

HOME 2022-2023 NOFA APPLICATION WORKSHOP FOR RENTAL PROJECTS

California Department of Housing and
Community Development



WELCOME

2022-2023 HOME NOFA Multifamily
Rental Projects Webinar



Webinar Poll

Facilitator to conduct quick
poll of the audience



NOFA APPLICATION INQUIRIES

For consistency and transparency, questions must be submitted to the HOME NOFA email inbox.

Questions will be reviewed, researched, and answered.

FAQ's will be posted to the HCD website.

Email to: HOMENOFA@hcd.ca.gov



HOME Project Team

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NOFA Deadlines

Application Submittal Period

**February 12, 2024, 8:00 a.m. PST
through
April 9, 2024, 5:00 p.m. PST**



Presentation Overview

- **NOFA Overview and What's New**
 - eCivis Application Portal
 - Funding Availability
 - Application Limits
- **Threshold Requirements**
- **Rating and Ranking**
- **Project Feasibility**
 - Financial Feasibility
 - National Environmental Policy Act (NEPA)
 - Relocation



eCivis Application Portal

HOME Applications must be accessed, starting February 12, 2024, through the eCivis Grants Network Portal – Programs Available for Solicitation page at:

https://gn.ecivis.com/GO/gn_redir/T/vyjsqf2kekyx

- [eCivis Grants Management System User manual](#)
- [eCivis Grants Management System External User Webinar](#)



NOFA Overview

Funding Availability

- \$120 million available (approximately)
 - 55% for rental projects = \$66 million
 - 5% FTHB projects = \$6 million
 - 40% for Program Activity = \$48 million
- 50% reserved for rural areas = \$60 million
- 15% reserved for CHDO's = \$18 million
- Federally Declared Disaster Area Target = \$18 million
- 20% for Native American Entity Target = \$24 million



New This Year

2022-2023

- Recovery Assistance for natural disaster survivors
- Pursuant to Government Code Sections 40601 and 40602, the Mayor or Mayor pro tempore must sign all written contracts and conveyances made or entered into by a city, unless the city has an ordinance in effect that specifically allows contracts to be signed by an officer other than the mayor or mayor pro tempore.



New This Year

2022-2023

- CHDO Applicants must meet all the requirements found at 24 C.F.R. § 92.2 at the time of application submittal and be certified by the Department prior to any project activity or program activity funding award through this NOFA.
- Updated State Objectives now include Extremely Low-Income households.



New This Year

2020-2021	2022-2023
<p>Funding Limits by Project Activity: SR/CHDO/Developer: \$7M not including Admin, ADC, or CHDO Ops FTHB \$7MM</p>	<p>Funding Limits by Project Activity: SR/CHDO/Developer: \$12 million not including Admin, ADC, or CHDO Ops</p> <p>First Time Home Buyer (FTHB): \$3 million</p>
<p>Max SR Admin = \$150,000</p> <p>ADC = \$50,000 (now Project Related Soft Costs)</p>	<p>Administrative Funds: State Recipients --\$125,000 Administrative funds for projects applying \$6,000,000 or more --\$75,000 Administrative funds for projects applying for less than \$6,000,000 PLUS --\$75,000 Project Related Soft Costs (formerly Activity Delivery Costs)</p>



New This Year

2020-2021	2022-2023
Activity Delivery Costs (ADC)	Now referred to as Project Related Soft Costs
Max CHDO Ops = \$200,000	Max CHDO Ops = \$150K --\$150,000 CHDO Operating funds for projects \$6,000,000 or more --\$100,000 CHDO Operating funds for projects less than \$6,000,000 Applies to FTHB Projects
Minimum funds into project \$1,000	Minimum funds per project \$5,000



New This Year

2020-2021	2022-2023
4% and 9% Tax Credits Allowed Note: –Deep Targeting, 9% credits NOT allowed	Deep Targeting no longer available
15% CHDO Set-aside based on 2021 funds only	15% CHDO Set-Aside based on both 2022 & 2023 allocations
CHDOs must be certified every year they submit an application Certification request must be submitted prior to March 10, 2022	The CHDO must demonstrate capacity for each role (Owner, Developer, or Sponsor) it intends to undertake. Must submit a CHDO Certification Application as described in HOME 2022-2023 NOFA Appendix B Community Housing Development Organization (CHDO) Certification Documents



New This Year

2020-2021

Table 8 – Monitoring Fees	
Number of Units	2021
12 or fewer	\$5,900
13 to 24	\$9,600
25 to 36	\$11,700
37-48	\$12,000
49-60	\$14,350
61 or more	\$16,800

2022-2023

Table 8 – Monitoring Fees	
Number of Units	2023
12 or fewer	\$6,077
13 to 24	\$9,888
25 to 36	\$12,051
37-48	\$12,360
49-60	\$14,781
61 or more	\$17,304



NOFA Overview - Eligible Applicants

- State Recipients - Local Agency or Local Public entities defined as:
 - Cities
 - Counties
 - Native American Entities (NAE)*
 - State HOME eligible jurisdictions
 - NOFA Appendix A
- State-certified CHDO
- Developers may include federally-recognized NAEs



NOFA Overview Definitions

“Native American Entity” (“NAE”) means an “Indian Tribe” or a “Tribally Designated Housing Entity” that is any of the following: a) Applicant meets the definition of Indian Tribe under Section 4103(13)(B) of Title 25 of the United States Code; b) Applicant meets the definition of Tribally Designated Housing Entity under 25 U.S.C. 4103(22); or c) If Applicant is not a federally recognized tribe as identified above, Applicant is either: (1) Listed in the Bureau of Indian Affairs Office of Federal Acknowledgment Petitioner List, pursuant to 25 C.F.R. Part 83.1; or (2) An Indian Tribe located in California that is on the contact list maintained by the Native American Heritage Commission for the purposes of consultation pursuant to GC Section 65352.3, and 3) has formed and controls a special purpose entity in compliance with 25 C.C.R. § 8313.2.



NOFA Overview Definitions

“Native American Entity – Federally Recognized Tribe (“NAE-FRT”) means any Tribal Government which is a federally recognized tribe as defined at 25 U.S.C. section 4103(13)(B) and includes a duly constituted governing body of an Indian Reservation or Rancheria as Health and Safety Code section 50077 and 50079; or is a Tribally Designated Housing Entity under 25 U.S.C. section 4103(22).



NOFA Overview Definitions

“Native American Entity – Non-Federally Recognized Tribe” (“NAE-NFRT”) means any Tribal Government which is an Indian Tribe located in California that is not a federally recognized tribe and is either: (1) listed in the Bureau of Indian Affairs Office of Federal Acknowledgment Petitioner List, pursuant to 25 C.F.R. Part 83.1, and has formed and controls a special purpose entity in compliance with 25 C.C.R. § 8313.2; or (2) listed on the contact list maintained by the California Native American Heritage Commission for the purposes of consultation pursuant to Government Code (GC) § 65352.3, and (3) has formed and controls a special purpose entity in compliance with 25 C.C.R. § 8313.2.



NOFA Overview Definitions

“Native American Lands” means real property located within the State of California that meets the following criteria: (1) is trust land for which the United States holds title to the tract or interest in trust for the benefit of one or more tribes or individual Indians, or is restricted Indian land for which one or more tribes or individual Indians holds fee title to the tract or interest but can alienate or encumber it only with the approval of the United States; and the land may be leased for housing development and residential purposes under federal law; or (2) lands outside the jurisdiction of tribal government owned or co-owned by a Native American Entity in accordance with 25 C.C.R. § 8201(y).



NOFA Overview Definitions

“Native American Entity (NAE) Service Area” means the area where the Project is located within the NAL and includes lands outside the NAE tribal government jurisdiction up to 100 miles from the boundary of the NAE trust or restricted land as defined at 25 U.S.C. 2201 that is within non-entitlement jurisdictions.



Eligible Applicants

- State Recipients
 - May not designated as a HOME Participating Jurisdiction (PJ) by HUD
 - Are not participating in an Urban County Agreement with a county designated as a PJ
 - Are not participating in a HOME Consortium
 - Project or Program Activities should be located within the Applicants' defined service area.
 - Eligible city and county jurisdictions for 2022 and 2023 federal HOME funds are listed in Appendix A of current NOFA.



Eligible Applicants (continue)

- CHDO – Community Housing Development Organization
May participate as Owner, Developer, or Sponsor.
- CHDO Applicants must meet all the requirements found at 24 C.F.R. § 92.2. [eCFR: 24 CFR 92.2 -- Definitions.](#)



NOFA Overview Definitions

- To meet the definition of an **eligible jurisdiction**, Applicants must meet the following criteria:
 - Have not been designated as a “participating jurisdictions” by HUD;
 - Are not participants in an urban county agreement with a county that is designated as a HUD entitlement jurisdiction;
 - Are not participants in a HOME consortium; and
 - Are proposing projects or programs that will be located or carried out in the Applicant’s defined service area. Generally, this will be within the Applicant’s city limits, a county’s unincorporated area, or an Indian Reservation, rancheria, or service area of a tribally designated housing agency.



NOFA Overview Definitions

- **“Local agency”** means a city, county, city and county, or a Native American Entity duly constituted governing body of an Indian Reservation or rancheria and includes any governmental agency or local public entity, in accordance with see page NOFA pg. 3.
- **“Local public entity”** means any county, city, city and county, the duly constituted governing body of an Indian Reservation or rancheria, tribally designated housing entity as defined in Section 4103 of Title 25 of the United States Code and Section 50104.6.5, redevelopment agency organized pursuant to Part 1 (commencing with Section 33000) of Division 24, or housing authority organized pursuant to Part 2 (commencing with Section 34200) of Division 24.



HOME Eligible Projects

- Rental New Construction Projects
- Rental Rehabilitation Projects
- First-Time Homebuyer Projects

State Recipients:

- Project located within a city's incorporated area
- Project located within a county's unincorporated area

CHDOs:

- Must be certified in county where the CHDO is certified to operate
- Must be certified in the jurisdiction where project is located



NOFA Overview Application Limits

Only 1 HOME application pursuant to this NOFA for no more than 2 activities:

- 1 Rental Project and 1 FTHB Project, or
- 1 Rental Project and any combination of Program activities, or
- 1 FTHB Project and any combination of Program Activities, except FTHB Program Activity



NOFA Overview Rental Project Limits

- Rental New Construction Projects up to \$12,000,000
- Deep Affordability Targeting – **No longer available**
- Rental Rehab with or without Acquisition up to \$12,000,000
 - Rental Rehabilitation Projects — funds are provided to rehabilitate a specific rental Project on a specific site by a specific Developer, with or without property acquisition



NOFA Overview

Administrative, Project Related Soft Costs, and CHDO Operations Funds Limits

- State Recipients:
 - **\$125,000** Administrative funds for projects applying for \$6,000,000 or more
 - **\$75,000** Administrative funds for projects applying for less than \$6,000,000
- **Plus**
 - **\$75,000** Project Related Soft Costs (formerly Activity Delivery funds)
- CHDO:
 - **\$150,000** CHDO Operating funds for projects \$6,000,000 or more
 - **\$100,000** CHDO Operating funds for projects less than \$6,000,000



Threshold Requirements

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Threshold Factors

- Application received by **April 9, 2024, by 5 p.m. (Pacific Time)**
- Eligible Applicant
 - State Recipient (SR)
 - Native American Entity (NAE)
 - Community Housing Development Organization (CHDO)
 - Developer
 - Appendix A: List of Eligible Jurisdictions
- Eligible Project Location
 - CHDOs only:
 - Must be certified in county where the CHDO is certified to operate
 - Must be certified in the jurisdiction where project is located
 - State Recipients and Developers:
 - Project must be located within an eligible jurisdiction



Threshold Factors

- Eligible Activities
 - Rental new construction
 - Development of a specific multifamily project on a specific site by a specific Developer.
 - Rental new construction projects may be with or without acquisition
 - Rental rehabilitation project
 - Funds provided to rehabilitate a specific rental project with or without property acquisition.

NOTE:

- **Projects for acquisition only are not eligible for funding.**
- **NO transitional housing allowed.**



Threshold Factors

- Application must include:
 - Market Study
 - Appraisal
 - Phase I/II (New Construction only)
 - Physical Needs Assessment (Rehab only)
 - Lead-Based Paint & Mold (Rehab only)
 - Asbestos (Rehab only)



Threshold Factors

- No pending litigation for project
- 2 CFR 200.512 Single Audit Report (State Recipients only) filed with State Controller's Office.
- Site Control



Site Control

- Property must be held in Fee Title
- Long-term ground lease must meet the requirements of 25 C.C.R. § 8316) for rental to low-income families in accordance with 24 C.F.R. § 92.252.
- Must provide:
 - Purchase Agreements
 - Option Agreements
 - Disposition and Development Agreements (DDA)
 - Exclusive Right to Negotiate
 - Conditional Contracts



Acceptable Forms of Site Control

1. Purchase or Lease Agreement
2. Option Agreement
3. Purchase Agreement Conditional Upon NEPA Review – under limited circumstances only

Please note:

For Purchase Agreement or a Disposition and Development Agreement (DDA), refer to HUD Memo: Guidance on Option and Conditional Contracts for Purchase of Real Property for Environmental Reviews Conducted by a Responsible Entity, under 24 CFR 58, dated August 26, 2011.



Acceptable Forms of Site Control (continued)

There are four acceptable forms of site control that avoid “choice-limiting” NEPA problems.

1. Site purchase or long-term lease must be consistent with the UMR requirements, prior to submitting the HOME application.
2. Option to Purchase must be conditioned on the Responsible Entity's determination to proceed with project, based on the results of a subsequent environmental review, and the receipt of an “Authority to Use Grant Funds”.
 - The cost to secure the site control document must be a nominal portion of the purchase price.



Acceptable Forms of Site Control (continued)

3. Purchase Agreement, DDA, Option to Lease, or Exclusive Right to Negotiate may not be conditioned upon NEPA clearance or any other federal requirement.
4. A conditional purchase contract may be used for an existing single-family home (1 to 4 units) or an existing multifamily residential project.
5. A leasehold interest on the Project property must comply with all Program requirements, including compliance with 25 C.C.R. § 8316;



Acceptable Forms of Site Control (continued)

For more information, please refer to HUD's CPD Notice 98-1 and Assistant Secretary Mercedes Marquez' August 26, 2011, memo on HCD's HOME webpage under Resources.

- CPD Notice May be found at:
<https://archives.hud.gov/offices/cpd/affordablehousing/lawsandregs/notices/98-1.pdf>
- Memo may be found at: update link
<https://files.hudexchange.info/resources/documents/HUD-Memo-Guidance-on-Options-and-Conditional-Contracts-for-Purchase-of-Real-Property-for-Environmental-Reviews-Conducted-by-a-Responsible-Entity-under-24-CFR-58.pdf>



Rating and Ranking: Scoring

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Scoring Categories

Scoring Category	Maximum Applicable Points
Housing Element	50
Formula reallocation (HUD declined)	50
Rural area	50
Capacity	Up to 450
Community Need	Up to 250
Project Feasibility	Up to 200
Project Readiness	300
State Objectives	200
TOTAL APPLICABLE POINTS	1550



There is a minimum score requirement of 930 points



Housing Element - 50 Points

- Cities and Counties are required to be in compliance with State Housing Element Law
- Newly incorporated cities are exempt, until which time city is required to submit the Housing Element to the Department for approval
- CHDOs and projects to be developed on Native American Lands are also exempt



Formula Reallocation

50 points

- A jurisdiction that is eligible to receive **HUD direct HOME allocation** funds but *declines* the funding to preserve their state HOME eligibility shall be awarded the full 50 points.
- No points awarded to all other applicants.

Rural Area

50 Points

- Activities proposed in a rural community shall receive full points.
- No points awarded to non-rural applicants.



Capacity

Max 450 Points

Prior Applicant Experience

50 Points

- Applicant must demonstrate experience implementing local, state, or federal affordable housing and/or community development projects.
- Needs to be during the last 7 calendar years (1/1/2017 – 12/31/2023).



Capacity (continued)

Prior Development Team Experience up to 200 Points

- The Development team needs to show project experience developing the same or similar type of subsidized projects.
- Needs to be during the last 5 calendar years (1/1/2019 – 12/31/2023).



Capacity (continued)

Prior Performance

200 Points

All applicants start with **200 points** in this category.

- Points may be deducted, if applicable, from the following four sub-factor categories once review of the application takes place.
 1. Project Reporting Deadlines
 2. Applicant Reporting
 3. Material Misrepresentation
 4. Monitoring Noncompliance
- The Department's look back period will be 1/1/2019 – 12/31/2023.



Capacity (continued)

Prior Performance

1. Project Reporting Deadlines

Any HOME Project contract awarded that failed to meet project deadlines will be deducted points.

- Permanent Financing Deadline
- Project Set-Up Deadline
- Construction Loan-Closing Deadline
- Project Completion Deadline

- Expenditure Deadline

The Departments look back period will be 1/1/2019 – 12/31/2023.



Capacity (continued)

Prior Performance

2. Applicant Reporting

HOME Projects that failed to submit the following reports will have up **50 points** deducted.

- Monthly reports
- Annual reports
- Quarterly Program Income (PI) reports
- Project Completion reports

The Department's look back period will be 1/1/2019 – 12/31/2023.



Capacity (continued)

Prior Performance

3. Material Misrepresentation

Any omission or misrepresentation made by an applicant that could jeopardize the Department from funding a project or place the Department at risk of a HUD monitoring finding shall have a **200-point deduction**.

The Department's look back period will be 1/1/2019 – 12/31/2023 for all subfactors above.



Capacity (continued)

Prior Performance

4. Monitoring Noncompliance

- There are two noncompliance categories
 - **Monitoring – 100 points** will be deducted if any applicant has failed to remedy any HOME monitoring findings and concerns.
 - **Late Reports** – points will be deducted for any 2022/2023 NOFA Project applications where the Applicant, owner, and managing general partner failed to submit timely reports
 - State Recipients – Annual Monitoring Report (10 points)
 - CHDOs – Annual Operating Budget (10 points)
 - CHDOs – Annual Report (10 points)

The Departments look back period will be 1/1/2019 – 12/31/2023.



Community Need and Project Feasibility

Max 450 points

- **Community Need**

- Up to 250 points will be awarded by activity type based on the date in [Appendix C](#) found on the HOME NOFA webpage.

<https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.hcd.ca.gov%2Fsites%2Fdefault%2Ffiles%2Fdocs%2Fgrants-and-funding%2Fhome%2Fhome-2022-2023-nofa-appendix-c.xlsx&wdOrigin=BROWSELINK>

- **Project Feasibility**

- Self-Evaluation Worksheet (150 pts)
 - State and federal requirements (including UMRs for rental projects)
- Highest percentage of HOME-assisted units (50 pts)
 - HOME Units/Total Units = %



2022-2023 Appendix C – RNC

Appendix C Community Need Data for All State HOME Eligible Jurisdictions For 2022-2023 HOME NOFA Data are from the U.S. Census Bureau, American Community Survey							
Rating points for Rental New Construction							
Jurisdiction	70 Points MAX		70 Points MAX		110 Points MAX		250 Max Points
	Renters in Poverty	Points Awarded	Renters Overcrowded	Points Awarded	Rental Vacancy Rate	Points Awarded	Total Points Awarded
Alpine County, California	10.87%	42	0.00%	35	37.50%	55	132
Amador County, California	7.49%	35	0.72%	42	4.96%	88	165
Butte County, California	23.47%	49	1.37%	42	7.37%	77	168
Calaveras County, California	24.89%	49	0.00%	35	3.08%	99	183
Colusa County, California	20.93%	49	2.80%	42	5.13%	88	179
Del Norte County, California	33.62%	56	1.13%	42	0.00%	110	208
El Dorado County, California	15.34%	42	1.31%	42	6.29%	77	161
Glenn County, California	26.96%	49	0.94%	42	6.29%	77	168
Humboldt County, California	21.17%	49	2.61%	42	2.71%	99	190
Imperial County, California	33.58%	56	4.46%	49	4.27%	88	193
Inyo County, California	10.54%	42	1.62%	42	4.62%	88	172
Kings County, California	23.57%	49	3.46%	42	2.15%	99	190
Lake County, California	24.12%	49	1.46%	42	3.69%	99	190
Lassen County, California	18.00%	42	1.04%	42	6.19%	77	161
Madera County, California	31.27%	56	5.29%	49	3.89%	99	204
Mariposa County, California	20.71%	49	0.43%	35	13.08%	55	139
Mendocino County, California	22.43%	49	2.91%	42	1.78%	110	201
Merced County, California	26.46%	49	3.19%	42	3.23%	99	190
Modoc County, California	23.03%	49	1.79%	42	0.00%	110	201



Project Readiness

Project Development Plan (PDP) New Construction Project 300 Points

Market Study	35 Points
Property Appraisal	10 Points
Phase I/II	35 Points
Floodplain Analysis	25 Points
Preliminary Construction Cost	5 Points
Zoning	40 Points
Relocation General Information Notice and Relocation Plan	30 Points
Local Approval	80 Points
Water/Sewer	5 Points
Permanent Financing Commitments	25 Points
Design Process	10 Points



Project Readiness

Project Development Plan (PDP) Rehab Project 300 Points

Market Study	10 Points
Property Appraisal	30 Points
Floodplain Analysis	25 Points
Preliminary Construction Cost	20 Points
Lead/Mold/Asbestos Reports	25 Points
Relocation General Information Notice and relocation plan	75 Points
Local Approval	1 Points
Physical Assessment	74 Points
Permanent Financing Commitments	35 Points
Design Process	5 Points



State Objective Points

For the state objective scoring, there are three sub-factors for which Applicants can receive points, up to 200 points maximum. As applications are reviewed and rated, points will be awarded for the following objectives:

- 1. Committed financing**
- 2. Recovery Assistance for Natural Disaster Survivors**
- 3. Policy objectives**
 - Special Needs Populations
 - Homelessness
 - Extremely Low-Income



State Objective Points (continued)

1. Committed Financing – Up to 100 points

- Applications will be scored based on the percentage of non-HOME permanent financing committed to the Project by the application due date (10 points will be awarded for each 10 percent (10%) increment).
 - For Projects anticipating applying for **any type of tax credits**, a future tax credit award will not be considered as committed financing and are thus not eligible for these points.
 - However, if the Applicant has 50 percent (50%) of its non-HOME permanent financing committed to the Project by the application due date and intends to also apply for tax credits in the future, the application will receive 50 points out of a possible 100 points.



State Objective Points (continued)

2. Recovery Assistance for Natural Disaster Survivors- Up to 30 points

- Full points shall be awarded for Projects located in federally-declared disaster areas pursuant to the HUD memorandum dated May 17, 2023.
- <https://www.fema.gov/disaster/4699>
- <https://www.fema.gov/disaster-federal-register-notice/dr-4683-ca-public-notice-001>



State Objective Points (continued)

3. Policy objectives 70 Points

– Special Needs Populations –

Awarded to proposed rental projects with funding commitments that target Special Needs populations, using any of the following funding:

- HUD 811
- HUD Supportive Housing Program
- State Mental Health Services Act (MHSA)
- HCD -No Place Like Home Program
- HCD-Veterans Housing and Homelessness Program
- HCD -National Housing Trust Fund Program
- HCD -- Joe Serna, Jr. Farmworker Housing Grant Program
- May also be awarded to projects that provide project-based rental assistance, under the terms of an MHSA or Veterans Affairs Supportive Housing Voucher (HUD-VASH).

-- OR --



State Objective Points (continued)

Policy objectives (continued)

- Homelessness -

- Points shall be awarded to applications that propose rental Projects primarily serving people experiencing Homelessness and/or those At Risk of Homelessness as defined in at 24 C.F.R. § 578.3.
- NOTE: If serving Special Needs or Homeless populations, the Projects must include supportive services in accordance with the “Core components of Housing First” under Welfare and Institutions Code § 8255.

-OR-



State Objective Points (continued)

Policy objectives (continued)

- Extremely Low-Income (ELI) -

- Points shall be awarded to applications that propose rental Projects primarily serving Extremely Low-Income Families, which means low-income families whose annual incomes do not exceed 30 percent of the median family income of a geographic area, as determined by HUD with adjustments for smaller and larger families.

NOTE: This scoring category is not applicable to Homebuyer Projects. Homebuyer Projects will automatically receive full points in this category.



Break



Rating and Raking: Information & Documentation

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Project Readiness

Max 300 points

- Start with HOME Supplement document
- There are 5 categories for scoring:
 - Project Development Plan (**PDP**)
 - Zoning
 - Local Government Approvals
 - Design Progress
 - Permanent Financing



Project Readiness Project Development Plan (PDP)

Points Awarded If PDP Item:

- Included with application
- “Recent” – shelf life varies!
- Meets basic requirements
 - Correct standard
 - Qualified preparer
 - Rental New Construction (RNC)
 - Rehabilitation Projects



Project Readiness PDP Items

- Market Study
- Appraisal
- Phase I/II/VES (RNC Only)
- Floodplain Analysis
- LBP/Asbestos/Mold (Rehab Only)
- Construction Cost Estimate (RNC Only)
- Scope of Work and Cost Estimate (Rehab Only)
- Physical Needs Assessment (PNA) (Rehab Only)
- Relocation



PDP: Market Study

- Prepared in 2023
- Meets TCAC 2021 Market Study Guidelines and HCD requirements
 - ***Don't lose points!!*** *“This report prepared in accordance with the 2021 California Tax Credit Allocation Committee Guidelines”*

2021 California Tax Credit Allocation Committee
Guidelines - [2021 Market Study Guidelines \(ca.gov\)](#)



PDP: Appraisal

- Prepared no earlier than 2023 for scoring points
- Required for all acquisitions
- Not required if land is donated
 - No land costs in Development Budget
 - Not a capital contribution
- Value of capital contribution supported by appraisal



PDP: Phase I/VES and Phase II Site Assessments

New Construction Only

- Phase I/VES
 - Prepared no earlier than 2022
 - ASTM Standard E1527-21
- Phase II (if required by Phase I)
 - Prepared no earlier than 2022
 - ASTM Standard E1903-19



PDP: Floodplain Analysis

- FEMA Flood Hazard Determination Form OMB No. 1660-0040 (or later)
- Prepared in 2023
- Must be prepared by a flood certification service or other qualified 3rd party
- Flood cert required on ALL projects



PDP: Floodplain Analysis

- If any portion of site is in a floodplain:
 - Demonstrate Floodplain Incidental to Project
 - FEMA Flood Hazard Determination Form
 - Indicates NO buildings floodplain
 - Recorded covenants or restrictions required
 - Have obtained FEMA Conditional Letter of Map Revision (CLOMR)
 - Letter included in application
 - Intend to obtain a CLOMR
 - Narrative/explanation of intent included
 - CLOMR required prior to loan closing



PDP: Floodplain Analysis

- Intent to build in the floodplain:
 - Frowned on by HUD!
 - 8-Step Process, which includes
 - Analysis of alternate sites considered and rejected—“no practicable alternatives”
 - Analyze positive and negative impacts of building the project in floodplain, and
 - Describe mitigation measures to minimize negative impacts to people and property,
 - Supporting documentation is required.
 - Yes, this also applies to rehab projects!



PDP: Preliminary Cost Estimate

New Construction Only

- Prepared in 2023
- Must be uploaded via eCivis Portal
- Estimate must be consistent with Development Budget, or an explanation must be provided to support any differences
- Preparer/Signer – ***not*** limited to Architect



PDP: Preliminary Cost Estimate

Detailed Scope of Work Rehabilitation Projects Only

- Prepared no more than 6 months prior to application due date listed in NOFA
- Project must meet local codes and rehab standards
- Consistent with PNA-identified immediate needs
- Includes work identified in PNA as needed in the first 5 years of the project
- Use same Cost Estimate form for RNC projects



PDP: Physical Needs Assessment

Rehabilitation Projects Only

- Prepared no earlier than 2023
 - Fannie Mae Guidelines
 - HUD Mark-to-Market Program
 - Meet Additional HOME requirements
 - For USDA RD projects, the USDA RD Capital Needs Assessment is acceptable
- Appropriately licensed architect or engineer in business of performing PNAs



PDP: Lead, Asbestos & Mold Reports

Rehabilitation Projects Only

- All three reports prepared no earlier than 2023
- By a properly certified or accredited preparer
- To earn points all required reports must be submitted



PDP: Lead-based Paint Report

Rehabilitation Projects Only

- If built prior to January 1, 1978
- Prepared by a State certified lead-based paint inspector/assessor



PDP: Asbestos Report Rehabilitation Projects Only

- Requires analysis from environmental laboratory accredited by the *National Institute of Standards and Technology Asbestos Program*



PDP: Mold Report Rehabilitation Projects Only

- Based on a thorough building inspection
 - Inspect and test “hidden areas” if needed
- Prepared by a third party having sufficient qualifications and expertise to competently prepare the report



PDP: Relocation General Information Notice (GIN) & Plan

- One copy of actual GIN
- Tenant Notification List
- Proof of Delivery
- Relocation Plan
 - Prepared/Updated in 2023



Zoning, Local Approvals & Fees

- Three forms to upload via eCivis application portal
 - Verification of Zoning and Other Local Approval
 - Verification of Local Development Impact Fees
 - Verification of Water and Sewer Availability
- Applicant only completes the project information
- If an item is not applicable, an explanation must be included
- Signed by Developer and Local Official



Zoning, Local Approvals & Fees

Points awarded (New Construction):

Properly zoned	40 points
<u>ALL</u> Local Approvals Obtained	80 points
<u>Both</u> water and sewer available	5 points

Points awarded (Rehab):

<u>ALL</u> Local Approvals Obtained	1 point
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Design Progress

- Executed agreement with architectural firm
- Letter from architect or construction specialist stating status of plans and specifications:
 - Ready to submit to planning department
 - Preliminary Plans and Specifications
 - Conceptual (Elevation and Floor Plans)



Permanent Financing

Points will be awarded on a sliding scale based on a percentage of committed perm financing committed, as evidenced by enforceable Commitment Letters.

Rental New Construction

<10% = 0 pts
10-19.99% = 5 pts
20-49.99% = 10 pts
50-100% = 25 pts

Rental Rehab

<10% = 0 pts
10-19.99% = 5 pts
20-49.99% = 20 pts
50-100% = 35 pts



% Non-HOME Financing Committed

Max 25 points (35 for Rehab)

- **Permanent Financing**
 - Enforceable Commitment
 - No conditions or qualifiers (other than standard conditions)
 - Must include borrower's name, project name, address or legal description
 - Must state loan terms



Project Feasibility: Financial Feasibility

**California Department of Housing
and Community Development**

2022-2023 HOME NOFA Multifamily
Rental Projects Webinar



Project Feasibility

- UA is based on current HOME Loan/Rent limits
- Mini - Universal Application (modified for eCivis upload)
- HOME Supplement to the UA
- Regulatory Compliance:
 - Uniform Multi-Family Regulations (UMRs)
 - State and Federal HOME Regulations



Determining the loan limit: Subsidy Layering Analysis

- HOME Supplement
- Ratio Test: HOME Units/Total Units = %
- Subsidy Limit: HOME Units x per unit limit
- Cost Allocation: HOME sq. ft. cost multiplier x TDC
- Maximum NOFA limit



Mini -UA Workbook Tabs

- Max Funds & Unit Mix plus Subsidy Information
- Development Sources
- Development Budget (Includes Permanent Sources & Uses)
- TBL and High-Cost Test
- Developer Fee Calculator
- Supportive Services
- Operating Budget
- Reserves
- 20-Year Cash Flow Analysis
- Experience
- Certifications & Legal Status
- Application Support



Caution!

UA Worksheets are linked!

- Complete Pages in Order
 - Do NOT Overwrite Formulas
 - Do NOT enter in White cells
- UA must be uploaded via eCivis portal ←



UA - Rents/Unit Mix

- Enter Number of Units and AMI Limits
- Proposed Rent—if different from Maximum Rent
- Enter rent for Manager's unit, ONLY if actually charging rent
- Subsidy Information

Note: located on the **Max Funds & Unit Mix** Tab on the HOME UA



2023 UA – Max Funds and Unit Mix

Unit Mix													11/2/21		
Project Name						County the Project is located									
If the Project is also known under another name(s) or was formerly known under another name(s), provide the name(s).															
Have you applied, do you plan to apply, or has the Project or Area been awarded other HCD program funds?															
Other HCD Program(s) Name(s):				Funding Amount		Funding Status		NOFA Date		Award Date/Expected Award Date					
Maximum Loan Amount															
0 Bedroom Assisted Units	0 Bedroom Loan Amount	1 Bedroom Assisted Units	1 Bedroom Loan Amount	2 Bedroom Assisted Units	2 Bedroom Loan Amount	3 Bedroom Assisted Units	3 Bedroom Loan Amount	4 Bedroom Assisted Units	4 Bedroom Loan Amount	5 Bedroom Assisted Units	5 Bedroom Loan Amount	Max Loan			
0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	\$0			
Project Units													Subsidy Program Name		
# of Bedrms	% of Area Median Income	Total Units	HOME Assisted Units	Total Restricted Units	Total Unrestricted Units	Total Restricted Units	Manager Units	Special Needs Units	Support. Housing Units	Restricted Monthly Rent	Unrestricted Monthly Rent	Proposed Monthly Rent	¹ Monthly Utility Allowance	Monthly Rent Subsidy Amount	Subsidy Units
				0	0					\$0					
				0	0					\$0					
				0	0					\$0					
				0	0					\$0					
				0	0					\$0					
				0	0					\$0					
				0	0					\$0					
				0	0					\$0					



Subsidies

- Project-based rental subsidies:
 - On the **Max Funds & Unit Mix** tab enter the Subsidy Program Name and Monthly Rent Subsidy Amount
- Tenant-based rental subsidies:
 - Do NOT include on **Max Funds & Unit Mix** tab
 - Not included in determination of feasibility



Development Sources

- Calculations Correct and Consistent throughout the UA
- HOME loan term: 55 yrs. @ 3% deferred, with residual receipts; 50 yrs. for loans on Native American lands



Limitations on Senior Debt

- Balloon payments and “sandwich loans” must comply with 2017 UMR Sections 8310 and 8315
- Interest rate resets must have a cap, and project must remain feasible at the cap rate upon reset



Development Budget

- “Environmental Remediation”
- “Relocation”
- “Other” lines must be specified
- Contractor Overhead, Profit & General Requirements: Not to exceed 14% of construction costs as defined by TCAC



Development Budget

Construction Contingency minimums:

- New Construction – minimum of 5% of Total Construction Costs (excluding contractor liability insurance)
- Rehabilitation and Conversion projects – minimum of 10% of Total Construction Costs (excluding contractor liability insurance)



Development Budget

- Commercial Space
 - Enter the cost attributable to commercial space on each line in the “Commercial” column
 - Provide detailed methodology for allocation of costs



Development Budget Replacement Reserves

- Capitalized Replacement Reserves are not permitted for new construction unless required by another funding source



Development Budget Transition Reserve (TR)

Transition Reserve: New Construction and Rehab projects

The Project will maintain an approved transition reserve account established to prevent tenant displacement in the event of the termination of rent subsidies. Borrower may participate the Pooled Transition Reserve.

HOME funds cannot be used to capitalize a transition reserve.

Please refer to the following memo for more information: [HCD Transition Reserve Policy - Amended \(ca.gov\)](#)



Lesser of Land Cost or Value

Between unrelated parties

- Actual sales price and any amount over appraised value cannot be paid with HOME funds
- Reasonable “Verifiable Carrying Costs” are allowed for reimbursement of holding costs
- Explain calculation of costs in the Applicant Comments Section



2023 UA – Development Budget

	A	B	C	D	E	F	G	H	I	O	P	Q	R	U
1	11/2/21	Residential Permanent Sources/Uses of Funds												Cor
2	USES OF FUNDS	HCD HOME Loan	0	0	0	0	0	0	0	Private mortgage financing	Deferred costs	Equity Investor	Total Residential Sources/Costs	Source Nar
3														
4	Project Development Costs													
5	LAND COST/ACQUISITION													
6	Lesser of Land Cost or Value													\$0
7	Demolition													\$0
8	Legal													\$0
9	Land Lease Rent Prepayment													\$0
10	Total Land Cost or Value	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	Existing Improvements Cost or Value													\$0
12	Off-Site Improvements													\$0
13	Total Acquisition Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	Total Land Cost / Acquisition Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	Predevelopment Interest/Holding Cost													\$0
16	Assumed, Accrued Interest on Existing Debt (Rehab/Acq)													\$0



Operating Budget Replacement Reserves

- New Construction - 0.6% of estimated construction costs or \$500 per unit, whichever is less
- Rehabilitation - the deposits shall be consistent with the long-term needs identified in the Physical Needs Assessment, or \$500 per unit



Operating Budget Financial Expenses

- Mandatory Debt Service
- MHP/MHSA debt service = .42% payment
- List ALL bond servicing fees under “Miscellaneous Financial Expenses”
- HOME Monitoring Fees



HOME Monitoring Fees

- State Recipients
 - May charge monitoring fees
 - Not to exceed the State HOME monitoring fee
 - Must be stated in Regulatory Agreement
 - 10% of all HOME monitoring fees received must be remitted to the State



Cash Flow Analysis

- Do not change trending formulas!
- First Year Debt Service Coverage Ratio (DSCR) of 1.10 to 1.20
- If greater than 1.20 cash flow must not exceed 12% of operating expenses
- Must demonstrate positive cash flow for **20 years**



Project Feasibility: NEPA

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NEPA

- Choice-Limiting Actions (CLA)
 - 24CFR Part 58 Sec. 58.22
 - Upon contemplation of federal funds, there is a prohibition against any activity which would have an adverse effect on the environment or limit the choices of reasonable alternatives
- Contemplation of Federal Funds
 - Upon Application



NEPA

- What does this mean?
 - From date of application until the date Authority to Use Grant Funds (AUGF) is issued, ALL activity involving the project and site must stop.
 - Limitation applies to a broad range of activities, not just to the land itself.
 - Before undertaking any activity, consult with your HOME Representative.



NEPA

- **Warnings!!!**
 - Allow sufficient time to complete the NEPA review process
 - Mitigation might be required
 - Actions taken by seller trigger choice-limiting actions
 - NEPA Clearance is required for EACH HUD funding source



Project Feasibility: Relocation

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Relocation Plan

- Uniform Relocation Act
- Section 104(d) of HCD Act of 1974
- Anti-Displacement (economic displacement)
- Establish date of Initiation of Negotiation (ION) and provide ION date in application
- Costs included in Development Budget



Relocation General Information Notice (GIN) & Plan

If Relocation is triggered...

- One copy of actual GIN
- Tenant Notification List
- Proof of Delivery
- Relocation Plan
 - Prepared/Updated in 2023

If Relocation is not applicable, application must clearly state the reasons why it is not applicable

Note: In order to receive the points, you must have **all four** relocation items.



OTHER FEDERAL OVERLAYS

- Federal Overlays May Apply
 - Labor Standards (Davis-Bacon) (12 or more HOME units)
 - Procurement Standards
 - Single Audit Report (State Recipients only)
 - Violence Against Women Act (VAWA), etc.
 - MBE/WBE
 - Affirmative Fair Housing



HOME NOFA INQUIRIES AND CONTACTS

NOFA APPLICATION INQUIRIES

For consistency and transparency, questions must be submitted to the HOME NOFA email inbox.

Questions will be reviewed, researched, and answered.

FAQ's will be posted to the HCD website.

Email to HOMENOFA@hcd.ca.gov



Thank You!

