Section 104. Occupancy requirements

- (a) Occupancy of all Assisted Units shall be restricted to households, including one or more Veterans, with Gross Incomes at time of move-in not exceeding the limits approved by the Department and specified in the VHHP Regulatory Agreement. The maximum income limit at move-in shall be 60 percent of Area Median Income.
- (b) If the Veteran who qualified for a household for occupancy moves out or passes away, and household members remain, the unit shall still be considered an Assisted Unit, unless the qualifying Veteran's occupancy was for less than three months, or there is evidence that the Veteran's occupancy was intended to be for a short duration. In such a case, the Department reserves the right to require redesignation of the units, not dependent on assistance received from other agencies.
- (c) If the Veteran who qualified and was approved for occupancy passes away or is otherwise justifiably incapable of moving-in prior to occupying the unit, the household shall be considered still qualified for the unit, as long as the Veteran's occupancy was not postponed due to delays caused by the household. In such a case, the Department reserves the right to require redesignation of the units, not dependent on assistance received from other agencies. The Sponsor shall be responsible for tracking the identified household throughout their tenancy, and may be required to redesignate the unit as non-assisted and rent the next available unit as a VHHP-Assisted Unit to restore the HCD-approved unit mix.
- (d) Occupancy of units designated as Supportive Housing or Transitional Housing shall be further restricted to households that include Veterans who are experiencing Homelessness, Veterans with a Disability Experiencing Homelessness, or Veterans experiencing Chronic Homelessness, as approved by the Department and specified in the VHHP Regulatory Agreement. Sponsor shall maintain documentation of eligibility consistent with federal regulations implementing the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009.
- (e) Any occupancy restrictions based on conditions of separation from military service are subject to Department approval.
 - (1) Projects may only restrict occupancy to Veterans who separated from military service under certain conditions (e.g., under other than dishonorable conditions), or who qualify for VA health care, when required by a public agency funding source.

- (2) In any case, a minimum of 10 percent of Supportive Housing Assisted Units shall be prioritized for occupancy by Veterans who are ineligible for VA health care and/or HUD-VASH.
- (f) Occupancy requirements shall apply for the full term of the VHHP loan. In the event the Department determines, and CalVet concurs, that there are no longer sufficient Veterans eligible for one or more categories of households eligible for Supportive Housing or Transitional Housing, based on evidence from the local Continuum of Care, the VA, the local Point-in-Time Count of persons experiencing Homelessness, and similar sources, the Department may adjust the occupancy requirements for these units, but only to the minimum extent required for Project feasibility, and not sooner than five years from the date of the VHHP loan closing. The Department shall periodically evaluate the need for continuing any adjustments made to the original occupancy requirements, and may modify these adjustments over time or reinstate the original requirements.

Section 105. Rent Limits

Rent for Assisted Units shall be limited by the following:

- (a) Rent limits for initial occupancy and for each subsequent occupancy by a new Eligible Household shall be based on Unit type, applicable income limit, and area in which the Project is located, following the calculation procedures used by TCAC and using income limits in 5 percent increments of AMI, including the income limits utilized by the Program for this purpose. The maximum Rent limit shall be 30 percent of 60 percent of AMI for the appropriate Unit size.
- (b) Rents will be further restricted in accordance with Rent and income limits submitted by the Sponsor in its application for the Program loan, approved by the Department, and set forth in the Regulatory Agreement. Rents shall not exceed 30 percent of the applicable income eligibility level.
- (c) Rents in Assisted Units may be adjusted no more often than annually. The amount and method of adjustment for Assisted Units shall be in accordance with the regulations and procedures used by TCAC and using income limits in 5 percent increments of AMI, as approved by the Department.
- (d) The Department may permit an annual Rent increase greater than that permitted by this section if the Project's continued Fiscal Integrity is jeopardized due to factors that could not be reasonably foreseen. In this case, the Department will require the Sponsor to submit a feasibility plan to be approved by CalVet and the Department prior to approval of any Rents above the allowed Rent limits.
- (e) For Units receiving HUD Section 8 or other similar rental assistance, the rules of the rental assistance program pertaining to Rent increases will prevail for as long as the rental assistance remains in place. Changes in the tenant contribution amounts may occur more often than annually as required by the rental assistance program.

- (f) Where a Project is receiving renewable Project-based rental assistance:
- (1) The Sponsor shall in good faith apply for and accept all renewals available;
 - (2) The Sponsor shall fund a transition reserve to be used in the event the rental assistance contract is terminated. The minimum amount of the transition reserve for renewable Project-based rental assistance 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. Transition reserves may be capitalized or funded from annual Project cash flow.
 - (3) If the Project-based rental assistance is terminated, the Sponsor shall notify the Department in writing immediately upon notification that rental assistance will be terminated, and shall make every effort to find alternative subsidies or financing structures that would maintain the tenant income, rent, and Supportive Housing targeting specified in the recorded Regulatory Agreement. Upon documenting to the Department's satisfaction unsuccessful efforts to identify and obtain alternative resources, and where the termination occurs through no fault of the Sponsor:
 - (A) Rents and income limits for Units previously covered by this assistance may be increased above the levels allowed pursuant to subsection (c), above, but only to the minimum extent required for Fiscal Integrity, as determined by the Department, with income limits not to exceed 60 percent of AMI and Rents not to exceed 30 percent of 60 percent of AMI.
 - (B) Restrictions for Units previously covered by this Project-based rental assistance requiring occupancy by Supportive Housing Target Populations may be modified or eliminated, but only to the minimum extent required for Fiscal Integrity, as determined by the Department.
 - (C) Any increase in rents and income limits pursuant to subsection (A), above, or modification of Supportive Housing occupancy requirements pursuant to subsection (B), shall require advance Department approval. To the maximum extent possible, these changes shall minimize the impact on residents with the lowest income, and shall be phased in as gradually as possible.
 - (D) If deemed reasonably feasible by the Department, the Sponsor will be required to enforce or reinstate the required unit mix design outlined in the recorded Regulatory Agreement including, but not limited to, rent and income limits, occupancy restrictions such as Persons Experiencing Chronic Homelessness and Supportive Housing Target Populations, and any other terms and conditions originally agreed upon.
 - (4) Based on an analysis of the risk associated with specific rental assistance programs, the Department may modify the requirements of subsection (2) above by an amendment to these Guidelines. This modification may include adjusting the

amount of the required transition reserve, setting different amounts for different rental assistance programs to reflect the relative risk associated with these programs, allowing the transition reserve to be funded and controlled by a locality, establishing a transition reserve funded and held by the Department rather than the Sponsor, or adjusting the level to which rents may be increased upon subsidy termination.

Section 106. Underwriting Standards

- (a) In analyzing feasibility for Affordable Rental Housing Developments, the following assumptions and criteria shall be used:
- (1) Residential vacancy rates shall be assumed to be 5 percent, unless a different figure is required by another funding source (including TCAC), or supported by compelling market evidence.
 - (2) Commercial vacancy rates shall be in accordance with Title 25 CCR Section 8310(b).
 - (3) All Operating Expenses, including property management fees, shall be within the normal market range for the area, as determined based on comparison with similar affordable housing Projects.
 - (4) Supportive services coordination costs paid out of Operating Income as a Project operating expense shall not exceed the limits specified in Section 108(c).
 - (5) Asset and partnership management fees paid to the Sponsor prior to Sponsor distributions shall not exceed the limits specified in Section 107(c).
 - (6) First year debt service coverage ratio limitations and exceptions to those limitations shall be in accordance with Title 25 CCR Section 8310(e) and 8310(e)(2)(A) through (D), except as modified below:
 - (A) In applying the requirements of subsection 8310(e)(1) and 8310(e)(2), the annual Program loan payment of 0.42 percent of the VHHP loan amount will be considered debt service.
 - (7) The Project must demonstrate a positive cash flow in accordance with Title 25 CCR Section 8310(i).
 - (8) Balloon payments and sandwich loans are not allowed unless the Project meets the exceptions as listed under Title 25 CCR Section 8310(f) and 8310(g).
 - (9) Variable interest rate debt shall be underwritten in accordance with Title 25 CCR Section 8310(h).
 - (10) Reference Title 25 CCR Section 8313(a) for VHHP compatibility provisions.

- (11) Department lien(s) shall not be subordinated to the liens of a local governmental entity with exceptions that follow Title 25 CCR Section 8315 (b).
 - (12) Local governmental entities charging a monitoring fee shall not exceed the 0.42 percent monitoring fee required by the Department.
 - (13) VHHP Assisted Units covered by HUD-VASH vouchers shall be considered Supportive Housing units.
- (b) In analyzing the feasibility of Transitional Housing, factors to be considered shall include:
- (1) The experience of the Sponsor and its partners with similar Projects, and the current financial viability of these Projects.
 - (2) The experience of the Sponsor and its partners with obtaining government contracts to cover operations and services costs for similar Projects, and with the specific government funding sources identified for the proposed Project.
 - (3) The likelihood of identified funds to cover operating costs and services, and particularly government contracts, will continue to be available for the proposed Project over time.
 - (4) The financial condition of the Sponsor as measured by indicators such as amounts and trends in organizational net income, net assets, unrestricted net assets, and current ratio.
 - (5) The reliability of Project operating projections, including the adequacy of projected Operating Expenses, as compared to other similar Projects, and whether they show at least breakeven operation over time.

Section 107. Fee Limits and Cost Limitations

- (a) The Developer Fee shall not exceed the amount allowed under Title 25 CCR Section 8312, except that section 8312 (d) shall not apply and subdivision Section 8312 (c) is replaced with the following:
 - (1) For Projects utilizing 4 percent tax credits, Developer Fee payments shall not exceed the amount that may be included in Project costs pursuant to Title 4 CCR Section 10327. In addition, the Developer Fee paid from development funding sources shall not exceed the following:
 - (A) For acquisition and/or rehabilitation Projects or adaptive reuse projects, the lesser of the amount of Developer Fee in Project costs or \$2 million.
 - (B) For new construction Projects, the base limit shall be the lesser of the amount that may be included in Project costs or \$2.2 million. To arrive at the final limit on Developer Fee paid from development funding sources, the base limit shall then be multiplied by a ratio that is the average of (i) the difference between two

and the Project's high-cost ratio, as calculated pursuant to Title 4 CCR Section 10317(i) (6) or successor language and (ii) 100 percent.

- (b) Asset management, partnership management and similar fees paid to the Sponsor or an affiliate on a priority basis shall be in accordance with Title 25 CCR Section 8314(a)(1)(B)(1) & (2).
- (c) The Department may modify the requirements of subsection (a) to conform to the requirements of other funding sources, if the VHHP loan does not exceed the lesser of \$1.5 million or 15 percent of total Project development costs.
- (d) The limits on development costs specified in Title 25 CCR Section 8311 shall apply, except that:
 - (1) For related party sales, property acquisition prices may be set at levels that allow for recovery of verified holding costs, the assumption of existing debt, and the maximization of acquisition tax credits. However, any proceeds realized by the seller, above their costs, shall be contributed back to the Project.
 - (2) The amount of funds set aside to cover future land lease payments must be discounted to the present value of these payments.

Section 108. Use of Operating Cash Flow

- (a) Regarding allowable uses of operating cash flow, the Department shall follow underwriting requirements commencing with Title 25 CCR Section 8314 (a) through (d) (Use of Operating Cash Flow), except that (a)(1)(A) is replaced with the following: 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 \$3.5 million.
- (b) Where there is a difference between the provisions of the UMR (Title 25 CCR Section 8300 et seq.) and these Guidelines, the provisions of these Guidelines shall prevail in the use of operating cash flow.
- (c) For 2021, supportive service coordination and case management costs paid as a Project operating expense shall not exceed the following amounts:
 - (1) \$4,639 per unit per year for Supportive Housing units restricted to Veterans who are experiencing Chronic Homelessness, and units restricted to persons who are experiencing Chronic Homelessness by another public agency program.
 - (2) \$3,480 per unit per year for Supportive Housing units restricted to Veterans with a Disability Experiencing Homelessness, and other units restricted to persons who are Veterans with a Disability Experiencing Homelessness.

- (3) \$1,508 per unit per year for units restricted to Extremely Low Income households, but not to Veterans who are Experiencing Chronic Homelessness or Veterans with a Disability Experiencing Homelessness.
- (4) \$869 per unit per year for other units.

These maximum amounts shall be increased each year after 2021 at the rate of 3.5 percent per year.

Section 109. Miscellaneous Requirements.

- (a) Entities certified by the California Department of General Services as DVBEs shall receive an amount at least equal to 5 percent of total construction costs for work performed or supplies provided for each Project.
 - (1) As part of the application for VHHP funds, applicants shall submit a utilization plan describing how the 5 percent minimum requirement will be satisfied, including:
 - (A) Identification of a plan administrator responsible for implementing the plan and ensuring achievement of the 5 percent minimum requirement; and
 - (B) Description of all known methods to be used to ensure DVBE participation, including advertising, solicitations and preferences. Applicants and their DVBE Plan Administrator must contact CalVet for assistance in locating DVBEs.
 - (2) Prior to the commencement of construction, the Sponsor shall submit a report to the Department and CalVet on DVBE plan implementation. This report will include:
 - (A) The total amount budgeted for construction costs;
 - (B) The names and addresses of DVBE contractors, subcontractors and suppliers that have received or are scheduled to receive payment, together with the amount paid or scheduled to be paid to each; and
 - (C) If the report does not show achievement of the 5 percent minimum requirement, documentation that the Sponsor has requested assistance with recruiting DVBEs from CalVet, and documentation of all of its attempts and methods used to ensure DVBE participation.
 - (D) If the Sponsor fails to achieve the 5 percent minimum requirement, the Department may award negative points for subsequent applications pursuant to Section 111(a)(3)(B) of these Guidelines. To avoid the assessment of the negative point penalty, the Sponsor must be granted a waiver from CalVet.
 - (3) Upon completion of construction, and prior to the VHHP loan closing, the Sponsor shall submit a report similar to the one described in the preceding subsection, detailing actual payments to DVBEs. If the 5 percent requirement has not been met, the Sponsor must provide documentation of its requests for assistance with

recruiting DVBEs from CalVet, and all of its attempts and methods used to ensure DVBE participation.

- (b) Sponsors shall make good faith efforts to hire Veterans for development, construction, and related jobs associated with the Project.
 - (1) As part of the application for VHHP funds, applicants shall submit a plan describing how this requirement will be satisfied. The plan may include registering with Helmets to Hardhats, working with local Homeless Veteran Reintegration Programs, entering into First Source Hiring Agreements with local America's Job Centers of California Agencies (formerly One Stop Centers), or subcontracting with DVBEs and other entities that hire Veterans.
 - (2) Upon completion of construction, and prior to the VHHP loan closing, the Sponsor shall submit a report on plan implementation, including the number of Veterans hired.
- (c) 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 VHHP are public funds within the meaning of these Labor Code sections. VHHP 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.
- (d) The unit standards set forth in Title 25 CCR Section 8304 shall apply.
- (e) Projects must meet the accessibility requirements specified in the TCAC regulations, as may be amended and renumbered from time to time, including those of Title 4, CCR, Section 10325(f)(7)(K) 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 by the Department. 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.
- (f) Sponsors must establish and maintain a contingent operating reserve meeting the requirements of Title 25, CCR, Section 8308, and a replacement reserve meeting the requirements of Title 25, CCR, Section 8309.
- (g) Sponsor shall, upon receipt, submit a copy of the certificate of occupancy to the Department.

Section 110. Application Process

- (a) The Department shall offer funds through a competitive application process, as detailed in a NOFA.
- (b) 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.
- (c) Applications shall be on forms made available by the Department.
- (d) Applications shall be evaluated for compliance with the threshold and eligibility requirements of these Guidelines, and the statutes applicable to VHHP, and scored based on the application selection criteria listed in Section 111 of these Guidelines. The applications with the highest number of points shall be selected for funding, provided that they meet all threshold and eligibility requirements and achieve specified minimum scores.
- (e) Each Project must achieve the minimum overall application (total) score for the applicable Project type, as well as minimum scores in the supportive services plan and readiness to proceed scoring categories, as follows:
 - (1) Overall application:
 - (A) 110 for Projects with Supportive Housing;
 - (B) 90 for Projects with Transitional Housing, but not Supportive Housing; and
 - (C) 75 for all other Projects.
 - (2) Supportive services plan (Section 111(c) of these Guidelines):
 - (A) 15 for Projects that include Supportive Housing or Transitional Housing; and
 - (B) 7 for Projects that do not include Supportive Housing or Transitional Housing.
 - (3) Readiness to proceed (Section 111(f) of these Guidelines): 10
 - (4) Leverage of rental or operating subsidies: 4
- (f) Applications selected for funding shall be approved subject to conditions specified by the Department.

- (g) The Department may adjust this procedure as follows:
- (1) It may elect to not evaluate compliance with some or all eligibility requirements for applications that are not within a fundable range, as indicated by a preliminary point scoring.
 - (2) It may adjust awards to meet the following geographic distribution objectives, to the extent there are applications from the identified regions that meet all VHHP eligibility requirements and score above the minimum required score:
 - (A) Awarding not less than 15 percent of the total amount awarded to Projects located in Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Santa Cruz or Sonoma Counties.
 - (B) Awarding not less than 28 percent of the total amount awarded to Projects located in Los Angeles County.
 - (C) Awarding not less than 8 percent of the total amount awarded to Projects located in Orange, Riverside or San Bernardino Counties.
 - (D) Awarding not less than 6 percent of the total amount awarded to Projects located in San Diego County.
 - (E) Awarding not less than 18 percent of the total amount awarded to Projects located outside any of the counties named in (A) through (D) above.
 - (3) Funds remaining after satisfying the geographic distribution objectives set forth in the previous Subsection shall be awarded without regard to Project location.

Section 111. Application Selection Criteria

The criteria detailed below and summarized in the following table shall be used to rate applications. In the event of tied point scores, the following tiebreakers shall be used to determine which Project is selected for funding, in the order listed:

1. The percentage of Assisted Units restricted as SH for Veterans experiencing Chronic Homelessness;
2. The readiness to proceed point score, pursuant to subsection 111(f) of these Guidelines;
3. The supportive services plan point score, pursuant to subsection 111(c) of these Guidelines; and
4. The ratio of permanent development funding attributable to Assisted Units from sources other than state subsidy programs to the amount of requested or committed state subsidy. In computing this ratio, tax credit equity and CalHFA senior debt financing shall not be considered state subsidy, while the VHHP loan and other similar grant and below-market loan programs shall be considered state subsidy.

Scoring Categories	With Supportive or Transitional Housing		Without Supportive or Transitional Housing	
	Maximum Applicable Points		Maximum Applicable Points	
Development Team Experience				
· Developer Experience	5		5	
· Sponsor Ownership	5		5	
· Property Management	5		5	
· Lead Service Provider	18		0	
Total Development Team Experience		33		15
· Performance Issues	-30		-30	
Supportive Housing Units		25		
Supportive Services Plan		22		10
Leverage of Development \$		15		15
Leverage of Rent/Op Subsidies		20		20
Readiness to Proceed		20		20
Local Need		5		5
Location Efficiency and Access to Destinations		5		5
TOTAL APPLICABLE POINTS:		145		90

- (a) Development Team Experience (33 points maximum for Projects with Supportive Housing or Transitional Housing; 15 points maximum for other Projects).

Unless specifically noted, rental housing developments and Transitional Housing Projects with Restricted Units counted under this subsection (a) must have at least 10 units, unless the application is for a Project with fewer than 15 units, and will be subject to an agreement with a public agency restricting rent and occupancy.

- (1) Developer Experience (five points maximum)

(A) Applications will be scored based on the number of rental housing developments and Transitional Housing Projects completed by the Project developer over the past 10 years.

(B) One point will be awarded for each completed development, up to a maximum of five points.

- (2) Sponsor Ownership and Operations Experience (five points maximum)

(A) Applications will be scored based on the experience of the Sponsor in owning or operating (under a long-term master lease or similar arrangement) rental housing developments or Transitional Housing with Restricted Units, as follows:

1. If the Project includes Supportive Housing or Transitional Housing, points will be awarded for developments that have been in operation for at least two years with units restricted to those experiencing Homelessness (defined in a manner substantially similar to the VHHP's definition) and that include substantial supportive services.
 2. If the Project does not include Supportive Housing or Transitional Housing, points will be awarded for developments that have been in operation for at least two years.
- (B) Two points will be awarded for each Project, up to a maximum of five points.
- (C) The Sponsor's experience includes the experience of its affiliated entities or principals (including management-level staff), but not the experience of board members. If there are multiple entities that comprise the ownership entity of the proposed Project, the score will be based on the experience of the entity with a controlling interest in the ownership entity and a substantial and continued role in the Project's operations, as evidenced in the ownership entity's legal documents. Any future dissolution of the ownership entity or withdrawal of the entity on which the score was based shall require prior Department approval.
- (3) Developer / Sponsor / Lead Service Provider Performance Issues in the past three years (Negative 30 points maximum from (A) and (B))
- (A) Five points will be deducted for each occurrence or event in the following categories for any Project with a loan from the Department, with a maximum deduction of 10 points per category:
1. Removal or withdrawal under threat of removal as general partner;
 2. Use of reserve funds for Department-assisted Projects in a manner contrary to Program requirements, or failure to deposit reserve funds as required by the Department;
 3. Failure to provide promised supportive services to a Special Needs Population or other tenants of a publicly funded Project;
 4. Failure to restrict occupancy of Assisted Units as required by the VHHP Regulatory Agreement;
 5. Displacement of residents due to unauthorized rent increases resulting in involuntary relocation and displacement; and
 6. Other significant violations of the requirements of Department programs or of the programs of other public agencies, such as the failure to adequately maintain a Project or the books and records thereof.

(B) Up to five points will be deducted for each occurrence or event in the following categories for any Project with a loan from the Department, with a maximum deduction of 10 points per category:

1. For VHHP Projects, failure to achieve the 5 percent minimum DVBE contracting requirement;

The following scale will be used to evaluate:

DVBE Utilization Percentage	Negative Points Assessment
0.00% - 0.99%	5
1% - 1.99%	4
2% - 2.99%	3
3% - 3.99%	2
4% - 4.99%	1

2. Failure to submit, when due, compliance documentation required under Department programs. For VHHP Projects, this includes the DVBE pre-construction and post-construction reports pursuant to Section 109(a) of these Guidelines and documentation required pursuant to Sections 115(b)(1) of these Guidelines;

(C) Up to 20 points will be deducted for excessively high cost projects as detailed under Title 25 CCR Sections 8311(b).

Events occurring in connection with Projects under the control of the developer or the Sponsor shall be used as the basis for point deductions. Such events shall have had a detrimental effect on the Project or the Department's ability to monitor the Project, as determined by the Department. Events shall not result in the deduction of points if they have been fully resolved as determined by, or to the satisfaction of, the Department as of the application due date.

(4) Property Manager Experience (five points maximum)

Applications will be scored based on the number of housing developments managed by the designated property management agent at the time of application. One-half point will be awarded for each development, up to a maximum of five points.

- (A) If the Project includes Supportive Housing or Transitional Housing, points will be awarded for developments that have been in operation for at least two years with units restricted to those experiencing Homelessness (defined in a manner substantially similar to VHHP's definition) and that include substantial supportive services.
- (B) If the Project does not include Supportive Housing or Transitional Housing, points will be awarded for developments that have been in operation for at least two years.

(5) Lead Service Provider Experience (18 points maximum; applies only to Projects with Supportive Housing or Transitional Housing)

For Projects including Supportive Housing or Transitional Housing, points will be awarded for experience in the last 10 years providing comprehensive case management (individualized services planning and the provision of connections to mental health, substance abuse, employment, health, housing retention, and similar services) to populations experiencing Homelessness (defined in a manner substantially similar to VHHP's definition) in Supportive or Transitional Housing, and for demonstrated expertise working with Veterans experiencing Homelessness.

Experience must be documented through contracts with public agencies, housing owners or foundations for services in housing Projects with at least 10 units subject to agreements with public agencies restricting rent or occupancy to persons or households experiencing Homelessness, or in publicly funded tenant-based housing assistance programs serving at least 10 Veterans experiencing Homelessness or Veteran households experiencing Homelessness.

Points will be awarded for the following:

- (A) Meeting the two-year threshold experience (per Section 102(d)(1) of these Guidelines) in permanent Supportive Housing instead of Transitional Housing (two points)
- (B) Years of experience in permanent Supportive Housing or Transitional Housing (three points maximum)
 - Three years to four years (one point)
 - Over four years but less than five years (two points)
 - Five years or more (three points)
- (C) Number of Projects or contracts in permanent Supportive or Transitional Housing (three points maximum)
 - Two Projects (one point)
 - Three Projects (two points)
 - Four Projects or more (three points)
- (D) Years of experience serving Veterans experiencing Homelessness in permanent Supportive or Transitional Housing (six points maximum)
 - Two years to three years (two points)
 - More than three years but less than four years (four points)
 - Four years or more (six points)

Points will be awarded for any of the following:

- (1) Experience providing comprehensive case management, where Veterans were at least 20 percent of the LSP's clients during the years for which points are sought in any of the following:
 - (a) Permanent Supportive or Transitional Housing restricted to Veterans experiencing Homelessness;
 - (b) A tenant-based federally-funded housing assistance program specifically for Veterans experiencing Homelessness, such as SSVF or HUD-VASH; or
 - (c) Permanent Supportive or Transitional Housing not restricted to Veterans, with documented experience providing Veteran-specific services to Veterans experiencing Homelessness, and staff with expertise in this area.

To receive points under subsection (b) or (c), the provider must have current staff expertise and organizational experience with all of the following:

- (1) Serving Veterans with traumatic brain injury and post traumatic stress disorder;
- (2) Connecting Veterans to VA services and Veteran-specific community services;
- (3) Assisting Veterans to obtain Veteran benefits and/or upgrade discharges;
- (4) Veteran peer support programs; and
- (5) Veteran outreach.

Staff expertise and experience must be documented through resumes, job descriptions, contracts, staff training descriptions, materials used in peer support programs, letters from Veteran service organizations, evidence of active participation in Veteran organizations, meetings and convenings, and similar items.

- (2) Experience of a partner agency meeting the requirements of Subsection (1) if the following conditions are satisfied:
 - (a) An executed agreement between the two agencies must be submitted with the application for VHHP assistance; and

(b) The agreement must have a term of at least five years, and detail the Veteran cultural competency services to be provided by the partner agency. These services must include:

- (1) Technical assistance with program development;
- (2) Training and mentoring of LSP leadership and staff for the proposed Project;
- (3) Assistance with hiring Project staff;
- (4) Assistance with developing Veteran-specific community linkages;
- (5) Other technical assistance as needed; and
- (6) An agreement to provide services to Veterans residing in the Project that are referred by the LSP.

(E) Documented success in meeting or exceeding the outcome measures for housing stability, specified under a government contract as a LSP in permanent Supportive or Transitional Housing serving persons experiencing Homelessness, for at least 24 consecutive months (four points maximum).

(b) Supportive Housing (25 points maximum)

- (1) Applications will be scored based on the percentage of Assisted Units restricted as Supportive Housing, and the specific population targeted, in accordance with the table in subsection (4) below.
- (2) To receive any points in this category, a minimum of 25 percent of Assisted Units must be restricted as Supportive Housing.
- (3) Scores will be computed by adding the points indicated for each percentage and target population.

For example, a Project targeting 20 percent of Assisted Units to those experiencing Chronic Homelessness and 25 percent to Veterans with a Disability Experiencing Homelessness would receive 25 points, 14 points for the units targeting Chronic Homelessness, plus 11 points for the units targeting Veterans with a Disability Experiencing Homelessness.

Percentage of Assisted Units	Chronic Homelessness	Disability Homelessness	Other Homelessness
20%	14	--	--
25%	--	11	--
Total Points = 14 + 11 = 25			

(4) The scoring table is as follows:

Percentage of Assisted Units	Chronic Homelessness	Disability Homelessness	Other Homelessness
5%	4	2	1
10%	7	4	3
15%	11	6	4
20%	14	9	6
25%	18	11	7
30%	21	13	9
35%	25	15	10
40%	25	17	11
45%	25	19	13
50% or more	25	21	14

(c) Supportive services plan (22 points maximum for Projects that include Supportive Housing or Transitional Housing, and 10 points maximum for other Projects)

(1) Applications for Projects that include Supportive Housing or Transitional Housing (which may also include other units) will be scored based on the following:

(A) Quality and Quantity of Services (14 points maximum)

1. The services provided are tailored to Veterans and of appropriate quality and quantity for the Target Population (two points).
2. Staff experience, credentials, and job duties include appropriate requirements, and Veteran cultural competency (three points).
3. The service delivery model, tailored to Veterans, includes, but is not limited to, the use of the following practices (four points):
 - (a) SSI/SSDI Outreach, Access, and Recovery (SOAR);
 - (b) Critical time intervention;
 - (c) Trauma-informed care and de-escalation;
 - (d) Motivational interviewing;
 - (e) Voluntary moving-on strategies;
 - (f) Peer support;

- (g) Case conferencing; and
- (h) Cultural competency with vulnerable populations.

4. The accessibility of VA and other services, whether they are on-site or in close proximity to the Project, including the hours they are available, and the frequency, travel time and cost of transportation required to access them, including both public transportation and private transportation services (e.g., van owned by the provider), and how the service provider will assist in the expense of public transportation (e.g., provide tokens, negotiate discounts, provide their own shuttle service, etc.) (one point).
5. Adherence to Housing First principles in provision of services, including provision of flexible services that facilitate permanent housing access and housing stability (one point).
6. The degree to which the physical building space supports social interaction, the provision of services, and ensures the safety of all residents, especially those more vulnerable, such as persons with a history of trauma, children, elderly, etc. (one point).
7. The levels of linkages with local systems for ending Homelessness and serving Veterans, including (two points):
 - (a) Participation, verified by the local Continuum of Care, in a local Coordinated Entry System (CES) that is fully established;
 - (b) The degree of coordination with VA Medical Centers, VA Homeless Program Coordinators, SSVF, Homeless Veterans' Reintegration Program and other VA programs; and
 - (c) The degree of coordination on benefit education and advocacy, discharge upgrade advocacy, and other advocacy efforts on behalf of Veteran tenants with County Veteran Services Offices (CVSOs), legal services and others, and participation in local Continuum of Care, Veterans Stand Down, and other community ending Homelessness efforts.

(B) Resident Involvement (two points maximum)

Points will be awarded based on the quality of:

1. Strategies to engage residents in building community and operations (0.5 point);
2. Strategies to engage residents in services planning and operations (0.5 point); and

3. Tenant satisfaction surveys to inform and improve services, building operations and property management (one point).
- (C) The adequacy of the services budget and the reliability over time of services funding (six points maximum)

Points will be awarded based on:

1. The adequacy of budgeted income sources and uses and the consistency of these amounts with other sections of the services plan (one point);
2. The completeness, accuracy, specificity and clarity of the budget document (one point);
3. The extent to which the major services funding sources have been accessed by the designated service providers or Sponsor in the past (one point);
4. The track record of the Sponsor and providers in filling gaps in services funding left by the loss of major funding sources (two points); and
5. The percentage of the total services budget that is committed at time of application (one point).

- (2) Applications for Projects not including Supportive Housing or Transitional Housing will be scored based on their resident services coordination plans, as follows:

The appropriateness of the service delivery model, the quality and quantity of services provided, and the degree to which they are specific to Veterans.

(A) Quantity and Quality of Services (four points maximum)

1. The services provided are tailored to Veterans and of appropriate quality and quantity for the Target Population (two points);
2. Staff experience, credentials, and job duties include appropriate requirements and Veteran cultural competency (one point);
3. The level of linkages with local systems for serving Veterans, including (one point):
 - (a) The degree of coordination with VA Medical Centers and other VA programs.
 - (b) The degree of coordination on benefit education and advocacy, discharge upgrade advocacy and other advocacy efforts on behalf of Veteran tenants with CVSO's, legal services and others.

(B) Resident Involvement (two points maximum)

Points will be awarded based on the quality of:

1. Strategies to engage residents in building community and operations (0.5 point);
2. Strategies to engage residents in services planning and delivery (0.5 point); and
3. Tenant satisfaction surveys to inform and improve services, building operations and property management (one point).

(C) The adequacy of the resident services coordination budget and the reliability over time of identified services coordination funding (four points maximum).

Points will be awarded based on:

1. The adequacy of budgeted amounts and the consistency of these amounts with other sections of the services plan (two points);
2. The completeness, accuracy and clarity of the budget document (one point); and
3. The percentage of the total services budget that is committed at time of application (one point).

(d) Leverage of Development Funding (15 points maximum)

- (1) Applications will be scored based on the ratio of permanent development funding attributable to Assisted Units from sources other than VHHP to the requested VHHP loan amount, up to a maximum of 15 points. Deferred Developer Fee and funds deposited in a reserve to defray scheduled operating deficits will not be counted in this computation. Land donations will be counted, where the value is established by a current appraisal.
- (2) For Projects utilizing 9 percent competitive low-income housing tax credits, 0.375 points will be awarded for each full 5 percentage point increment above 50 percent. For example, an application proposing other funds, equal to 100 percent of the VHHP funds, will receive 3.75 points. An application where other funds equal 250 percent of VHHP funds will receive 15 points.
- (3) For Projects not utilizing 9 percent competitive low-income housing tax credits, where at least 30 percent of Assisted Units will be restricted under VHHP to occupancy by those experiencing Chronic Homelessness, 1.5 points will be awarded for each full 5 percentage point increment above 50 percent. For example, an application proposing other funds equal to 67 percent of VHHP funds will receive 5 points. An application where other funds equal 100 percent of VHHP funds will receive 15 points.

- (4) For other Projects, 0.75 points will be awarded for each 5 percentage point increment above 50 percent. For example, an application proposing other funds equal to VHHP funds will receive 7.5 points, and an application where other funds equal 150 percent of VHHP funds will receive 15 points.
- (e) Leverage of rental or operating subsidies (20 points maximum)
- (1) Applications for Projects including Supportive Housing or Transitional Housing will be scored based on the percentage of Assisted Units qualifying as Supportive Housing or Transitional Housing that either:
 - (A) Have committed Project-based rental or operating subsidies substantially similar in terms to Project-based Housing Choice Vouchers (HCVs), or for Transitional Housing, a documented long-term history of securing funding for the operation of similar Projects sufficient, as determined by the Department, to indicate a high likelihood of receiving similar funding for the proposed Project; or
 - (B) Are restricted to Rents not exceeding 30 percent of household income, with Project feasibility determined based on the assumption that Rents will be affordable to tenants of existing Projects targeting Homelessness populations, as specified in the VHHP application.
 - (2) Applications for other Projects not including Supportive Housing or Transitional Housing will be scored based on the percentage of Assisted Units restricted to Extremely Low Income households (or under the Mental Health Services Act Housing (MHSA) Program or similar public agency special needs housing programs) that either:
 - (A) Have committed Project-based rental or operating subsidies substantially similar in terms to Project-based HCVs; or
 - (B) Are restricted to rents not exceeding 30 percent of household gross income, with Project feasibility determined based on the assumption that Rent will not exceed 30 percent of Supplemental Security Income (SSI) payment amounts, as specified in the VHHP application.
 - (3) Project-based HCVs will be deemed committed if they have been allocated to the Project subject to HUD approval, or if the Department approves other evidence that they will reliably be available.
 - (4) One point will be awarded for each 5 percent point increment, up to a maximum of 20 points.
- (f) Readiness to proceed (20 points maximum)

Points will be awarded as shown below to Projects for each of the following circumstances 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. A Project must achieve a minimum of 10 points from this section to receive an award:

- (1) Obtained enforceable commitments for all construction financing, not including tax-exempt bonds, 4 percent low-income housing tax credits (except as noted below), and funding to be provided by another Department program. Other Department funds must be awarded prior to the final rating and ranking of the VHHP application. Projects utilizing 9 percent low-income housing tax credits and Projects utilizing 4 percent low-income housing tax credits that will be part of an application to TCAC seeking hybrid tiebreaker incentives will not receive points for this rating factor (three points);
- (2) Completion of all necessary environmental clearances (California Environmental Quality Act and National Environmental Policy Act) and of a Phase I Environmental Site Assessment, which must be submitted as part of the application (five points);
- (3) (A) or (B) or (C) (four points total):
 - (A) Obtained all necessary and discretionary public land use approvals except building permits and other ministerial approvals (four points); or
 - (B) A complete application has been submitted to the relevant local authorities for land use approval under a nondiscretionary local approval process, where the application has been neither approved or disapproved (three points); or
 - (C) The applicant provides a letter signed by a planner certified by the American Institute of Certified Planners indicating that, in their opinion, the Project meets all the requirements for approval under a nondiscretionary local approval process, where an application has not been approved or disapproved by the local authorities. A “nondiscretionary local approval process” is one that includes little or no subjective judgement by the public official and is limited to ensuring that the proposed development meets a set of objective zoning, design review and/or subdivision standards in effect at the time the application is submitted to the local government. A “nondiscretionary local approval process” includes Streamlined Ministerial Approval Processing under Chapter 366, Statutes of 2017 (SB 35), By-Right Processing for Permanent Supportive Housing under Chapter 753, Statutes of 2018 (AB 2162)), housing element law (Government Code Section 65583.2(i), or other local process that meets the definition of non-discretionary approval process.
- (4) Obtained local design review approval to the extent such approval is required (three points); and
- (5) Obtained commitments for all deferred-payment financing, grants and subsidies, excluding 4 percent tax credits except as noted below, and in accordance with TCAC requirements and with the same exceptions as allowed by TCAC. Deferred payment financing, grant funds, and subsidies from other Department programs

must be awarded prior to the final rating and ranking of the VHHP application. Projects utilizing 9 percent low-income housing tax credits and Projects utilizing 4 percent low-income housing tax credits that will be part of an application to TCAC seeking hybrid tiebreaker incentives will not receive points for this rating factor (five points).

(g) Confirmation of local need (five points maximum)

2.5 points will be awarded to Projects for each of the following:

- (1) A letter from the local VA office (Network Homeless Coordinator or similar official) describing the population to be served by the Project, the type of housing to be provided (transitional, permanent supportive, or affordable), and why it will meet a high-priority local need.
- (2) A letter from the local Continuum of Care addressing the same points described in the preceding subsection.

(h) Location efficiency and access to destinations (five points maximum)

Location efficiency and access to destinations refers to reasonable access and proximity to amenities, services and public transportation that allows Veterans to have choices in accessing resources for independent living. Points may be awarded cumulatively across the categories below up to a total of five points. Applicants must provide the walkability index for item (1) and a map demonstrating proximity for items (2) and (3) to be eligible for the respective points.

- (1) Up to three points will be given for the location efficiency of the Project site as determined by the US EPA Walkability Index using the address of the Project site. If the Project is a corridor and does not have a specific address, use the centermost point of the Project for the calculation. The methodology for the Walkability Index can be found at www.epa.gov/smartgrowth/smart-location-mapping#walkability

Points will be given on the following scale:

- (A) Most Walkable (Dark Green; 15.25-20) (three points);
- (B) Above Average Walkable (Light Green; 10.51-15.25) (two points);
- (C) Below Average Walkable (Yellow; 5.76-10.5) (one point); and
- (D) Least Walkable (Orange; 1-5.75) (zero points).

- (2) Two points will be given to Projects located where there is a bus rapid transit station, light rail station, commuter rail station, ferry terminal, bus station, or public bus stop within 1/3 mile (one mile for Rural Communities) from the site with service at least 30 minutes (or at least two departures during each peak period for a commuter rail station or ferry terminal) during the hours of 7 a.m. - 9 a.m., and 4 p.m. - 6 p.m., Monday through Friday.
- (3) Up to two points will be given for Projects that provide a map highlighting the location of the existing and operational services within one-half mile of the Project area (two miles for rural communities), as follows:
 - (A) Grocery store which meets the CalFresh Program requirements (one point);
 - (B) Medical clinic that accepts Medi-Cal payments, or a VA health facility (one point);
 - (C) Public elementary, middle, or high school (one point); and
 - (D) Licensed child care provider (one point).

Applicants will be subject to the appeal process as detailed in the NOFA.

Section 112. Housing First Practices

- (a) Projects shall employ Housing First practices that are documented in the application, property management plan and supportive services plan. Adherence to Housing First practices shall be subject to periodic compliance monitoring.
- (b) For Supportive Housing units, Housing First property management and service delivery practices shall be followed. Housing First practices include the following:
 - (1) Tenant selection practices that promote the acceptance of applicants regardless of their sobriety or use of substances, completion of treatment, or agreement to participate in services;
 - (2) Applicants are seldom rejected on the basis of poor credit or financial history, poor, or lack of rental history, or criminal convictions unrelated to tenancy;
 - (3) Applicants are assisted in making application for tenancy and reasonable accommodation requests;
 - (4) Supportive services are flexible and voluntary and focus on housing stability, engagement, and problem-solving over therapeutic goals; and
 - (5) The lack of policies or practices regimenting daily activities or limiting privacy, visitors, or the individual's ability to engage freely in community activities or to manage their own activities of daily living.

- (c) Management and services practices emphasize housing access and tenant retention and offer flexibility and services to prevent and resolve lease violations and evictions. Transitional Housing units shall follow Housing First property management and services practices described in subsection (b) above or implement modified Housing First practices that, at a minimum, incorporate:
 - (1) Tenant selection practices that promote the acceptance of applicants regardless of their sobriety or use of substances, completion of treatment, or agreement to participate in services;
 - (2) Applicants are seldom rejected on the basis of poor credit or financial history, poor, or lack of rental history, or criminal convictions unrelated to tenancy;
 - (3) Applicants are assisted in making application for tenancy and reasonable accommodation requests;
 - (4) Assistance shall be provided in obtaining permanent housing as rapidly as possible, and without preconditions, such as participation in services length of stay, or successful completion of a Transitional Housing program. Upon exit to permanent housing, follow up services shall be provided for no less than six months to ensure that tenants retain permanent housing; and
 - (5) Services are voluntary unless required by a public agency funding source.

Section 113. Tenant Selection

- (a) Sponsors shall select tenants in accordance with the provisions of Title 25 CCR Section 8305.
 - (1) Reasonable selection criteria, as referred to in Title 25 CCR Section 8305(a)(1), shall include priority status under a local CES developed pursuant to 24 CFR 578.7(a)(8);
 - (2) Potential tenants shall not be rejected based on the type of their military service discharge, unless specifically required by a public agency funding source for the Project.
- (b) For Supportive Housing, tenants shall be selected using the local CES.
 - (1) For units restricted to the those experiencing Chronic Homelessness or Veterans with a Disability Experiencing Homelessness, Projects shall prioritize highly vulnerable households referred for permanent supportive housing by the local CES.
 - (2) Where the CES is not yet operational, Projects shall coordinate directly and accept referrals from VA homeless programs for Veterans experiencing Homelessness, Emergency Shelters, Safe Havens, drop-in centers, and street outreach programs frequented by vulnerable persons experiencing Homelessness.

- (c) For Transitional Housing, occupants shall be selected using the local CES.
 - (1) For units restricted to those experiencing Chronic Homelessness or Veterans with a Disability Experiencing Homelessness, Projects shall accept referrals and prioritize highly vulnerable households as referred by the local CES.
 - (2) Where the local CES is not yet operational, Projects shall coordinate directly and accept referrals from VA programs for Veterans Experiencing Homelessness, Emergency Shelters, Safe Havens, drop-in centers, and street outreach programs frequented by vulnerable people experiencing Homelessness.
- (d) For Projects without Supportive Housing or Transitional Housing, Projects shall coordinate directly and accept referrals from SSVF and other programs that serve high-need Veterans.

Section 114. Rental Agreements and Grievance Procedures

Rental or occupancy agreements and supplemental occupancy forms (such as the Appeal and Grievance Procedure or House Rules) for Assisted Units shall comply with Title 25 CCR Section 8307 and must be approved in writing, in advance, by the Department. Any change to the template rental or occupancy agreement must be approved in advance, in writing, by the Department. Tenants shall not be required to maintain sobriety, be tested for substances, or participate in services or treatment, pursuant to the Housing First model in accordance with Section 112(c)(1) and 112(c)(5) of these Guidelines.

Section 115. Supportive Services

- (a) Projects limited to Supportive Housing and/or Transitional Housing must comply with requirements of subsection (b) below. Projects without Supportive Housing or Transitional Housing must comply with the requirements of subsection (c) below. Projects combining Supportive Housing and Transitional housing with other unit types must comply with both (b) and (c) below.
- (b) Projects including Supportive Housing and/or Transitional Housing must:
 - (1) Utilize a LSP meeting the experience requirements described in section 102(d)(1) of these Guidelines. A formal agreement must be provided between the LSP and the Sponsor. The agreement must detail roles and responsibilities and other components typically found in a formal agreement in the implementation of all elements of the supportive services plan and must be consistent with organizational charts and the property management plan. The agreement must be submitted to the Department with the application, but no later than the Standard Agreement execution date. In the event of a change to the 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. If the LSP and Sponsor are the same organization, provide a document signed by an authorized signatory defining roles and responsibilities in implementing all elements of the supportive services plan. Designated supportive services staff must not be combined with property

management staff. The Sponsor shall apply to the Department in advance, in writing, if any change to the LSP or the services provided is proposed. The Sponsor shall not implement any changes until Department and CalVet approval is given.

(A) The LSP organization shall not be the same as the Property Manager organization without prior approval from the Department and CalVet. Any approval will require a formal agreement between the Sponsor and the organization providing both roles that describes how property management-related activities and interests will be separate from tenant services/advocacy-related activities and interests throughout the term of the agreement. The agreement can be part of that which is required through Sections 102(d)(1)(C) and 115 (b)(1) of these Guidelines and must be supported by an organizational chart and other supporting documentation.

(2) Provide services that are flexible and responsive to individual resident needs, culturally specific, and linguistically appropriate. Culturally specific includes the culture shared by Veterans.

(A) The supportive services plan (Section 111(c) of these Guidelines) must be fully implemented and the supportive services available for use by the tenant at the time of occupancy.

(3) Provide comprehensive case management on site with appropriate ratios of full-time Case Managers directly providing services to residents, as indicated below or as otherwise approved by the Department based on justification provided by the Sponsor.

Population	Minimum Ratio
Chronic Homelessness	1:20
Disability Homelessness	1:25
Other Homelessness	1:40

For each Project, at least one Case Manager directly providing services shall possess a master’s degree in appropriate disciplines. Supervisory staff does not count for this purpose, or for the purpose of satisfying the minimum Case Manager to resident ratios set forth above. If the Sponsor is relying on VA staff to fulfill this educational 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.

(4) Provide appropriate transportation so residents can access off-site services.

(5) Provide training to services staff on the specific culture, needs and issues of Veterans, and on the resources available to address their needs.

- (6) Employ strategies to engage residents in services, building operations, and services planning and operations. A tenant satisfaction survey shall be conducted at least annually to inform and improve services, building operations, and property management.
- (7) Have written policies and procedures covering:
 - (A) Retention of tenants regardless of their use of substances and steps to assist relapsing residents to ensure their ability to remain in housing.
 - (B) Payment of rent by residents during periods of hospitalization.
 - (C) Privacy and confidentiality of residents, while ensuring appropriate communication between property management and service providers to preserve tenancies. Communications between the resident and service provider must be kept confidential, absent consent of the tenant to disclose information.
 - (D) Ensuring the safety and security of residents and staff (including, but not limited to, violations committed by residents, visitors and/or staff).
 - (E) Grievance procedures, including assistance provided to tenants in making a grievance including the option for an informal hearing and formal hearing, neither of which will impact their ability to pursue legal action if a resolution is not reached. The Sponsor shall not cause undue burden to or retaliate against the tenant for seeking a hearing. Grievance procedures (and subsequent changes to the approved grievance procedure) must be approved in advance, in writing, by the Department.
 - (F) Initial and periodic staff training in all of the above, in appropriate responses to tenant crises, and in the operator's program philosophy, values, and principles.
 - (G) Coordination with property management for resolution of complaints from tenants or on behalf of tenants.
 - (H) Reasonable accommodations for prospective and existing tenants.
- (8) Provide the following minimum services, either directly or through commitment letters or formal agreements with other agencies. The letters and agreements documenting the availability of these services must be included in the application for VHHP funds:
 - (A) Intensive case management to engage with each Veteran and jointly develop an individual service plan.
 - (B) Benefits counseling and advocacy, including assistance in enrolling in Medi-Cal and obtaining other mainstream services, as well as VA system navigation, and assistance in obtaining discharge upgrade and Veterans benefits.

- (C) Mental health care, such as assessment, crisis counseling, individual and group therapy, and support groups.
 - (D) Physical health care, including access to routine and preventative health and dental care.
 - (E) Substance use services, such as treatment, relapse prevention, and support groups.
 - (F) For transitional Projects, permanent housing location and placement assessment services to move households to permanent housing as quickly as possible, and linkages to HUD-VASH and SSVF.
- (9) Provide the following enhanced services to residents, either directly or through commitment letters or formal agreements, unless the Department approves justification from the Sponsor as to why these services are not needed. The letters and agreements documenting the availability of these services must be provided before occupancy and release of VHHP funds, but are encouraged to be included with the application.
- (A) Educational services, including assessment, GED, school enrollment, assistance accessing higher education and GI bill benefits and grants, and assistance in obtaining reasonable accommodations in the education process.
 - (B) Employment services must include job skills training, job readiness, job placement, and job retention services.
 - (C) Linkage to potential out-placements, should they become appropriate alternatives for current residents, either because they require a higher level of care (i.e., residential treatment facilities and hospitals), or because they no longer require permanent Supportive Housing (i.e., other affordable housing or market rate housing).
 - (D) Life skills training, such as financial literacy, household maintenance, interpersonal communications, grooming, nutrition, cooking, and laundry.
 - (E) Representative payee.
 - (F) Peer support and advocacy.
 - (G) Legal assistance.
 - (H) On-site medication management.
 - (I) Attendant care.
 - (J) Adult day care.

- (K) Parenting education, childcare, and family legal and counseling services including, but not limited to, family reunification.
 - (L) Social and recreational activities.
 - (M) Financial counseling.
 - (N) Domestic violence support.
 - (O) Food insecurity/meal support.
- (10) Prepare a supportive services plan that is appropriate for the Target Population(s), and consistent with the property management plan. The supportive services plan shall be included in the application for VHHP funds, and may be subject to review and updating prior to VHHP loan funding and throughout the effective period of the loan terms. In the event of a change to the supportive services plan or LSP, additional review and revisions to the supportive services plan may be required. It shall include:
- (A) A narrative description of Target Population needs, services provision (what, who, where provided, and supportive services model), staff training and education, resident engagement, and expected outcomes with supporting documents including:
 - (1) Services staffing chart.
 - (2) Services delivery chart listing each service, its provider, location, and type of commitment.
 - (3) Description of service delivery model practices identified in section 111(c)(1)(A)(3) of these Guidelines.
 - (4) Description of policies and procedures to ensure tenant safety and security.
 - (B) Budget to show funding is adequate, including:
 - (1) Line item budget that is consistent with the supportive services plan narrative. Any reduction of budgeted amounts will require prior approval by the Department and CalVet.
 - (2) Services staffing chart that is consistent with the supportive services plan narrative.
 - (C) Documentation supporting the line item budget, including the agreement with the LSP and agreements or commitment letters from other service providers included in this budget, with details about the scope, value and duration of the services they will provide. Documentation 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 source(s) and increases in services costs.

- (D) A description of LSP responsibilities with regard to tenant selection, tenant retention and eviction prevention, reasonable accommodation procedures, and coordination with property management.
 - (E) Identification of the parties responsible for the Homeless Management Information System (HMIS), and other reporting, including local CES, which must also be reflected in the required agreements and commitment letters.
- (c) Projects including Assisted Units other than Supportive Housing and Transitional Housing must provide resident service coordination services. At a minimum, these Projects must:
- (1) Utilize an organization to provide resident services coordination that has at least 24 months of experience in providing this service in publicly assisted affordable housing. If this service is provided by a third party, there must be a formal agreement between the Sponsor or Project owner and this third party.
 - (2) Provide services that are flexible and responsive to individual resident needs, culturally specific, and linguistically appropriate. Culturally specific includes the culture shared by Veterans.
 - (3) Provide services coordination on-site with at least one full-time services coordinator per 80 residents, unless otherwise approved by the Department based on justification provided by the Sponsor. The services coordinator must have a bachelor's degree or equivalent work experience.
 - (4) Provide peer support and advocacy services.
 - (5) Provide for appropriate transportation so residents can access off-site services.
 - (6) Provide training to services staff on the specific culture, needs and issues of Veterans, and on the resources available to address their needs.
 - (7) Employ strategies to engage residents in services, building operations, and services planning and operations.
 - (8) Have written policies and procedures covering:
 - (A) Drug and/or alcohol use on-site and off, including steps to deal with relapsing residents to ensure their ability to remain in housing.
 - (B) Payment of rent by residents during periods of hospitalization.
 - (C) Privacy and confidentiality of residents, while ensuring appropriate communication between property management and service providers to preserve tenancies.
 - (D) The safety and security of residents and staff (including, but not limited to, violations committed by residents, visitors and/or staff).

- (E) Grievance procedures, including assistance provided to tenants in making a grievance.
 - (F) Initial and periodic staff training in all of the above, in the appropriate response to tenant crises, and in the operator's program philosophy, values and principles.
 - (G) Coordination with property management for resolution of complaints from tenants or on behalf of tenants.
- (9) Prepare a resident services coordination plan that is appropriate for affordable housing residents and consistent with the property management plan. Projects with mixed tenant populations must address the services needs of all tenants, including any differences in service delivery or staffing ratios between the different populations. The supportive services plan must include:
- (A) A narrative description of affordable housing population need, services provision (what, who, where provided), staffing, resident engagement, and outcomes with supporting documents including:
 - (1) Services staffing chart.
 - (2) Services delivery chart listing each service, its provider, location, and type of commitment.
 - (3) Budget to show funding is adequate, including:
 - (a) Line item budget.
 - (b) Services staffing chart.
 - (B) Documentation supporting the line item budget, including the agreement with the resident services coordinator agency, and agreements or commitment letters from other service providers impacting this budget, with details about the scope, value and duration of the services they will provide.
 - (C) A description of resident service coordinator responsibilities with regard to tenant selection, tenant retention, eviction prevention, reasonable accommodation procedures, and coordination with property management, all consistent with the property management plan.

Section 116. Vulnerable Populations Best Practices

The following best practices should be incorporated in the construction of Projects that receive funding from VHHP as much as possible. These best practices work to further the safety and physical and mental well-being of residents within a Project.

Veterans experiencing low income or Homelessness are already vulnerable and, within this population, there are those still more vulnerable than others, such as children, elderly, and/or persons with a history of trauma (e.g., military sexual trauma, domestic violence).

- (a) General best practices for all developments:
 - (1) Safety features:
 - (A) Site selection and development of the Project should consider the safety concerns of the prospective Veteran tenants.
 - (B) Building entrance and exit points should only allow admittance to residents or guests that residents admit.
 - (C) Common areas within the Project should be oriented so as to have:
 - (1) Two ways to enter or exit the area;
 - (2) Visibility to the area from outside of it, i.e., windows in walls or doors; and
 - (3) A centralized location, to the extent possible.
 - (4) Safety lighting that reduces or eliminates blind or dark spaces where people can hide.
 - (D) Property management:
 - (1) Policies to support an on-call staff member or 24-hour availability of staff from the property management company.
 - (2) Post in common areas and annually review with tenants the Project's grievance policy. The policy should include procedures for grievances with management staff or contractors and the process by which the tenant may elevate the complaint.
- (b) Most vulnerable population best practices – this is for those populations that have a history of trauma or are more easily taken advantage of such as, children, elderly, and domestic violence and military sexual trauma survivors.
 - (1) Safety features incorporate all of the general best practices and include the following:
 - (A) The Project is designed in such a way as to provide separate and secure floors, wings, or buildings for this tenant population. These separate and secure areas should restrict access to only the residents in the secured area.
 - (B) For mixed-gender Projects that will also be serving women with a history of domestic violence or sexual trauma:
 - (1) Designate at least 25 percent of the Assisted Units for women with a history of domestic violence or sexual trauma, and or women with

children, thereby ensuring women are not a small minority of the tenancy.

- (2) Design Projects to provide separate and secure floors, wings, or buildings for women with a history of domestic violence or sexual trauma and/or women with children. These separate and secure areas should restrict access to only the residents in the secured area.

(C) Security cameras:

- (1) At entrances, exits and common areas (including hallways, elevators, and stair wells);
- (2) Written policy on the use of the cameras to specify who has access to see the videos, who monitors the surveillance, and under what conditions the footage would be released to the authorities; and
- (3) Camera recordings should be maintained for at least 30 days.

- (D) Visitor policy that clearly defines the policies for visitors, to include the hours visitors are allowed on the property and physical spaces visitors may access. This policy is to be posted in public areas for resident awareness and reviewed with the resident at the time the lease is signed.

(2) Property management:

- (A) Policies to support an on-call staff member or 24-hour availability of staff from the property management company.
- (B) Post in common areas and annually review with tenants the Project's grievance policy. The policy should include procedures for grievances with management staff or contractors, and the process by which the tenant may elevate the complaint.
- (C) The Project should have 24-hour security and, for Projects serving female Veterans, female security guards to the extent possible.

Section 117. Reporting Requirements

- (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 VHHP-Assisted Units that are Supportive Housing and Transitional Housing:
 - (1) Sponsors shall report client data on local HMIS, if the systems are available in the jurisdiction of the Project, and must comply with local Continuum of Care HMIS requirements.

- (2) Sponsors shall report annually to the Department on all occupants of these units, indicating tenant referral source, previous living situation, demographic characteristics, length of stay, housing exit, budgets, progress on outcome measures, and changes in income, benefits, and education, and veteran-specific information such as disability rating, type of discharge, branch and era of service, and VA healthcare eligibility, and similar information.
 - (3) Sponsors shall submit to CalVet directly any additional information as requested by CalVet, including staffing levels and training, and tenant survey results.
- (c) For all VHHP-Assisted Units, Sponsors shall submit annual compliance reports to the Department with, at a minimum, the same information as required under the Multifamily Housing Program.

Section 118. Annual Operating Budget and Schedule of Rental Income

The Sponsor shall submit proposed operating budgets and Schedule of Rental Income (SRI) to the Department for prior approval before permanent loan closing and annually thereafter. These operating budgets and SRI shall be subject to Department approval, be consistent with related and supporting documentation, and comply with the following requirements:

- (a) Prior to loan closing, the Sponsor shall submit an initial operating budget, SRI, and other documents as requested to the Department. Such budget and SRI shall show all anticipated income; expenses for management, operations and maintenance; debt service; and reserve deposits for the Initial Operating Year.
- (b) For the Initial Operating Year, Borrower shall operate the Development in accordance with the initial operating budget and SRI, which were approved by the Department prior to loan closing. Such budget shall show all anticipated Operating Income, debt service, Operating Expenses and amount payable to reserves for the Initial Operating Year. Such SRI shall set forth the rent roll, which will identify each tenant household (by unit number or other method of household identification that is acceptable to the Department), as well as the following information in connection with each tenant household: size, income, current rent, and proposed rent adjustments (including utility allowances, if applicable). Such SRI shall provide estimated income for Assisted Units, non-Assisted Units, and Commercial Space or use.
- (c) For as long as deemed necessary by the Department to ensure compliance with Program requirements, but for no less than the full-term of the recorded Regulatory Agreement, the Sponsor shall submit to the Department for its approval, 60 days prior to the end of each Project fiscal year, a proposed operating budget and SRI on forms provided by the Department. The proposed annual operating budget and SRI, together, shall set forth the Borrower's estimates for the upcoming year of Operating Income, Operating Expenses, debt service amounts payable to reserves, and proposed Rent adjustments pursuant to Section 105. The Department, at its sole discretion, may request in situations, such as, but not limited to, resyndication, change of ownership, or change of Project fiscal year, submission of limited budget information, such as a proposed Rent schedule, proposed

management fees, and reserve deposit amounts. The Department may re-impose the requirement for submission of complete operating budgets where necessary to ensure compliance with program requirements.

- (d) The initial and subsequent proposed operating budgets, where required, shall be subject to the approval of the Department based on its determination that the budget line items are reasonable and necessary considering costs for comparable Affordable Rental Housing Developments and prior year budgets. Actual expenditures in excess of the approved budget amount shall be subject to Department approval.
- (e) The initial operating budget and subsequent proposed operating budgets shall include periodic deposits to the operating reserve, replacement reserve, and any other reserve account required by the Department in accordance with the requirements of UMR Sections 8308 and 8309.
- (f) For Projects with non-Assisted Units or Commercial Space, all budgets submitted pursuant to this section shall show income and uses of income allocated among Assisted Units, Restricted Units, non-Restricted Units, and Commercial Space. The allocation method used for each budget line item shall be subject to Department approval, and shall apportion income and expenses in a manner that accurately reflects the particular physical, operational and economic characteristics of the Project.

Section 119. Legal documents

After a Sponsor is sent a letter providing notice of award pursuant to a NOFA, and prior to actual disbursement of funds pursuant to that award, the Department and Sponsor shall enter into a state "Standard Agreement," which shall constitute a conditional commitment of said funds. The Standard Agreement shall require the Sponsor to comply with the requirements and provisions of the Act, these Guidelines, and generally applicable state contracting rules and requirements. The Standard Agreement shall encumber state monies in an amount no more than as established in the NOFA, and said amount shall be consistent with the application and corresponding award letter. The Standard Agreement shall contain the terms necessary to ensure the Sponsor complies with all VHHP requirements, including, but not limited to, the following:

- (a) Requirements for the execution of a promissory note, Sponsor operating agreement, or other Project-specific contracts as may be applicable;
- (b) Requirements, where appropriate, for the execution and recordation of covenants, Regulatory Agreements, or other instruments restricting the use and occupancy of and appurtenant to the Project and the property thereunder (for the purposes of these Guidelines, all such documents are collectively herein referred to as the VHHP Regulatory Agreement);
- (c) Requirements for the execution of a Deed of Trust or other security instrument securing the debt owed by the Borrower to the Department for the amount of the award. The Deed of Trust must be recorded against the fee estate underlying the property; leasehold security will not be accepted unless such security strictly meets the requirements set forth in Title 25 CCR Section 8316;

- (d) The Sponsor's responsibilities for timing and completion of the Affordable Rental Housing Development, as well as any and all 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 VHHP and applicable state and federal law.

Section 120. Defaults and Loan Cancellations

- (a) In the event of a breach or violation by the Sponsor of any of the provisions of the Regulatory Agreement, the promissory note, or the deed of trust, or any other agreement pertaining to the Project, the Department may give written notice to the Sponsor to cure the breach or violation within a period of not less than 15 days. If the breach or violation is not cured to the satisfaction of the Department within the specified time period, the Department, at its option, may declare a default under the relevant document(s) and may seek legal remedies for the default, including the following:
 - (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 Affordable Rental Housing Development in accordance with VHHP requirements.
 - (3) The Department may seek such other remedies as may be available under the relevant agreement or any law.
- (b) If the breach or violation involves charging tenants Rent or other charges in excess of those permitted under the 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.
- (c) The Department may cancel loan commitments under any of the following conditions:
 - (1) The objectives and requirements of VHHP 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;

- (4) There has been a material change, not approved by the Department, in the principals or management of the Sponsor or Project, or
- (5) If the Sponsor fails to apply for tax credit funding, which they relied on for Project feasibility in their application, within 18 months of the VHHP award date.

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.

- (d) Upon receipt of a notice from the Department of intent to cancel the loan, the Sponsor shall have the right to appeal to the Director.
- (e) 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 VHHP 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.

Section 121. Transitional Housing Funds

The following provisions apply only if funding by the Legislature is set aside for Transitional Housing Projects. This only applies to funds appropriated for the Program for 2016. Assembly Bill 1622 amended the the Budget Act of 2016 and set aside Round 3 funds that could be used to support Transitional Housing or Emergency Shelter facilities:

- (a) Eligible Projects are limited to Transitional Housing and Emergency Shelter facilities that provide services for Veterans experiencing Homelessness.
- (b) Eligible borrowers are limited to nonprofit corporations and counties or combinations of these entities.
- (c) VHHP funds may be used for either the construction of new facilities or the rehabilitation of existing ones.
- (d) In addition to the application selection criteria specified in Section 111 of these Guidelines, applications will be eligible to receive up to 20 points based on the extent to which they:
 - (1) Demonstrate high need for the specific population targeted, as indicated by large numbers of Veterans turned away from similar nearby shelters or Transitional

Housing facilitates, local surveys of Veterans experiencing Homelessness, and other quantified data;

- (2) Focus on long-term solutions, including reliable funding for mental health and addictions services; and
 - (3) Are sponsored by organizations that demonstrate proven long-term effectiveness, as measured by indicators of housing stability and recovery.
- (e) For Emergency Shelter Projects, the following provisions of these Guidelines shall apply as modified below:
- (1) Section 101(b): “Assisted Unit” means a bed in an Emergency Shelter facility restricted to occupancy by Veterans.
 - (2) Section 103(e): VHHP loans shall be limited to \$50,000 per bed.
 - (3) Section 105: Sponsors shall not charge rent or other program fees or occupancy charges.
 - (4) Section 111: Application selection criteria will be applied as if the Project was Transitional Housing.
- (f) For Emergency Shelter Projects, the following sections of these Guidelines shall not apply: 102(a), 102(b), 102(c), 102(d), 104(b), 104(c), 106, 107, 108, 112, and 114.
- (g) For Emergency Shelter Projects, the following additional requirements shall apply:
- (1) The owner of the Project, and the Borrower, shall:
 - (A) Be either a nonprofit corporation or a county, and
 - (B) Have a consistent record (average of the last three years) in other shelters they operate of at least 35 percent of admitted clients exiting to permanent housing, and less than 23 percent moving into permanent housing having returned to Homelessness within one year.
 - (2) The Project shall not require, as a condition of client housing, participation by clients in any religious or philosophical ritual, service, meeting, or rite.
 - (3) The Sponsor shall not deny benefits on the basis of race, religion, age, sex, marital status, ethnicity, place of origin, physical or mental disability, or any other arbitrary basis. This section shall not be construed to preclude the provision of client housing designed to accommodate women or men only.
 - (4) The Project must be financially feasible as determined by the Department, and based on an evaluation of development funding and operating subsidies committed

to the Project at time of application, and the Sponsor's track record of securing operating subsidies for similar Projects over an extended period.

- (h) For Transitional Housing, the following requirements shall apply:
 - (1) Maximum per-bed loan amounts shall be \$65,000 for all Round 3 awards, including supplemental awards.
 - (2) Leverage of development funding point scores shall be computed in accordance with Section 111(d)(3) of these Guidelines.