AP-05 Executive Summary

AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

1. Introduction

This Annual Action Plan (AP) is the third of five annual updates to the 2015-20 State of California Consolidated Plan (ConPlan). The AP outlines the State of California’s (State) current priorities and strategies to address housing and community development goals in State fiscal year of July 1, 2017 through June 30, 2018 (hereafter referred to as FY 2017-18), using federal community development funds from the U.S. Department of Housing and Urban Development (HUD) and from other federal and State sources.

This AP describes projected HUD funding levels for FY 2017-18, State and other resources expected for the year, program operation schedules, goals, objectives, and planned operations for the following six programs:

1. Community Development Block Grant (CDBG)
2. HOME Investment Partnerships Program (HOME)
3. Emergency Solutions Grants (ESG)
4. Housing Opportunities for Persons with AIDS (HOPWA), and the
5. Lead Hazard Control Program (LHCP)
6. National Housing Trust Fund (NHTF)

Below is an outline of the goals and objectives addressed in this AP. NHTF and ESG are available statewide. LHCP is available to its contracted communities; (see AP 30). CDBG and HOME are available only to nonurban and rural cities and counties ("non-entitlement" jurisdictions) that do not receive funds for these programs directly from HUD. The jurisdictions which are eligible for these State-administered funds are identified on Appendix A, Eligible Jurisdictions.

The format of this AP, including but not limited to paragraph and table numbering, is consistent with HUD’s AP format in the Integrated Disbursement Information System (IDIS) and in many cases, is hardcoded.
2. Summarize the objectives and outcomes identified in the Plan

This could be a restatement of items or a table listed elsewhere in the plan or a reference to another location. It may also contain any essential items from the housing and homeless needs assessment, the housing market analysis, or the strategic plan.

Statewide Goals from California 2015-20 Consolidated Plan:

- Increase the supply of affordable rental housing;
- Expand homeownership opportunities and improve existing housing;
- Provide homeless assistance and prevention services;
- Increase economic development opportunities
- Maintain or increase public services
- Maintain or increase public facilities

In addition to the Statewide Goals set in the 2015-2020 ConPlan, the Department has been focusing its efforts on addressing three key housing and community development priorities: 1) Homelessness; 2) Access to Opportunity; and Climate Change. The Department will be providing State Objective points towards these goals in our federal programs. For more information refer to AP-30 Method of Distribution.

3. Evaluation of past performance

This is an evaluation of past performance that helped lead the grantee to choose its goals or projects.

See the California Department of Housing and Community Development’s (hereafter referred to as the Department) most recent Consolidated Annual Performance Evaluation Report (CAPER) that discusses FY 2015-16 outcomes for CDBG, HOME, ESG, HOPWA, and LHCP. This document is located at: http://www.hcd.ca.gov/policy-research/plans-reports/archive-plans.shtml

4. Summary of Citizen Participation Process and consultation process

Summary from Citizen Participation section of plan:
This AP is subject to federal Citizen Participation requirements at: http://www.hcd.ca.gov/housing-policy-development/housing-resource-center/reports/fed/docs/Citizen-Participation-Requirements-amended-032012.pdf. To meet these requirements, the Department solicits input from public, private, and nonprofit organizations and other State agencies in the preparation of the ConPlan and AP updates. Public notices describing the draft documents, inviting comments and announcing public hearings, are routinely emailed to local governments, other interested parties and depository libraries, published in legal newspapers of record, and placed on the Department’s website at http://www.hcd.ca.gov/hpd/hrc/rep/fed/. Paper copies of notices and draft documents are available by written request.

Due to the FY 2017-18 Appropriations Bill and HUD allocation amounts being released, HUD Community Planning and Development (CPD) Notice, Waiver of 24 CFR 91.105(b)(4) and 24 CFR 91.115(B)(4) Action Plans for Community Planning and Development Program Funds; the Departments public comment period will be 14 days rather than the normal 30 days. This draft AP is available for comment from all interested parties from July 10 through July 23, 2017. Two public hearings will be held: 1) Monday, July 17, in Sacramento from 1:00 – 4:00 pm; 2) Friday, July 21, in Riverside from 12:00 – 3:00 pm. The Sacramento public hearing will also be a webinar, allowing community members statewide to participate. Webinar details will be posted on the Department’s website, public and legal notices, as well as a listerive message. For details see the public notices posted alongside this AP at http://www.hcd.ca.gov/housing-policy-development/housing-resource-center/reports/fed/.

5. Summary of public comments

To be completed at the end of the public comment period.

6. Summary of comments or views not accepted and the reasons for not accepting them

To be completed at the end of the public comment period.
Lead & Responsible Agencies –

PR-05 Lead & Responsible Agencies - 91.300(b)

1. Agency/Entity responsible for preparing/administering the Consolidated Plan

The following are the agencies/entities responsible for preparing the Consolidated Plan and those responsible for administration of each grant program and funding source.

<table>
<thead>
<tr>
<th>Agency Role</th>
<th>Name</th>
<th>Department/Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead Agency</td>
<td>CALIFORNIA</td>
<td>Business, Consumer Services and Housing Agency</td>
</tr>
<tr>
<td>CDBG Administrator</td>
<td>Department of Housing and Community Development</td>
<td>Housing and Community Development</td>
</tr>
<tr>
<td>HOME Administrator</td>
<td>Department of Housing and Community Development</td>
<td>Housing and Community Development</td>
</tr>
<tr>
<td>NHTF Administrator</td>
<td>Department of Housing and Community Development</td>
<td>Housing and Community Development</td>
</tr>
<tr>
<td>ESG Administrator</td>
<td>Department of Housing and Community Development</td>
<td>Housing and Community Development</td>
</tr>
<tr>
<td>HOPWA Administrator</td>
<td>Department of Public Health</td>
<td>Public Health</td>
</tr>
<tr>
<td>LHCP Administrator</td>
<td>Department of Community Services and Development</td>
<td>Community Services and Development</td>
</tr>
</tbody>
</table>

*Table 1 – Responsible Agencies*
2. Consolidated Plan Public Contact Information

The Department prepares and submits the State’s ConPlan, AP and CAPER to HUD. The programs administered by HCD are CDBG, HOME, NHTF and ESG. The California Department of Public Health/Office of AIDS (CDPH/OA) administers HOPWA. The California Department of Community Services and Development administers LHCP. All these programs are implemented at the local level by agencies of eligible city and county governments, non-federally recognized Indian tribes, and/or private organizations, including nonprofit corporations.

For contact by mail: Department of Housing and Community Development Division of Financial Assistance PO Box 952054 Sacramento, CA 94252-2054, Attention: Spring Packard (email: caper@hcd.ca.gov; phone: 916-263-2736) and John Buettner (email: caper@hcd.ca.gov; phone: 916.263.1500).
AP-10 Consultation

AP-10 Consultation - 91.110, 91.300(b); 91.315(l)

a. Introduction

- **Provide a concise summary of the state’s activities to enhance coordination between public and assisted housing providers and private and governmental health, mental health and service agencies (91.215(l)).**

The Department engages in ongoing efforts to enhance coordination between housing providers and private and governmental health, mental health and service agencies. For FY 2017-18, the Department will continue ongoing meetings with program stakeholders regarding program design and implementation. Specific efforts will include, but are not limited to: planned CDBG regulation changes, implementation of the anticipated National Housing Trust Fund (NHTF) and No Place Like Home (NPLH) Programs, Implementing the ESG program that is focused around the Homeless Emergency and Rapid Transition to Housing Act (HEARTH) requirements and goals, overseeing implementation of funds received under the National Disaster Resilience Competition (NDRC), and continued implementation of the Veterans Housing and Homeless Assistance Program (VHHP), the Affordable Housing and Sustainable Communities (AHSC) Program, and the Section 811 Project Rental Assistance Program (PRA).

- **The information below is specific to the federal Con-Plan Programs:**

**CDBG** - In addition to the AP public comment process, in anticipation of FY 2017-18, CDBG has been conducting regular meetings with its Advisory Committee. The Advisory Committee consists of CDBG program operators from eligible jurisdictions, non-profits and for-profit consultants. The Advisory Committee provides feedback on State CDBG policy and regulation changes.

The CDBG program also coordinates funding via the California Financing Coordinating Committee (CFCC). The CFCC is made up of State and federal funding agencies that support water, wastewater infrastructure projects as well as public facility projects. In addition, Department staff coordinate disaster assistance funding with other State, federal and local public funding agencies that are supporting communities recovering from the drought and wildfires.

February through May of 2017, the CDBG program coordinated with a consultant group, the Cloudburst Group, to provide training
to approximately 100 people. Attendance was limited to eligible applicants of the CDBG nonentitlement program and consultants who assist them. The training provided an overview on the eligible activities, national objectives, and financial management practices, including program income practices. It also addressed federal overlay requirements, with specific emphasis on the National Environmental Policy Act (NEPA) and procurement. The CDBG program decided to focus on these items based on its experience with grantees. These areas, particularly program income, NEPA and procurement practices are areas where some grantees have deficiencies. The intent of the training was to increase the capacity of the grantees in these areas, furthering their ability to serve low-to-moderate-income population(s) in the California nonentitlement communities. The Department anticipates some benefits of this year’s training will present themselves in FY 2018. These benefits will include increased expenditure rates and increased compliance with NEPA and Procurement.

**ESG** – The newly redesigned State ESG Program places more emphasis on the involvement of local Continuums of Care (CoC) and ESG entitlement entities in the funding distribution process; thereby, enhancing coordination between these entities and the State. In addition, the Department holds individual and group conference calls for ESG stakeholders for input on the AP and the ESG funding process, continually working with localities and CoCs to improve the program.

**HOME** – HOME provides formula grants to States and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME’s emphasis on consolidated planning expands and strengthens partnerships among all levels of government and the private sector in the development of affordable housing. HOME meets annually with its program advisory committee to discuss needed regulatory and non-regulatory changes to its grant selection process, as well as other program implementation issues.

**HOPWA** – The California Department of Public Health, Office of AIDS (CDPH/OA) is the state agency that administers statewide programs and activities that pertain to HIV/AIDS, and is statutorily responsible for coordinating all state programs, services, and activities relating to HIV/AIDS. State administered HOPWA (State HOPWA) is situated in CDPH/OA to ensure that all HIV/AIDS service programs, including housing assistance, are coordinated at state and local levels.

CDPH/OA emphasizes inclusion of representatives of various HIV/AIDS service agencies, other California State Departments (such as Corrections and Rehabilitation, Housing and Community Development, Rehabilitation, Health Care Services, and Developmental Services), local health departments, and others, in information gathering, research and decision-making processes.
CDPH/OA convenes the California Planning Group (CPG) to assist in the development, implementation, and revision of California's Integrated HIV Surveillance, Prevention, and Care Plan (the Plan). The Plan responds to the National HIV/AIDS Strategy that includes housing goals and objectives related to prevention efforts and improved access to HIV/AIDS care and treatment. CPG also informs CDPH/OA about local trends or newly-emerging populations in the epidemic, and successes and challenges in accessing HIV care and prevention services in the community. The CPG includes representatives from local HIV/AIDS planning groups as well as consumers, local health departments, and other statewide experts in the field.

Project sponsors are required, to the extent possible, to participate in local HIV/AIDS planning groups and the HIV/AIDS service delivery and needs assessment processes within their community. Local participation assists project sponsors in linking clients to necessary services and establishing collaborative relationships with other local government and private service agencies.

- Provide a concise summary of the state’s activities to enhance coordination with local jurisdictions serving Colonias and organizations working within Colonias communities.

CDBG Department staff conducts annual trainings on application preparation throughout the State. The County of Imperial contains all the Colonias eligible for CDBG funding. County of Imperial staff helps local jurisdictions coordinate Colonia funding with the Department. See AP 48 for additional information about work done with Colonias.

a. Describe coordination with the Continuum of Care and efforts to address the needs of homeless persons (particularly chronically homeless individuals and families, families with children, veterans, and unaccompanied youth) and persons at risk of homelessness.

**ESG** – CoCs make recommendations to the Department through local procurement processes regarding which service providers in their area should receive ESG funds. In addition, in accordance with Section 8409, all ESG funded activities must use a Coordinated Entry System (CES), established by and consistent with the protocols of the CoCs for that Service Area in which the program operates. Local CES must seek to prioritize people who: (a) are unsheltered and living in places not designed for human habitation, such as cars, parks, bus stations, and abandoned buildings; (b) have experienced the longest amount of time homeless; (c) have multiple and severe service needs that inhibit their ability to quickly identify and secure housing on their own and (d) for Homelessness prevention activities, people who are at greatest risk of becoming literally homeless without an intervention, and are at greatest risk of experiencing a longer time in a shelter or on the street should they become homeless.

**HOPWA** – All project sponsors are encouraged to participate in local Continuum of Care (CoC) Planning Groups to ensure coordination of the HIV/AIDS service needs in the housing continuum. By Federal Regulation, homeless service agencies
that receive HOPWA funding must include HOPWA clients in the local Homeless Management Information System (HMIS). State HOPWA includes this requirement in the HOPWA program guidance and contract scope of work, and assists project sponsors in accessing local HMIS.

b. Describe consultation with the Continuum(s) of Care that serves the State in determining how to allocate ESG funds, develop performance standards for and evaluate outcomes of projects and activities assisted by ESG funds, and develop funding, policies and procedures for the operation and administration of HMIS.

ESG - In planning and preparation for the 2017 funding round, the Department has conducted outreach with all stakeholders for their assessment and input in the ESG Notice of Funding Availability (NOFA) funding process. The 2016 funding round was evaluated and comments and suggestions were used in making modifications for 2017. This included individual stakeholder calls to all ESG funded CoCs and Administrative Entities (AE) for input on funding process and conference calls with all CoCs and AEs on the planned changes to the Annual Plan. Per HUD Regulations, the State continues to require all AEs and applicants for funding to enter data on persons served and activities provided, into the local area. The State also requires that HMIS performance measurement data be used in local AE and CoC homeless service provider selection processes.

c. Describe Agencies, groups, organizations and others who participated in the process and describe the jurisdictions consultations with housing, social service agencies and other entities.

ESG: The Department held conference calls with all CoCs and AEs to present planned changes and modifications to the 2017AP. Feedback from participants was solicited on resource allocation, eligible activities, and grant limits.

HOPWA - All HOPWA project sponsors are encouraged to participate in local CoC Planning Groups to ensure representation of the HIV/AIDS community in allocating ESG funds. By Federal Regulation, homeless service agencies that receive HOPWA funding must include HOPWA clients in the local HMIS. State HOPWA includes this requirement in HOPWA program guidance and contract scope of work, and assists project sponsors in accessing local HMIS.

2. Agencies, groups, organizations and others who participated in the process and consultations

Prior to release of the AP for public comment, the Department consulted with local government and nonprofit representatives from the CoCs containing ESG non-entitlement communities. Participants were asked about the issues outlined in AP 30. The
CDBG Advisory Committee also met prior to release of the AP to discuss proposed changes to the 2017 CDBG NOFA. The CDBG Advisory Committee consist of program operators from eligible jurisdictions, non-profits and for-profit consultants.

Table 2 – Agencies, groups, organizations who participated in the process and Consultations

*This section will be completed at the end of the public comment process.*

<table>
<thead>
<tr>
<th>Agency/Group/Organization</th>
<th>Organization &amp; Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency/Group/Organization Type</td>
<td></td>
</tr>
<tr>
<td>What section of the Plan was addressed by Consultation?</td>
<td></td>
</tr>
<tr>
<td>Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?</td>
<td></td>
</tr>
</tbody>
</table>

3. **Identify any Agency Types not consulted and provide rationale for not consulting.**

There has been no intentional or known exclusion of any type of public agency, private entity, stakeholder or interested party from consultation and comment on these programs. State agency actions described in this AP are publicized, primarily by email, to all interested parties who have requested this information, or whose participation is needed. Through the public review process, the State’s ConPlan, AP and CAPER are open for public comment. Each year, opportunities for feedback such as meetings, webinars, and posted announcements are offered to enlist, encourage and improve participation. In these events, feedback from participants is encouraged, noted, and analyzed for what the State programs can learn. For lists of organizations that were emailed the public notice and AP, see **Appendix B – Interested Parties Contact List at** [http://www.hcd.ca.gov/policy-research/plans-reports/archive-plans.shtml](http://www.hcd.ca.gov/policy-research/plans-reports/archive-plans.shtml).
AP-12 Participation

AP-12 Participation - 91.115, 91.300(c)

Summary of citizen participation process/Efforts made to broaden citizen participation
Summarize citizen participation process and how it impacted goal-setting

CDBG: In 2017, the Department in collaboration with stakeholders will be redesigning the program to improve expenditure rates, utilize program income, improve monitoring, and achieve other operating efficiencies. The Department has developed an outreach plan that includes participation through surveys, public comment periods, and in-person meetings throughout the State.

The Department’s goal is for stakeholders to partner with the Department in the development of the program redesign and be significantly informed of proposed program changes.

For changes to the annual NOFA, the CDBG Advisory Committee is consulted on proposed changes.

ESG - Upon completion of the funding award for 2016 ESG, the Department conducted stakeholder interviews with AEs and CoCs, to get feedback information that was used to improve the 2017 ESG application, NOFA, and award package. Information in these interviews was focused on funded programs, implementation of the 2016 award, and anticipated timeline for 2017. The information was attained in a one-on-one conference call format with CoCs and AEs. Further, potential and required changes to the AP were released to all CoCs and AEs with the opportunity to provide input in a group conference call. Information from the stakeholder interviews and AP conference calls was used to improve the process for 2017.

HOME – Issues discussed in the past year with the Program Advisory Committee (comprised of HOME-eligible cities and counties, Community Housing Development Organizations (CHDO), consultants, and other developers doing HOME projects), include, but are not limited to: (1) recent changes to the HOME Federal Regulations; (2) how the State plans to implement those changes; (3) activity expenditure issues; (4) any potential changes in eligible applicant(s), activities or projects; and (5) NOFA timing.

CDPH/OA conducts the Statewide Comprehensive Statement of Need and the Plan in collaboration with multiple state and local agencies, and consumer/citizen participation. CDPH/OA convenes the CPG that serves as advisory to CDPH/OA in this process, and CPG monitors the implementation of the Plan. CPG is comprised of HIV care and prevention stakeholders including county health department staff, local HIV service organizations, and consumers with various expertise in HIV/AIDS care and prevention.
treatment. CPG members identify best approaches to addressing unmet housing needs for people living with HIV (PLWH). The Plan has several housing-related activities, including the creation of a CPG subcommittee to address housing services. The subcommittee would identify the most effective housing services, best practices for integrating HIV health and housing providers and encouraging local collaboration, and methods for collaborative funding and service delivery. They will develop a written plan in Year 3 which could be implemented at the state and local levels.

CPG is integral to gaining access and engaging local consumer/citizens in the planning process, and provides an opportunity for citizen participation around HIV/AIDS issues, including housing.

**Summary of citizen participation process and efforts made to broaden citizen participation in Colonias.**

Currently, within the CDBG Program, citizen participation conducted with Colonias is done through the staff of County of Imperial. County staff is in regular contact with leaders in the Colonias communities. The other AP Programs do not directly fund activities in Colonias. See AP 48 and AP 80 for further discussion of Colonias.

**Citizen Participation Outreach**

<table>
<thead>
<tr>
<th>Sort Order</th>
<th>Mode of Outreach</th>
<th>Target Outreach</th>
<th>Summary of Response/Attendance</th>
<th>Summary of Comments received</th>
<th>Summary of Comments not accepted and reasons</th>
<th>URL (If applicable)</th>
</tr>
</thead>
</table>

*Table 2 – Citizen Participation Outreach*

This draft AP will be available for public comment from all interested parties for a 14-day period from Monday July 10 through July 23, 2017. It will be sent via e-mail to interested parties through the Departments list-serve notices. Two public hearings will be held: 1) Monday, July 17, in Sacramento from 1:00 – 4:00 pm; 2) Friday, July 21, in Riverside from 12:00 – 3:00 pm. The Sacramento public hearing will also be a webinar, allowing community members statewide to participate. Webinar details will be posted on the Department’s website, public and legal notices, as well as a listerve message. A summary of comments received on the draft AP and responses will be provided at the end of the public comment period.
AP-15 Expected Resources

AP-15 Expected Resources – 91.320(c) (1,2)

1. Introduction

This is the third year of the 2015-2020 ConPlan cycle. The annual allocation estimates below is based on HUD’s formula allocation for Federal Fiscal Year 2017 (October 2016-September 2017). The annual allocation amounts for HOME include the allocation for entitlement jurisdictions of Gardenia, Lancaster, and Torrance that have returned these funds to HUD for allocation to the State in order for those jurisdictions to participate in the State HOME Program.

Historically, the annual allocation estimates for HOPWA included the allocation for the Eligible Metropolitan Statistical Areas (EMSA) of Bakersfield, which has relinquished grantee responsibilities to CDPH/OA. Bakersfield will be assuming grantee responsibility for the 2016 allocation, and therefore it is not included in 2017 annual allocation below. In addition, Santa Rosa will be assuming grantee responsibility for the 2017 HOPWA allocation, and therefore it will also not be included in the 2017 allocation below. Resources also include prior year HOPWA funds for the Fresno EMSA that will be committed to projects in the FY 2015-16 program year.

Anticipated Resources:

The spreadsheet below shows the anticipated resources. These figures are estimates and may be subject to change based on the allocation the State receives by HUD.
<table>
<thead>
<tr>
<th>Program</th>
<th>Source of Funds</th>
<th>Uses of Funds</th>
<th>Expected Amount Available Year 3</th>
<th>Narrative Description</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Annual Allocation: $</td>
<td>Program Income: $</td>
</tr>
<tr>
<td>CDBG</td>
<td>public - federal</td>
<td>Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services</td>
<td>$27,488,950</td>
<td>0</td>
</tr>
<tr>
<td>ESG</td>
<td>public - federal</td>
<td>Conversion and rehab for transitional housing; Financial Assistance Overnight shelter; Rapid re-housing (rental assistance); Rental Assistance Services Transitional housing</td>
<td>$11,733,174</td>
<td>0</td>
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<tr>
<td>HOME</td>
<td>public - federal</td>
<td>Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA</td>
<td>$31,670,254</td>
<td>$2,000,000</td>
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<tr>
<td>------</td>
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<tr>
<td>HOPWA</td>
<td>public - federal</td>
<td>Permanent housing in facilities, Permanent housing placement, Short term or transitional housing facilities, STRMU Supportive services, TBRA</td>
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<td>Public - Referral</td>
<td>Homeowner rehab</td>
<td>Multifamily rental rehab</td>
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<tr>
<td>------</td>
<td>------------------</td>
<td>-----------------</td>
<td>--------------------------</td>
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</tr>
</tbody>
</table>

The amounts shown are for LHCP. In December 2014, HUD awarded $3.4 million to CSD for a new 36-month program. Approximately $3.0 million of the award will be used to provide lead hazard reduction services and $400,000 of Healthy Homes supplemental funding will be used for other related home hazards for 195 privately owned housing units. This grant will cover 2014-2017. The LHCP Grant is scheduled to be complete by December 14, 2017 and it is not expected that there will be any remaining
Funds after December 14, 2017.

<table>
<thead>
<tr>
<th>Other - NNHTF</th>
<th>public - federal</th>
<th>Multifamily rental new construction</th>
<th>$23,228,115</th>
<th>0</th>
<th>$10,128,143</th>
<th>$33,356,258</th>
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<tr>
<td>CA State ESG Program</td>
<td>State funds</td>
<td>Conversion and rehab for transitional housing; Financial Assistance Overnight shelter; Rapid re-housing (rental assistance); Rental Assistance</td>
<td>$10,500,000</td>
<td>0</td>
<td>0</td>
<td>$10,500,000</td>
<td>$21,000,000</td>
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</tbody>
</table>

The estimated NNHTF amount available for the remainder of the Con Plan was derived by taking the FY 2016 allocation of roughly $10 million and multiplying by two, the remaining number of years in this ConPlan cycle.
Services
Transitional
housing

Table 4 – Expected Resources – Priority Table

### Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied

**CDBG** – Leverage varies depending upon activities being implemented. For example, for single family homebuyer assistance program activities, CDBG funding provides “gap” funding subordinate to the first mortgage. CDBG funding is used to augment or expand existing public service activities. For single family rehabilitation programs, microenterprise programs and business assistance programs, the CDBG program offers large public improvement, economic development or public facility projects leverage additional resources because of the high cost of these types of projects. Lastly, planning and technical assistance activities require matching funds due to State CDBG statute. CDBG matching requirements for FY 2017-18 will be met by State General Fund in the amount of $566,000.

The State recognizes the need to improve the expenditure rate for CDBG. In an effort to increase the expenditure rate, the State is considering or has executed the following items:

- Conduct a thorough analysis of current expenditure patterns.
- Provided a three-day free of charge training to grantees, based on observed deficiencies, with the goal of increasing their ability to draw down grant dollars and administer the program. See AP-10 for more information.
- Development of model documents, such as standardized Requests for Proposals.
- Continuation of Advisory Committee meetings to get feedback from stakeholders to actively evaluate possible improvements and ways to increase the expenditure rate.

**ESG** – Federal ESG Match is provided by its subrecipients on a dollar for dollar basis. Specific sources of match or leverage are identified at the time of application and must comply with 24 CFR 576.201. Sources of match may include (1) local funds from cities and counties, (2) private funds including agency fundraising, cash; and (3) donated goods, volunteers, building value or lease.
In 2016 SB 837 (§ 72) made available and authorized the California Emergency Solutions Grants Program (CA ESG) to be administered by the State. Pursuant to Chapter 19 §50899.1 of Part 2 of Division 31 of the Health and Safety Code, these funds will be administered in a manner generally consistent with the requirements of federal ESG funds. As such, these funds can be used to match federal ESG funds.

HOME – In HOME, the largest source of leverage is Low Income Housing Tax Credits (LIHTC) used with rental new construction projects. Other sources of leverage include private bank loans, State funds, other Federal funds, and local funds for both rental and homebuyer activities. For FY 2017, HOME estimates leveraging over $121 million from other sources. HOME’s leverage typically exceeds its match requirement.

HOPWA – There is no federal match requirement for HOPWA; however, project sponsors report leveraged funds. On an annual basis, CDPH/OA allocates funding through the HIV Care Program (Ryan White Part B) for HIV/AIDS care and treatment services to California counties. Based on prior year data, State HOPWA anticipates approximately $4.3 million in leveraged funds by HOPWA project sponsors including Ryan White Part B and other federal, state, local, and private resources for the provision of HIV/AIDS housing and services to HOPWA clients based on the FY 2015-16 Consolidated Annual Performance and Evaluation Report reported number. Resources also include prior year HOPWA funds for the Kern County that will be committed to projects in the FY 2017-18 program year. Although Bakersfield is currently receiving HOPWA funds directly from HUD because of their EMSA status, unspent funds from the previous year resides with CDPH/OA. CDPH/OA plans to execute a contract for these funds with Kern County Public Health, which was the project sponsor responsible for the funds in FY 2015-16.

NHTF – The total allocation for NHTF is listed in the Anticipated Resources table on page 16. The Department will combine the FY 2016 and FY 2017 NHTF allocations in one NOFA. The State will distribute NHTF funds by selecting applications submitted by eligible recipients. More information can be found in the Allocation Plan Guide in the Grantee Unique Appendices. Per 24 CFR 91.320(k)(5)(i) State NHTF programs are required to score more highly eligible applicants that make use of non-federal funding. The Department anticipates non-federal sources of funding could include other State funds, such as Tax Credits. More information can be found in the revised NHTF Allocation Plan attached in the grantee unique appendices file, or in AP-30 of this submission.

LHCP – To ensure that community based organizations (CBOs) meet HUD’s required 10 percent match of the $3.0 million, the CBOs are required to match larger percentages of the net $2,537,234 provided to them for lead-hazard activities only. This does not include the Healthy Homes set-aside of $400,000, which requires no match. Match activities must be specifically dedicated to supporting and remediating lead-hazard activities from non-federal resources such as State, local, charitable, nonprofit or for-profit entities, in-
kind contributions, private donations, Low Income Weatherization Program (LIWP) and owner’s contribution. The only federal funds that may be considered part of the match requirement are CDBG funds. In 2017-18, LHCP anticipates a minimum of $91,890 in match contributions. With the Grant ending December 14, 2017, there will be no match contributions remaining after December 14, 2017. CBOs are also required to leverage 5 percent of their grant allocation from various federal sources such as the (1) Low-Income Home Energy Assistance Program, Department of Energy Weatherization Assistance Program, Community Services Block Grant, or other federally funded programs; (2) State, local, charitable, nonprofit or for-profit entities; and (3) in-kind contributions, private donations, LIWP and owner’s contributions. In 2017-18, LHCP anticipates a minimum of $41,580 in leveraging contributions. With the Grant ending December 14, 2017, there will be no leveraging contributions remaining after December 14, 2017.

**If appropriate, describe publicly owned land or property located within the jurisdiction that may be used to address the needs identified in the plan**

Although some localities utilize property that they own to build affordable housing, the State’s AP does not identify specific projects to be developed or supported since local entities must first apply for and be awarded funding for these projects.

**Discussion**

See above.
### AP-20 Annual Goals and Objectives

**AP-20 Annual Goals and Objectives – 91.320(c)(3) & (e)**

#### Goals Summary Information

The figures below represent estimates of allocation goals and objectives. These figures could change based on HUD allocation of funds and change in funding priorities.

<table>
<thead>
<tr>
<th>Sort Order</th>
<th>Goal Name</th>
<th>Start Year</th>
<th>End Year</th>
<th>Category</th>
<th>Geographic Area</th>
<th>Needs Addressed</th>
<th>Funding</th>
<th>Goal Outcome Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Increase the supply of affordable rental housing</td>
<td>2015</td>
<td>2019</td>
<td>Affordable Housing</td>
<td>Affordable Rental housing</td>
<td>Rental units constructed: 535; Household Housing Unit</td>
<td>CDBG: $3,783,466</td>
<td>Rental units constructed: 535; Household Housing Unit</td>
</tr>
<tr>
<td>2</td>
<td>Expand homeownership and improve existing housing</td>
<td>2015</td>
<td>2019</td>
<td>Affordable Housing</td>
<td>Affordable Homeownership and Home Rehabilitation</td>
<td>Homeowner Housing Added: 129; Household Housing Unit Homeowner Housing Rehabilitated: 161; Household Housing Unit Direct Financial Assistance to Homebuyers: 162 Households Assisted</td>
<td>CDBG: $5,675,199</td>
<td>Homeowner Housing Added: 129; Household Housing Unit Homeowner Housing Rehabilitated: 161; Household Housing Unit Direct Financial Assistance to Homebuyers: 162 Households Assisted</td>
</tr>
</tbody>
</table>

The California Department of Housing and Community Development DRAFT FY 2017-18 Annual Action Plan
<table>
<thead>
<tr>
<th>#</th>
<th>Goal Description</th>
<th>Start Year</th>
<th>End Year</th>
<th>Community Development Sector</th>
<th>CDBG: $11,350,398</th>
<th>HOPWA: $3,075,857</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Maintain or increase public services</td>
<td>2015</td>
<td>2019</td>
<td>Non-Housing Community Development</td>
<td>Public Services</td>
<td>CDBG: $3,783,466</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Public service activities other than Low/Moderate Income Housing Benefit: 3,500; Persons Assisted Public service activities for Low/Moderate Income Housing Benefit: 12,500 Households Assisted</td>
</tr>
<tr>
<td>6</td>
<td>Maintain or increase public facilities</td>
<td>2015</td>
<td>2019</td>
<td>Non-Housing Community Development</td>
<td>Public Facilities</td>
<td>CDBG: $11,350,398</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 2074; Persons Assisted Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit: 61,795; Households Assisted</td>
</tr>
</tbody>
</table>

Table 3 – Goals Summary
<table>
<thead>
<tr>
<th><strong>Goal Description</strong></th>
<th><strong>Goal Name</strong></th>
<th><strong>Increase the supply of affordable rental housing</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities to address this goal may include CDBG rental rehabilitation, CDBG infrastructure projects in support of rental housing, HOME rental new construction and rental rehabilitation projects and LHCP rental rehabilitation activities. (HOME Tenant-Based Rental Assistance (TBRA) activities are discussed with homelessness assistance below.) CDBG Planning and Technical Assistance Grants associated with rental activities may also be eligible. For CDBG, &quot;Moderate Income&quot; does not exceed 80% AMI. This year, all NHTF assisted units will be for those at or below 30% AMI or below the poverty line; whichever is greater.</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Goal Description</strong></th>
<th><strong>Goal Name</strong></th>
<th><strong>Expand homeownership and improve existing housing</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities to address this goal may include the following: CDBG homeowner acquisition and homeowner rehabilitation; CDBG infrastructure projects in support of homeowner housing; HOME low-income first-time homebuyer new construction, acquisition with or without rehabilitation, and owner-occupied rehabilitation, and LHCP homeowner rehabilitation. CDBG Planning and Technical Assistance grants associated with this activity may also be eligible. For CDBG, &quot;Moderate Income&quot; does not exceed 80% AMI.</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Goal Description</strong></th>
<th><strong>Goal Name</strong></th>
<th><strong>Provide homeless assistance &amp; prevention services</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities to address this goal may include all homeless assistance and prevention activities eligible under the ESG and HOPWA programs, as well as HOME tenant-based rental assistance activities.</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Goal Description</strong></th>
<th><strong>Goal Name</strong></th>
<th><strong>Increase economic development opportunities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities to address this goal may include CDBG-funded economic development through assistance to local businesses and low-income microenterprise owners to create or preserve jobs for low-income workers in rural communities, as well as planning and evaluation studies related to any activity eligible for these allocations. Planning and Technical Assistance grants associated with this activity may also be eligible. For CDBG, &quot;Moderate Income&quot; does not exceed 80% AMI.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Goal Name</td>
<td>Maintain or increase public services</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Goal Description</td>
<td>Activities to address this goal will include public service activities supported with CDBG funds. For CDBG, &quot;Moderate Income&quot; does not exceed 80% AMI.</td>
</tr>
<tr>
<td>6</td>
<td>Goal Name</td>
<td>Maintain or increase public facilities</td>
</tr>
<tr>
<td></td>
<td>Goal Description</td>
<td>Activities to address this goal will include public facilities' acquisition, construction, or rehabilitation supported with CDBG funds and general community infrastructure projects. Planning and Technical Assistance Grants associated with this activity may also be eligible.</td>
</tr>
</tbody>
</table>

Table 4 – Goal Descriptions
**AP-25 Allocation of Priorities**

**AP-25 Allocation Priorities – 91.320(d)**

1. **Introduction**

   The percentages below are based on the expected amount of funds that will be awarded by each program in FY 2017 for eligible activities that fall within that goal. The expected amounts to be awarded are in the "Total Available in Year 3" (FY 2017) found in AP-15. This total includes any Program Income and prior year resources expected to be awarded in FY 2017. The expected amounts to be awarded to each goal are typically based on actual applicant demand for activities within that goal from the prior NOFA year. For this reason, in some instances, the percentages below may be under the minimums allowed for a particular activity pursuant to statute or regulation.

   **Note:** The CDBG Colonias percentage is listed below at 5 percent but this amount would otherwise be reflected in the amounts available under the housing or infrastructure goals. The 30 percent projected for public facilities includes general infrastructure projects. Amounts for infrastructure projects connected to a particular housing project ("in support of housing") are reflected in the renter and homeowner goals.

   The amount for HOME under "homelessness assistance and prevention" reflects the total amount of HOME tenant based rental assistance (TBRA) funds projected to be awarded for the 2017 HOME NOFA. For purposes of the goals reflected below, HOME TBRA is considered a homelessness assistance or prevention activity.
2. **Funding Allocation Priorities**

<table>
<thead>
<tr>
<th>Program</th>
<th>Increase the supply of affordable rental housing (%)</th>
<th>Expand homeownership and improve existing housing (%)</th>
<th>Provide homeless assistance &amp; prevention services (%)</th>
<th>Increase economic development opportunities (%)</th>
<th>Maintain or increase public services (%)</th>
<th>Maintain or increase public facilities (%)</th>
<th>Colonias Set-Aside (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDBG</td>
<td>10%</td>
<td>15%</td>
<td>0</td>
<td>30%</td>
<td>10%</td>
<td>30%</td>
<td>5%</td>
<td>100%</td>
</tr>
<tr>
<td>ESG</td>
<td>0</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>HOME</td>
<td>55%</td>
<td>35%</td>
<td>10%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>HOPWA</td>
<td>0</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>Other- NHTF</td>
<td>100%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>LHCP</td>
<td>70%</td>
<td>30%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Table 5 – Funding Allocation Priorities*

3. **Reason for Allocation Priorities**

**CDBG** – Actual allocation percentages may vary from table number five above. After administration costs are subtracted and mandatory federal and State set-asides are calculated, activity funding is based on the demand for each activity as reflected in each year’s application submittals. Federal law requires a set-aside of 5 percent for eligible Colonia communities. Federal law also requires that not more than 15 percent of CDBG funding be provided for public service activities each year. State set-asides include a 1.25 percent set-aside for non-federally recognized Native American communities and a separate 30 percent set-aside for economic development activities. If the demand for these set asides is not sufficient, then the balance of funds will revert to the general pool of funds.

State statute requires that at least 51 percent of all awarded funds be used for housing and housing-related activities (housing-related includes public improvements and public improvements in support of housing new construction activities). In addition to the set asides and funding level criteria described above, the Department will monitor general administration expenditures to ensure compliance with the federal expenditure cap rate, and ensure a minimum expenditure rate on activities meeting the national objective of benefitting at least 70 percent of low / moderate income persons in compliance with federal requirement.
ESG - With the redesign of the ESG Program, the Department has moved its focus from provider competition to a more formula based method of distribution for Continuum of Care Service Areas, using a formula that utilizes Point-in-Time Count, poverty rate and renter cost burden data for Extremely Low-Income Households. (See AP 30 for more information on methodology). All of ESG’s federal funds go to address homelessness and may be used for Emergency Shelter (ES), Homeless Prevention (HP), Street Outreach (SO), Rapid Rehousing (RR), and Homeless Management Information System (HMIS) (24 CFR 576.100). Federal regulations cap the amount that can be used for ES/SO at 60 percent, and the Department generally limits the amount that can be received for HMIS per application to no more than 10 percent of the available funds. Emphasis will continue to be placed on Rapid Rehousing Programs, with a minimum of 40 percent of all ESG funds required to be used for RR activities.

HOME - HOME’s funding allocation priorities are based on demand by program applicants for categories of activities. In addition, State HOME regulations establish a minimum allocation of 40 percent for first-time homebuyer (FTHB) mortgage assistance, owner occupied rehabilitation (OOR), and TBRA (i.e., program activities), and a 5 percent minimum allocation for FTHB new construction or rehabilitation/conversion activities (i.e., FTHB projects). For FY 2017, in the table above, the 55 percent allocation for renters reflects anticipated demand for rental new construction or rehabilitation projects.

The 10 percent for homeless assistance and prevention activities reflects anticipated demand for HOME TBRA activities for FY 2017 due to HUD now allowing unit inspections and income determinations as eligible project-related soft costs for TBRA, as well as an anticipated increase in the need for TBRA due to loss of other rental assistance, increased focus on Rapid Rehousing strategies for homeless households, or assistance provided as a result of local, state, or federally declared disasters.

NHTF – Per 24 CFR §93.250, all NHTF will go to Extremely Low Income (ELI) units or households with incomes at or below the poverty line (whichever is greater). The Department will maximize NHTF’s deep targeting requirements by devoting 100 percent of its NHTF allocation to the production of new rental housing. Increasing the supply of rental housing is a priority need in the State’s Consolidated Plan.

Provide a brief narrative on how the use of funds will contribute to achieving the goals set forth in the ConPlan

HOPWA - A statutory goal of the HOPWA program is to prevent or alleviate homelessness among persons living with HIV/AIDS. CDPH/OA allocates HOPWA funds through a formula process based on the most recent reported HIV and AIDS cases by county. This allocation formula was developed to ensure equity of funding to all non-Eligible Metropolitan Statistical Areas (EMSA) of California while allocating proportionately larger amounts to the communities most impacted by HIV/AIDS. To promote the use of
HOPWA funds for housing assistance activities, CDPH/OA has limited supportive services activities to 20 percent of a project sponsor’s allocation.

LHCP – Funding allocations are determined after 10 percent State Administration; 65 percent direct hazard control costs; and program set-aside funding are accounted for. The remaining funding is then allocated to the CBOs based on the number of units estimated to be served in each CBO’s service area in relation to the total number of units estimated to be served statewide. Any allocations that fall below the minimum funding amount of $200,000 are raised to the minimum funding amount. Agencies above the minimum funding amount are then proportionately adjusted to account for the additional funds provided to minimum funded agencies. The distribution of funds discussed above addresses each of the priority housing, and non-housing community development needs, including efforts to assist the homeless. Program requirements governing the distribution of funds are made in consultation with program stakeholders and other interested parties.
AP-30 Methods of Distribution

AP-30 Methods of Distribution – 91.320(d)&(k)

1. Introduction

a. State Program Name - CDBG

The Department is currently in the process of redesigning its CDBG Program. Thus, the information contained in this section may change after the release of the AP. If a substantial amendments is required the Department will amend its AP and hold another public comment period prior to implementing changes to the CDBG Program.

Describe the state program addressed by the Method of Distribution:

Congress amended the Housing and Community Development Act of 1974 in 1981 to give each state the opportunity to administer CDBG funds for non-entitlement areas. Non-entitlement areas include those units of general local government which do not receive CDBG funds directly from HUD as part of the entitlement program (Entitlement Cities and Urban Counties). Non-entitlement areas are cities that have populations of less than 50,000 (except cities that are designated principal cities of Metropolitan Statistical Areas), and counties with populations of less than 200,000. The primary objective of the CDBG Program is the development of viable communities through the provision of decent housing and suitable living environments, and by expanding economic opportunities. Pursuant to federal law, at least 70 percent of state CDBG funds must benefit persons/households with incomes of less than 80 percent of Area Median Income (AMI), adjusted for family size. This is known as the Low/Mod Income Group as defined in 24 CFR 570.483, within the discussion of required National Objectives. The State CDBG program uses a Notice of Funding Availability (NOFA) application process where eligible cities and counties competitively apply for funding awards. Federal requirements mandate a set aside for Colonias. The State sets aside 5 percent each year for Colonias.

Additionally, State statute requires that at least 51 percent of the Department’s CDBG allocation from HUD go to housing and housing related activities; no more than 30 percent of the allocation shall be set aside for economic development projects and programs; and at least 1.25 percent of the total amount of funds shall be set aside for eligible Native American activities benefiting non-federally recognized Native American communities or tribes. For FY 2017, the economic development allocation will be made available for Enterprise Fund activities and Economic Development Over-The-Counter (ED OTC) activities and ED Planning and Technical Assistance (ED PTAs) grants. In FY 2016, the Department completed a regulation change to allow for the release of one or more special NOFAs on an as-needed basis. Specifically, in addition to the annual NOFA, the Department
may allocate available CDBG funding to address disasters and/or emergencies under the Urgent Need and Low-Mod Income national objectives.

The Department may choose to administer special NOFA(s) for an over-the-counter on a first-come first-served basis, rather than the normal competitive scoring process used in the annual NOFA funding cycle. The Department may also choose to waive any California regulatory application threshold requirements for applicants. National Disaster Resilience (CDBG-NDR) - The NDR was competitive and required the State to include its proposed method of distribution in the application. The Department received the grant agreement on January 18, 2017 and the Action Plan was entered into Disaster Recovery Grant Reporting (DRGR) and submitted for HUD approval in February 2017. HUD has awarded the State $70,359,459 for three activities tied to the 2012 Rim Fire disaster in Tuolumne County. All activities will be carried out in Tuolumne County. The State was awarded (1) $28,604,459 for the Forest and Watershed Health Program (green public infrastructure), (2) $22,000,000 for a biomass utilization facility (BUF) to produce energy facility and saleable and wood products (public facility or economic development loan), and (3) $19,755,000 for at least one Community Resilience Center (public facility). Our application detailed the State’s method of distribution for this funding. The Sierra Nevada Conservancy (SNC) will administer all funding for the forest and watershed health program and the biomass/wood products campus development and implementation. The Department will utilize an interagency agreement and a grant contract process to contract with SNC and other implementation partners as discussed in the application. The funding for the Community Resilience Center (public facility) will be administered by Tuolumne County local government via the Department’s usual grant contract/standard agreement process.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria**

Current scoring criteria for all CDBG activities, including Colonia and Native American, but excluding the Economic Development Over-the-Counter Program, are based upon the following:

**Need and Benefit** – up to 400 points - the Department will assign points based on the seriousness of the locality's community development needs, and the impact the program will have on those needs.

**Readiness** – up to 300 points - Readiness points will be assigned to the proposed activity as demonstrated by an activity, implementation plan, local government approvals, design progress, and sufficient funding to complete the project as applicable.

**Jurisdictional Capacity and Past Performance** – up to 200 points - This category is identical for all activities. Up to 200 points will be awarded for capacity to implement the proposed activity, as demonstrated by performance, including timeliness of clearance of General and Special Conditions, reporting, and cooperation in clearing audit and monitoring findings.
**State Objectives** – up to 100 points – the Department may award an application points for addressing one or more State objectives as identified in the annual CDBG NOFA. The Department will be including two of its three community and development priorities as State Objective points: 1) Access to Opportunity; and 2) Climate Change and Resiliency. More clarification on how these key community development goals will be reflected in CDBG State Objective points will be provided in the CDBG AP amendment, as well as the CDBG NOFA.

**If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)**

CDBG - The specific scoring breakdowns within each of the four scoring categories vary based on the activity being applied for. A description of the specific criteria and associated points will be published in the 2017 NOFA. The NOFA will be made available on the Department’s CDBG webpage at [http://www.hcd.ca.gov/grants-funding/active-funding/index.shtml](http://www.hcd.ca.gov/grants-funding/active-funding/index.shtml). The State’s CDBG Program regulations 25 CCR 7078 are also found on the website at [http://www.hcd.ca.gov/grants-funding/active-funding/cdbg/docs/Adopted-State-CDBG-Regulations-Aug2016.pdf](http://www.hcd.ca.gov/grants-funding/active-funding/cdbg/docs/Adopted-State-CDBG-Regulations-Aug2016.pdf).

CDBG also publishes all necessary application materials, NOFA, applications and instructions, on HCD’s website shown above. The Department releases NOFAs by sending out an electronic notification to eligible jurisdictions, non-profits and consultants on the interested parties list. The notice has links to the NOFA and application documents on the webpage. Additional notices are provided to inform interested parties about NOFA/application trainings, held throughout the State.

**CDBG-NDR** – All Application documents can be found here: [http://www.hcd.ca.gov/nationaldisaster/ndrc-application.html](http://www.hcd.ca.gov/nationaldisaster/ndrc-application.html). The NDR page will be redesigned to accommodate all DRGR Quarterly Progress Reports and other reporting requirements. The navigation function will be designed so the reports and information are easily found and accessible.

**Describe how resources will be allocated among funding categories**

Pursuant to 24 CFR 570.489, CDBG funding allocations per State CDBG Regulations 7076(f) Award of Funds are based on demand once State administration funding amounts and State and federal set-asides amounts have been accounted for. A federal set-aside of 5 percent is required for Colonias. State statute requires that 30 percent of annual funding be set aside for economic development activities, and 1.25 percent be set aside for non-federally recognized Native American communities. For FY 2017, the thirty percent economic development allocation will be made available for Enterprise Fund, ED OTC, and ED PTA grant activities. These set asides are established in the NOFA, but if there is not sufficient demand for these activities under the set asides, then the balance of funds will be made available to community development activities. Since applicants may apply for
any CDBG eligible activities in the NOFA, distribution of funds is based on demand in accordance with State and federal regulations.

As part of the award process, HCD staff verifies that funding levels for the various activities comply with State and federal regulations. State CDBG statute requires that at least 51 percent of awarded funds be in support of housing and housing related activities which includes housing related public improvement projects. Federal criteria require a cap of not more than 15 percent for public service activities. Once these criteria have been met, the final awards of remaining funds will be granted. In addition to the set asides and funding level criteria described above, the Department will monitor general administration expenditures to ensure compliance with the federal expenditure cap rate, and that activities meet the national objective of benefitting at least 70 percent of low / moderate income persons.

**Describe threshold factors and grant size limits**

Applications must meet the State and federal CDBG regulation threshold requirements at time of submittal. Jurisdictions must be in compliance with submission requirements for their Housing Element, OMB- A-133 Single Audit, and cannot be listed on the federal debarred contractor’s list. Although, State monitoring and audit findings no longer make a jurisdiction ineligible, they will be considered as part of the jurisdiction’s Capacity/Past Performance score. Furthermore, State regulation specifies that an application shall be considered **ineligible** for CDBG funds if the applicant has not expended at least 50 percent of the aggregate sum of standard agreements executed for NOFAs released in 2012 or after.

This Rule, commonly known as the 50 percent Expenditure Rule, applies to standard agreements for Community Development, Economic Development, and Enterprise Fund activities; but, excludes ED OTC, and NOFAs for Disaster Recovery Initiative funds. Applicants may submit a waiver request to the Department’s Director asking to waive the 50 percent Expenditure Rule. The waiver allows the director to waive the expenditure rule making an applicant eligible to apply for all NOFAs, including general NOFAs.

**Grant size limits**: For FY 2017 funding, the State plans to institute minimum application thresholds for programs and projects and establish a maximum total grant limit per application of $5,000,000, with the exception for applications that include ED and Colonia and Native American set-asides. For ED – Micro-enterprise or Business Assistance activities, the application minimum will be $300,000 and the maximum will be $500,000 per program activity or a combo of both activities. **Housing – Homeownership Assistance or Rehabilitation (1-4 units) activities will have a minimum application threshold of $500,000 and a maximum of $1,000,000 for each activity or combo of both activities. Multi-Family Housing project minimum will be $1,000,000 with a maximum amount of $3,000,000. Public Improvement projects, including projects in-support-of-Housing-New-Construction minimum will be $1,000,000 with a maximum of $5,000,000. Public Facility projects will have a minimum of $1,000,000, and a maximum of $5,000,000 (one project only); Planning Activities will have a maximum award of $100,000 for one study, either Community Development or Economic Development. Maximum total grant application limit for Community Development (CD) will...
be $5,000,000, while Economic Development Enterprise Fund activities will be limited to $500,000. For applications that include the Colonia and Native American set-asides, the total grant award may exceed $5,000,000 because those awards are in addition to any CD or ED awards. **ED-OTC** is a separate application process, with a maximum funding limit of $3,000,000 per year for one eligible project, per jurisdiction.

E. For FY 2017, all of the 30 percent economic development allocation will go towards the ED OTC process and ED PTAs.

**What are the outcome measures expected as a result of the method of distribution**

With FY 2017 funds, CDBG expects to produce 229 rehabilitated rental units, 33 units assisted with direct financial assistance to homebuyers, 75 homeowner units rehabilitated, 224 jobs created or retained, 10 businesses assisted, 10,191 households assisted with public service activities, and 102,026 households assisted with public facilities or public improvement activities.

b. **Federal ESG Program:**

ESG - With the redesign of the Department’s ESG Program, the Department has moved its focus from provider competition to a more formula based method of distribution for Continuum of Care (CoC) Service Areas (SA), using a formula that utilizes Point-in-Time Count (PIT), poverty rate and renter cost burden data for ELI households. All of ESG’s federal funds go to address homelessness and may be used for Emergency Shelter (ES), Homeless Prevention (HP), Street Outreach (SO), Rapid Rehousing (RR), and HMIS (24 CFR 576.100). Federal Regulations cap the amount that can be used for ES/HP at 60 percent, and the Department generally limits the amount that can be received for HMIS per application to no more than 10 percent of the available funds. Emphasis will continue to be placed on RR Programs, with a minimum of 40 percent of all ESG funds required to be used for RR activities.

**Describe the state program addressed by the Method of Distribution**

As authorized by subtitle B of Title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371-11378), and the Federal HEARTH Act, ESG funds activities address homelessness. The Department’s ESG Program is distributed by formula to two separate allocations, 1) Continuum of Care (CoC) and 2) Balance of State (BoS). CoC allocations contain a city or county that receives ESG funds directly from HUD. BoS funds are allocated to SAs that do not contain a city or county that receives ESG funds directly from HUD.

The redesigned ESG program aims to do the following: align with local systems’ federal ESG and HEARTH goals; invest in impactful activities based on key performance goals and outcomes; improve geographic distribution of funded activities and continuity of funded activities, and create a streamlined delivery mechanism.
Pursuant to current State regulations, eligible applicants are local governments and nonprofit corporations. Federal ESG funding will continue to be directed towards non-entitlement areas throughout the State; however, under the redesigned program, funding can be used in Entitlement areas.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria.**

As stated above, ESG funds will be allocated to two separate funding pools, the CoC Allocation and the BoS Allocation. Within the CoC Allocation, local government Administrative Entities (AEs) will select applications for funding pursuant to the criteria set forth in California Code of Regulations, title 25, division 1, chapter 7, subdivision 20 (ESG State Regulations) section 8403(g), and administer ESG contracts. Further discussion of the CoC Allocation is provided in the narrative below.

Under the BoS Allocation within the three-regional competitive set-asides set forth under ESG State Regulations section 8404(a)(3), the Department will select providers for funding according to the application eligibility criteria set forth under section 8406 and the application rating criteria set forth under section 8407. A summary of the rating criteria under section 8407 is provided below. Further discussion of the BoS Allocation is also provided in the narrative below.

**BoS Allocation Regional Set-Aside Rating Factors**

Rating factors are based on the following:

**Applicant Experience** (20 points) - An evaluation of length of experience and prior State ESG performance.

**Need for Funds** (10 points) - Whether the application activity and subpopulation targeting, if any, meets a high need for the community as identified by the CoC in a manner that is consistent with the requirements of ESG State Regulations section 8409 (required Core Practices).

**Program Design** (20 points) – The quality of the proposed program in delivering eligible activities to participants consistent with the Written Standards of the CoC and Core Practices as set forth under ESG State Regulations section 8409.

**Impact and Effectiveness** (30 points) – The Impact and Effectiveness measures for FY 2017-18 are discussed on the following pages under the heading “HMIS Project and System-Level Impact and Effectiveness Performance Metrics.”

**Cost Efficiency** (10 points) - Using HMIS data from the most recent ESG contract year, applications will be evaluated based on the average cost per exit to permanent housing based on the total ESG project budget and the number of exits to permanent housing.

**Describe the process for awarding funds to state recipients and how the state will make its allocation available to units**
of general local government, and non-profit organizations, including community and faith-based organizations (ESG ONLY)

ESG funds will be distributed to two separate funding pools pursuant to the formula set forth under section 8402 of the ESG State Regulations; the CoC Allocation and the BoS Allocation.

**CoC Allocation**

Within the CoC Allocation, Administrative Entities (AEs) will be selected by the Department to administer an allocation of funds provided pursuant to the formula factors set forth under section 8402 of the State ESG Regulations. These AEs must be local governments of ESG Entitlement Areas and must commit to administering ESG funds, in collaboration with their CoC, throughout their CoC SA, including ensuring access to ESG funds by households living in non-entitlement Areas. AE and CoC qualifications are set forth in State ESG Regulation section 8403(d) and (e). A minimum of 40 percent of each AE Allocation must be used for RR activities.

**Competitive Funding**

The Department will enter into a contract with the AE, and the AE will contract directly with its selected providers. The AE shall collaborate with the CoC in administering an application selection process which complies with section 8403(g) of the ESG State Regulations. The process must: (1) be a fair and open competition which avoids conflicts of interest; (2) follow procurement requirements of 24 CFR Part 84; (3) evaluate provider capacity and experience, including the ability to deliver services in non-entitlement areas; (4) evaluate eligibility and quality of services, including adherence to Core Practices pursuant to ESG State Regulations section 8409; (5) utilize data and consider community input to identify unmet needs; (6) prioritize activities that address the highest unmet need, considering other available funding and system-wide performance measures; and (7) consider project-level performance measures when evaluating proposals.

An AE can also enter into an agreement with a geographically contiguous CoC in the BoS Allocation to administer 100 percent of the funding attributable to both CoC SAs for RR activities in accordance with section 8403(a)(1) of the ESG State Regulations.

**Noncompetitive Funding**
In the absence of an approved AE for their SA, CoCs may select providers to administer a portion of funds available under their formula allocation for RR. These funds are accessed noncompetitively, and the Department will administer these contracts with providers. In recommending providers for noncompetitive RR funds, the CoC shall follow a process which meets the requirements of ESG State Regulations section 8403(a)(2). The current limits on the percentage of funds and number of contracts that can be accessed noncompetitively for RR are set forth below.

**BOS Allocation**

**Noncompetitive Funding**

CoCs in the BoS Allocation are those that have no ESG entitlement jurisdictions within their CoC SA. Within this allocation pool, CoCs may select providers to receive a portion of funds available under the formula allocation noncompetitively for RR. The Department will administer these contracts with providers. In recommending providers for these funds, the CoC shall follow a process which meets the requirements of ESG State Regulations section 8404(a)(2). The current limits on the percentage of funds and number of contracts that can be accessed noncompetitively for RR are set forth below.

**Competitive Funding**

Remaining funds within the BoS Allocation will be divided into three regional allocations pursuant to ESG State Regulation section 8404(a)(3). CoCs will recommend providers to compete for funds within their regional allocation. In making these funding recommendations, the CoC shall follow a process which is: (a) fair and open, and avoids conflicts of interest in project selection, implementation, and the administration of funds; (b) considers State application eligibility and rating criteria in ESG State Regulations sections 8406 and 8407; and (c) complies with the Eligible Activities and Core Practices requirements of ESG State Regulations sections 8408 and 8409.

**Describe how resources will be allocated among funding categories. (The following is a discussion of federal ESG funds.)**

Federal ESG funds are discussed as a separate source of funding later in the AP to the extent that there are differences between the two sources of funds. Federal ESG Regulations cap the amount that can be allocated to eligible projects under the SO and ES Components at 60 percent of the Department’s annual federal ESG allocation. ESG State Regulations section 8403(i) requires that not less than 40 percent of the CoC Allocation awarded by an AE be for RR except that if funds are administered by an AE for two contiguous SAs. In this scenario, 100 percent of the funds must be used for RR.
As permitted by the ESG State Regulations, the following additional limits apply for FY 2017: Caps on amounts available under the formula (section 8402 (d))

No one CoC SA may receive more than 10 percent of the total amount of funds available under the allocation formula in a given funding round.

**Amounts available for Administrative Activities and Indirect Cost Allocation (section 8402(a) and 8404(b))**

ESG Administration - AEs under the CoC Allocation may receive approximately 2.7 percent of their formula allocation for Administration as defined in the federal regulations. For the BoS Allocation, grant Administration of up to $200 per application may be requested by local government service provider applicants per 24 CFR 576.108. No other Administration funds will be provided for the CoC or BoS Allocations.

**Homeless Service Provider Indirect Cost Allocation**

BoS Allocation - Homeless service providers funded by the Department through the BoS Allocation that are eligible under the president Office of Management and Budget (OMB) requirements to receive an indirect cost allocation may charge to their ESG grant up to 10 percent of their total grant amount or the percentage approved by the applicable federal cognizant agency.

CoC Allocation: As permitted by the applicable AE, pursuant to OMB requirements, homeless service providers receiving funds from an AE under the CoC Allocation may charge an indirect cost allocation up to 10 percent of the homeless service providers total grant amount or the percentage approved by the applicable federal cognizant agency.

**Eligible Activities (8403 (h) 8408 (b))**

The following applies to applications funded under either the CoC or BoS Allocations.

For the 2017 funding round, all activities permitted under the federal ESG regulations shall be eligible except for stand-alone Homelessness Prevention (HP) applications. Any ES or RR application can request up to 10 percent of their funds for SO or HP activities. Stand-alone so applications are also permitted. Subcontracts are permitted for SO or HP activities requested in combination with an ES or RR application.
HMIS Project and System-Level Impact and Effectiveness Performance Metrics (8407 (a)(4))

BoS Allocation: Scoring for the Performance Outcomes in the Impact and Effectiveness rating factor will be evaluated using data from HMIS for federal FY 16, or for those projects not in operation during this entire time period, the most recent 12-month period. For data coming from Victim Service Providers (VSP), data from a HUD-compliant comparable database may be used.

CoC Allocation: AEs may establish their own project-level HMIS performance metrics by which to evaluate applications submitted to them for ESG funds.

Project-Level Performance Metrics Data

BoS Allocation: The project level measures are as follows: (1) Average length of project participation for individual leavers and (2) Leavers exiting to permanent housing. Scores assigned will be based on relative success rate. For project-level performance metrics, programs of the same activity type (i.e. SO, ES, RR) will only be compared against programs of that same activity-type.

System-Level Performance Metrics Data

BoS Allocation: Reports submitted by the CoC must be consistent with HUD’s May 2015 System Performance Measures. Data for Measures 1, 2, 3, 5, and 7 must be submitted to the Department and scoring will only be based on the CoC’s ability to produce the information. Funding round.

CoC Allocation: System-level performance metrics within SAs under the CoC allocation will be monitored by the Department at a later date.

Minimum and maximum percentage of an allocation that can be accessed noncompetitively for Rapid Rehousing (8403 (a) (2) 8404 (a) (2)(F)

BoS Allocation: A minimum of 40 percent and a maximum of 50 percent of a SA formula allocation may be accessed noncompetitively for RR. Up to two applications may be submitted and awarded.

CoC Allocation: In the absence of an Approved Administrative Entity (AE), a minimum of 40 percent and a maximum of 50 percent of a SA formula allocation may be accessed noncompetitively for RR. Up to two applications may be submitted and awarded.
Where a SA has an approved AE, the AE is required under ESG State Regulation section 8403(i) to award no less than 40 percent of their available ESG funds to RR. AEs partnering with a neighboring CoC from the BoS Allocation must award 100 percent of both SA formula allocations to RR (section 8403(a)(1)).

**Minimum and Maximum Grant Limits**

**BoS Allocation:** Noncompetitive RR Set-Aside – No individual application minimum and maximum grant amounts will be established by the Department for this set-aside. The amounts of each individual application may be determined by the CoC. However, as stated above, the maximum number of applications that can be submitted and awarded in each SA under this set-aside is two. A minimum of 40 percent and a maximum of 50 percent of a SA formula allocation may be accessed noncompetitively for RR. These amounts include amounts requested for HMIS and Indirect Costs (IC) as part of these applications. For the Regional Competition, each application submitted must be for a minimum of $75,000 and a maximum of $200,000. These amounts include amounts requested for all eligible activities, including HMIS.

**CoC Allocation:** where there is an approved AE, AEs will be responsible for setting any minimum and maximum grant amounts, since they will be evaluating provider applications and managing these contracts. The Department will be monitoring AEs to ensure that they can effectively manage the number of awards they make.

**Maximum number of applications, contracts, and subcontracts**

**BoS Allocation**

For the Noncompetitive Rapid Rehousing Set-Aside, up to two applications may be recommended by the CoC and submitted to the Department. No more than two contracts per CoC SA will be awarded by the Department. For the Regional Competition up to two applications may be recommended by the CoC and submitted to the Department. No more than two contracts per CoC Service Area will be awarded by the Department.

**CoC Allocation:**

Within the CoC Allocation where there is an approved AE, AEs will be responsible for setting any limits on the number of applications received and contracts or subcontracts funded, since they will be evaluating provider applications and managing all contracts and subcontracts. The Department will be monitoring AEs to ensure that they can effectively manage the number of awards, contracts, and subcontracts they have.
Subcontracts

There are two types of subcontracting which are permitted under ESG.

1. Subcontracting for services provided to the funded program. Procuring services related to carrying out the funded program is permissible.
   - Examples: security, supportive services, food services. Federal procurement rules may apply.
2. An ES or RR application may request up to a total of 10 percent per application for SO and 10 percent per application for HP activities without having to apply separately for the SO or HP component. The SO or HP activity may be subcontracted to another eligible provider or may be provided directly by the applicant.

   Note: Giving your grant or part of your grant to another provider for an activity that is not part of the funded program is prohibited.

Application packages that include provider recommendations are due to the Department as set forth in ESG NOFAs. The Department released the ESG NOFA for the CoC Allocation in June 2017 and the ESG NOFA for the BoS Allocation will be released in the summer at http://www.hcd.ca.gov/grants-funding/active-funding/esg.shtml.

Describe threshold factors and grant size limits

All funded activities must meet program eligibility criteria as set forth in ESG State Regulations section 8406 and this AP. Grant size limits are discussed above. Application threshold factors under the BoS regional competition are summarized below, pursuant to section 8406.

   1. The applicant is an eligible organization and is recommended by the CoC;
   2. The CoC meets the requirements of section 8404(a)(1);
   3. The application proposes an eligible activity in the CoC SA consistent with section 8408;
   4. A complete application is received by the deadline stated in the NOFA. The Department does have the authority to request missing information after the application deadline, but the application may be scored as initially submitted.

What are the outcome measures expected as a result of the method of distribution

In FY 2017-18, based on activity within existing contracts, ESG estimates it will serve 750 households with RR Assistance, 4000 persons with ES, and 300 households with HP assistance.
c. State Program – CA ESG

Describe the state program addressed by the Method of Distribution

In 2016, SB 837 (§ 72) made available and authorized the California Emergency Solutions Grants Program (CA ESG) to be administered by the State. Pursuant to Chapter 19 §50899.1 of Part 2 of Division 31 of the Health and Safety Code, these funds will be administered in a manner generally consistent with the requirements of the federal ESG funds. (Differences between the two programs are discussed below, pursuant to CA ESG Program Guidelines)

Describe all of the criteria that will be used to select applications and the relative importance of these criteria.

Same as federal ESG. See ESG discussion above corresponding to this question.

Describe how resources will be allocated among funding categories.

Same as federal ESG. See ESG discussion above corresponding to this question.

Eligible Activities (8403(h) and 8408(b)

This is the same as federal ESG; See ESG discussion above corresponding to this question. In addition to the allowable uses discussed above, up to 20 percent of an individual CA ESG formula allocation can be used for Coordinated Entry Activities. This can be a stand-alone activity.

Describe threshold factors and grant size limits

This is the same as federal ESG; See ESG discussion above corresponding to this question.

What are the outcome measures expected as a result of the method of distribution

For the 2017 funding round and based on activity within existing contracts, CA ESG estimates it will serve 750 households with RR, 4000 persons with ES, and 300 households with HP assistance.
d. **State Program – HOME**

**Describe the State Program addressed by the Method of Distribution**

The State HOME Program (HOME) provides funds for Project Activities (PJ) and Program Activities (PA) on a competitive basis through an annual NOFA.

**Project Activities** are activities with an identified site at the time of application for HOME funds. These activities include Rental New Construction or Rehabilitation projects and First Time Home Buyer (FTHB) New construction or Rehabilitation/Conversion projects. Based on applicant demand, HOME allocates roughly 60 percent of its funds to project activities on an annual basis; 55 percent to rental projects, and 5 percent to FTHB projects. Within the rental project allocation, HOME may offer additional Deep Targeting (DT) funds to rental projects to reduce private mandatory debt and facilitate more affordable rents.

**Program Activities** are activities without an identified site at the time of application for HOME funds, meaning that HOME applicants apply for a specified amount of funds, and once awarded, advertise their housing program(s) and provide these funds to individual low-income households that qualify for participation. Eligible program activities for FY 2017 include: FTHB acquisition with or without rehabilitation, FTHB infill new construction, Owner Occupied Rehab (OOR), and Tenant Based Rental Assistance (TBRA). Based on applicant demand, HOME allocates roughly 40 percent of its funds to PAs on an annual basis.

Eligible applicants for HOME funds are local governments that do not receive a direct allocation of HOME funds from HUD, (or participate in a HOME Consortium or a CDBG Urban County) and State Certified HOME Community Housing Development Organization(s) (CHDOs) that provide housing in these localities. Additionally, in 2016, State HOME Regulations were amended to expand the availability and competitiveness of HOME funded activities for developers including Native American Entities. The State considers Indian Reservations or Native American Lands to be within the boundaries of the applicable State HOME eligible jurisdictions listed in Appendix A.

State HOME Regulations require that a minimum of 50 percent of funds go to activities located in rural census tracts. Federal regulations require that a minimum of 15 percent of funds be allocated to CHDOs. TBRA funds can be used in all HOME-eligible jurisdictions in the county where the funds were awarded, not just in the particular jurisdiction to which the funds were awarded. TBRA tenant leases cannot exceed 24 months, but can be renewed if additional TBRA funds are secured. In California, there are many market conditions that justify the use of HOME funds for TBRA, including tenant income compared to fair market rent and housing cost burden. State Recipients may establish preferences pursuant to federal and State HOME requirements for use of HOME TBRA funds to serve victims of local, State, or federally declared disasters. Preferences for TBRA funds may also
be established for tenants displaced if the Department determines that existing rental assistance will not be will not be continued or renewed.

Additional preferences for special needs populations may be approved by the Department consistent with federal and State fair housing laws. Prior to approving any preferences in the use of TBRA funds, the Department will determine whether an unmet need exists for which the preference is necessary to narrow the gap in benefits and services received by such persons. Any TBRA preferences must be established under the jurisdiction’s HOME TBRA guidelines, and these guidelines must be approved by the Department. Before using HOME TBRA funds, the applicable TBRA requirements at 24 CFR Part 58 must also be met.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria.**

Below is a summary of the HOME rating criteria. For additional information, see section 8212 of the State HOME Regulations at [http://www.hcd.ca.gov/grants-funding/active-funding/home.shtml](http://www.hcd.ca.gov/grants-funding/active-funding/home.shtml). (Note: in a federal, State, or Locally-Declared Emergency, the State may utilize an alternate method of distribution to enable funds to be allocated quickly to impacted areas.)

1. **Housing Element Compliance (50 points)** - Provides points to cities or counties with an adopted housing element that has been approved by the Department. Projects developed on Indian Reservations or Native American lands, as defined by section 8201(y)(1), receive full points for this rating factor. CHDOs and newly formed cities receive full points in this rating category.
2. **Direct Home Allocation Declined (50 points)** - HOME entitlement jurisdictions that have given up their HOME formula allocation to compete in the State HOME Program receive additional points.
3. **Rural Points (50 points)** - Activities proposed in rural Census tracts receive additional points.
4. **State Objectives (up to 200 points)** - For FY 2017 HOME funds, the Department may award State Objective points to one or more of the following: (a) applications that provide deeper affordability; (b) activities that can be set up and funded quickly; (c) applications that demonstrate expeditious or efficient use of HOME funds; (d) applications that can be funded in a manner which promotes capacity building and continuity of housing activities; (e) applications that target special needs populations, as permitted under federal and State antidiscrimination and fair housing laws and HOME requirements; (f) applications that serve victims of local, State, or federally declared disasters, (g) applications that promote community revitalization of mobile home parks; (h) applications that promote geographic diversity, (i) applications that address fair housing impediments; (j) activities that complement other State or federal programs or policy objectives. The Department will also be providing State Objective points for two of its three housing and community development priorities: 1) Homelessness and 2) Access to Opportunity. Further information and guidance on these additional State Objective factors will be provided in the NOFA.
Additional Rating Factors for Program Activity Applications: (1) Applicant Capability: (250 points) - Examines past performance on HOME contracts, as well as experience with other activities. Performance points may be deducted for failure to submit required reports in a timely manner and failure to cooperate with monitoring or contractual requirements identified by the Department in the last five years. (2) Community Need: (250 points) - Examines census data, such as poverty rates, age of housing stock, housing overcrowding, and home sales prices compared to median incomes in the locality. (3) Program Feasibility: (100 points) – For FTHB programs, this factor examines the financial feasibility of the activity at proposed sales prices, income targets, and assistance levels; for OOR programs, this factor examines feasibility as reflected through need by census data, such as overcrowding and age of housing stock. For TBRA programs this factor examines feasibility as reflected through need by census data, such as renter overpayment for housing.

Additional Rating Factors for Project Applications: (1) Applicant Capability: (450 points) - Examines past performance on HOME contracts, as well as experience with other activities. Points may be deducted for any of the following: missing HOME performance deadlines in the last five years; failure to submit required reports in a timely manner; material misrepresentations of fact which jeopardize the HOME investment or put the Department at risk of a serious monitoring finding, and failure to cooperate with monitoring requirements identified by the Department in the last five years. (2) Community Need: (250 points) - Examines census data, such as poverty rates, vacancy rates, age of housing stock, housing overcrowding, and home sales prices compared to median incomes in the locality. (3) Project Feasibility: (200 points). - Both rental and FTHB projects earn points based on the percentage of HOME-assisted units. Rental projects must demonstrate compliance with the Department’s Uniform Multifamily Regulations (UMRs) and HOME requirements. FTHB projects must demonstrate the ability of the proposed project to meet HOME requirements, including demonstrating the adequacy of the proposed development budget, the market for the project, and the affordability of the project. (4) Readiness: (300 points) - Examines the project development plan, as well as the status of local government approvals, design progress, and financing commitments.

**Describe how resources will be allocated among funding categories**

Pursuant to State HOME Regulations, a minimum of 40 percent will be allocated to program-activity applications, (FTHB, OOR, and/or TBRA activities), and 5 percent will be allocated to FTHB projects. Fifty-five percent of funds are typically available for rental project new construction or rehabilitation projects, based upon applicant demand in a given NOFA cycle.

**Describe threshold factors and grant size limits**
Grant size limits are in the applicable NOFA and may change as the size of the HOME allocation changes. HOME threshold factors are discussed below. For more information, see sections 8211 and 8212 of the State HOME Regulations, and the current HOME NOFA at [http://www.hcd.ca.gov/grants-funding/active-funding/home/docs/final-home-nofa-december-2016.pdf](http://www.hcd.ca.gov/grants-funding/active-funding/home/docs/final-home-nofa-december-2016.pdf)

To be eligible for funding, an application must be submitted by an eligible applicant by the deadline stated in the applicable NOFA. The total amount requested in an application cannot exceed the amounts specified in the NOFA for the particular eligible activity(ies). Applicants may be held out from competition due to performance problems with current HOME contracts, such as failure to submit required OMB A-133 audit documentation to the State Controller’s Office or unresolved audit findings.

Applicants for program activity funds with one or more active State HOME contracts must have expended at least 50 percent of the aggregate total of program funds originally awarded under these contracts to be eligible to apply for additional program activity funds. Applicants for projects that miss three project deadlines are currently ineligible to apply under the next project NOFA. However, the Department may waive this holdout penalty if the missed project deadline was clearly outside the control of all of the following parties: the applicant, developer, owner, and managing general partner.

Project applications must show adequate evidence of site control and demonstrate financial feasibility. HOME requires certain documents to evaluate feasibility, including but not limited to a market study (or other market information for FTHB development activities), appraisal, and Phase I/Phase II Environmental Site Assessments (ESA) for new construction projects or lead, asbestos, and mold assessments for rehabilitation projects. Project applications must also certify there are no pending lawsuits preventing implementation of the project as proposed. FTHB projects and all program activities must also submit guidelines governing the allocation of mortgage assistance funds to individual homebuyers. Rental projects must demonstrate compliance with Article XXXIV of the California Constitution and CHDO applicants must also demonstrate effective project control pursuant to federal and State HOME requirements.

All proposed HOME activities must be evaluated according to underwriting standards addressing federal HOME requirements at 92.250 and 92.254, as applicable. For more information see sections 8211 and 8212 of State HOME Regulations.

**What are the outcome measures expected as a result of the method of distribution?**

Based on trends in prior year completion data and additional demand for TBRA, in the upcoming fiscal year HOME estimates completing construction on 147 rental units, (includes RNC and Rental Rehab) and 35 homebuyer units (FTHB NC); rehabilitating 62 OOR units, assisting 76 FTHB program activity households, and providing TBRA to 77 households.
e. **HOPWA**

**Describe the State Program addressed by the Method of Distribution.**

State HOPWA serves counties (including cities within those counties) that do not receive a HOPWA allocation directly from HUD.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria.**

**Program Description Supportive Service Plan/Client Accessibility to Supportive Services**

- Ability to assess organizational performance and client outcomes 5 points
- Ability to report in the AIDS Regional Information and Evaluation System or the local HMIS 5 Points

**Program Staffing**

- Appropriate staff qualifications for HOPWA services to be performed:
  - Fiscal (3 points)
  - Administrative (3 points)
  - Information Management (3 points)
  - Client Services (e.g. case management) (3 points) 12 points
- Logical and achievable program implementation and timeline 12 points

**Agency Capacity and Experience:**

- Experience with and focus on serving clients with HIV/AIDS 12 points
- Success in managing similar program(s) 12 points
- Organization’s cultural competency to work with target population(s) 5 points
Experience managing inter-disciplinary programs (e.g. housing/health care or mental health service/substance abuse services) 10 points
Fiscal capacity to provide housing assistance payments 10 points

Budget Detail:

Satisfactory audited financial report 12 points
Evidence of satisfactory accounting system 5 points

For project sponsors applying for a renewal to continue operating existing programs or requesting a contract amendment, the application process includes State HOPWA approval of a detailed budget and program work plan prior to the beginning of FY 2017-18.

Identify the method of selecting project sponsors (including providing full access to grassroots faith-based and other community based organizations). (HOPWA)

CDPH/OA has renewed contracts with 21 existing project sponsors through June 30, 2017 to provide housing assistance and supportive service programs to PLWH throughout 40-non-EMSAs counties. Every project sponsor provides direct client services, and some subcontract with other local agencies to provide housing or supportive services.

In the case of loss of a project sponsor or a change in program delivery for a specific county or counties, CDPH/OA solicits project sponsors through an RFA process that allows equal access to all grassroots, faith-based and community-based organizations, and governmental housing agencies in that jurisdiction. Project sponsors that subcontract with other agencies must also use a selection process that provides full access to all grassroots, faith-based and community-based organizations. The project sponsor selection methodology will be restructured to address the unmet housing need identified in the statewide HIV/AIDS needs assessment in 2017. The restructuring process will include stakeholder and Consumer participation.

Describe how resources will be allocated among funding categories

Project sponsors participate in local HIV/AIDS needs and service planning efforts and prioritize the HOPWA allocation to fill local HIV/AIDS housing and supportive service gaps. To address the most urgent needs of PLWH, and to assist in meeting the goal of
Under the National HIV/AIDS Strategy to reduce the percentage of person in HIV medical care who are homeless to no more than five percent by 2020, project sponsors may select from the following eligible HOPWA activities:

1. Tenant-based rental assistance
2. Short term rent, mortgage and utility assistance
3. Facility-based housing operations of existing permanent or transitional HIV/AIDS housing programs
4. Facility-based housing – hotel/motel voucher assistance
5. Housing Placement Assistance
6. Housing Information Services
7. Supportive Services

Project sponsors may also use funds for eligible resource identification activities (if justified in the program work plan), and no more than seven percent of the allocation for grant administration.

State HOPWA established the following caps to ensure prioritization of funds for direct client housing assistance:

1. Twenty percent of a project sponsor’s allocation may be used for supportive service activities.
2. Fifteen percent of a project sponsor’s budget for housing assistance activities may be used for activity delivery costs.
3. Five percent of supportive service and housing information service budgets may be used for activity delivery costs.

State HOPWA may wave the twenty percent cap on supportive services if the proposed supportive services assist clients in overcoming barriers to housing stability (e.g., intense case management services, mental health or alcohol and substance abuse treatment, consumer credit counseling, employment services and education, etc.).

Pursuant to HOPWA regulation, grantees must identify how the rent standard will be set for a tenant-based rental assistance program within a jurisdiction. In most instances, State HOPWA adopts the published Fair Market Rent as the rent standard for the grant area.

**Describe threshold factors and grant size limits**

For FY 2017-18, the HOPWA allocation will be distributed through a formula process based on the reported HIV and AIDS case data.
Effective FY 2011-12, CDPH/OA eliminated prisons numbers from the reported HIV and AIDS case data that resulted in the implementation of a funding stabilization method for counties with prisons. For FY 2017-18, State HOPWA will continue to include a funding stability method using prior year funds to hold those counties harmless at a percentage of their prior year allocation.

f. NHTF:

Describe the state program addressed by the Method of Distribution.

The National Housing Trust Fund (NNHTF) was established by the Housing and Economic Recovery Act of 2008 (HERA) and is administered by HUD. NHTF is funded with a set-aside from new mortgage purchases from Government Sponsored Enterprises. Per 24 CFR §93.250, 100 percent of funds must benefit Extremely Low Income (ELI) households or households with incomes at or below the poverty line (whichever is greater) when the total amount of NNHTF funds is less than $1 Billion. On April 4th, 2016, HUD announced that nearly $174 million will be made available for NHTF recipients. Of this amount, the current FY 2016 NHTF allocation to California is ($23,288,115).

Describe all of the criteria that will be used to select applications and the relative importance of these criteria.

The Department will adhere to the following federal NHTF requirements when selecting applications, and rating and ranking submittals:

- Geographic priorities for the distribution of funds;
- Applicant’s ability to obligate NHTF funds;
- Applicant’s ability to complete the proposed project in a timely manner;
- The availability of federal, State or local project-based rental assistance;
- How well the application meets the State’s priority housing needs; and
- Use of non-federal funding sources as leverage.

In addition, the Department will utilize the specific State rating factors consistent with the HOME program:

- Project feasibility;
o Site control;
o Compliance with Housing Element;
o Prior applicant experience and performance factors;
o Prior development team experience; and
o Community Need

The Department will require all applicants to adhere to 93.302(d) to comply with the federal affordability period of 30 years. In addition, funded projects must comply with the State Affordability period.

Finally, NHTF will be providing State Objective points in two of three of its housing and community development priorities: 1) Homelessness; and 2) Access to Opportunity. The NOFA will provide more information regarding these priorities in the NHTF NOFA. Additional rating and ranking criteria can be found in the NHTF Allocation Plan attachment in the Grantee Unique Appendices.

Describe how resources will be allocated among funding categories.

More information can be found in the NNHTF Allocation Plan attachment in the Grantee Unique Appendices

Describe threshold factors and grant size limits.

The threshold factors and per-unit subsidy limit information can be found in the NHTF Allocation Plan attachment in the Grantee Unique Appendices. The grant size limits will be specified in the NHTF NOFA.

What are the outcome measures expected as a result of the method of distribution?

This information can be found in AP-55.

g. LHCP

Describe the State Program addressed by the Method of Distribution

LHCP is designed to work collaboratively with CSD’s network of CBOs in the delivery of lead hazard control services to low-income households. Funds are provided to CBOs that statistically have a high number of children with elevated blood/lead levels in their county, as well as the capacity to successfully carry out the program by meeting and exceeding LHCP benchmark goals.
The program’s primary objectives in FY 2017-18 are to:

1. provide lead hazard control services to at least 70 pre-1978 housing units occupied by low-income households, targeting households containing lead based paint hazards and other related homes hazards, occupied with children with elevated blood lead levels, children under the age of six, or a child that spends significant time in the home, or a pregnant woman;
2. provide lead hazard awareness education;
3. maximize resources by strengthening collaboration with local housing and health departments to increase lead-safe rental opportunities for low-income households, and
4. expand the lead-safe certified workforce in the local communities and develop lasting lead-safe training resources.

After 10 percent for State Administration and 65 percent of direct hazard control costs and program set-aside funding are accounted for, the remaining funds are allocated to LHCP CBOs based on the number of units estimated to be served in each CBO’s service area in relation to the total number of units estimated to be served statewide. Any allocations that fall below the minimum funding amount of $200,000 are raised to the minimum funding amount. Agencies above the minimum funding amount are then proportionately adjusted to account for the additional funds provided to minimum funded agencies.

**Describe all of the criteria that will be used to select applications and the relative importance of these criteria.**

An internal evaluation for selection of LHCP contractors is conducted using the following factors: (1) statistics on the number of children with elevated blood/lead levels in each county; (2) past and current LHCP contractor performance under the 2012 and 2014 funding rounds; (3) past and current contractor performance for Low-Income Home Energy Assistance Program (LIHEAP) and Department of Energy (DOE) programs; and (4) contractor community networking and outreach efforts, and leveraging abilities.

CSD contracts with the following CBOs under the new grant to provide LHCP services in a total of seven targeted counties:

1. Community Resource Project (CRP) in the counties of Sacramento, Sutter, and Yuba
2. Community Services and Employment Training, Inc. (CSET) in Tulare County
3. Fresno County Economic Opportunities Commission, (FCEOC) in Fresno County
4. Maravilla Foundation (Maravilla) in Los Angeles County
5. Redwood Community Action Agency (RCAA) in Humboldt County

For more information see: [www.csd.ca.gov](http://www.csd.ca.gov)

**Describe how resources will be allocated among funding categories based on prior funding rounds:**
It is anticipated that at least 70 percent of LHCP funds will go to renter households and 30 percent will go to homeowner households.

**Describe threshold factors and grant size limits:**

An internal evaluation for selection of its LHCP contractors is conducted using the following factors:

1. Statistics on the number of children with elevated blood/lead levels in each county;
2. Past and current LHCP contractor performance under the 2012 and 2014 funding rounds;
3. Past and current contractor performance for LIHEAP and DOE programs; and
4. Contractor community networking and outreach efforts, and leveraging abilities.

For more information, see [www.csd.ca.gov](http://www.csd.ca.gov)

**What are the outcome measures expected as a result of the method of distribution?**

For FY 2017-18 it is anticipated that LHCP will serve 70 households, of which 49 will be renter households and 21 homeowners.

**Describe threshold factors and grant size limits.**

LHCP An internal evaluation for selection of its LHCP contractors is conducted using the following factors: (1) statistics on the number of children with elevated blood/lead levels in each county; (2) past and current LHCP contractor performance under the 2009 and 2012 funding rounds; (3) past and current contractor performance for LIHEAP and DOE programs; and (4) contractor community networking and outreach efforts, and leveraging abilities.

**What are the outcome measures expected as a result of the method of distribution?**

For FY 2017-18 it is anticipated that LHCP will serve 70 households, of which 49 will be renter households and 21 homeowners.
**AP-35 Projects**

*AP-35 Projects (Optional)*

1. **Introduction**

At this time, the State does not know which projects it will fund in the upcoming fiscal year. Local applicants must first apply for and secure the available funds.

<table>
<thead>
<tr>
<th>#</th>
<th>Project Name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 6 - Project Information

2. **Describe the reasons for allocation priorities and any obstacles to addressing underserved needs**

The State has no project-specific allocation priorities. For a discussion of the Department’s general allocation priorities, see AP 25 and AP 30.
**AP-38 Project Summary**

**AP-38 Project Summary**

1. **Project Summary Information**
   
   Not Applicable

2. **Table 7 – Project Summary**
   
   Not Applicable
AP-40 Loan Guarantee

AP-40 Section 108 Loan Guarantee – 91.320(k)(1)(ii)

1. Will the state help non-entitlement units of general local government to apply for Section 108 loan funds?

California Code of Regulations (CFR), section 7062.3 authorizes the State to participate in the federal Section 108 loan guarantee program. The Department has considered this participation but has not found large scale projects that would support this funding. Specifically, economic development projects were being considered for this type of funding. For more information about economic development project qualifications, interested parties should contact the NOFA/Operations Over-The-Counter economic development staff by phone at (916) 263-7400.

2. Available Grant Amounts

There are none at this time. The Department has not issued any Section 108 loan guarantees and has no immediate plans to do so.

3. Acceptance process of applications

There are none at this time.
AP-45 Community Revitalization Strategies

AP-45 Community Revitalization Strategies – 91.320(k)(1)(ii)

1. Will the state allow units of general local government to carry out community revitalization strategies?

The State CDBG Program does not currently have a Community Revitalization Strategies program. CDBG Program participants and stakeholders prefer individual activities in specific areas of greatest need.

2. State's Process and Criteria for approving local government revitalization strategies

Not applicable.
AP-48 Method of Distribution for Colonias Set-aside

AP-48 Method of Distribution for Colonias Set-aside – 91.320(d)&(k)

1. Introduction

Describe the state program addressed by the Method of Distribution

Pursuant to federal law, up to 10 percent of the total amount of CDBG funds shall be made available for Colonia activities. The State has determined that 5 percent of available funds for FY 2017 will be available to benefit Colonia eligible communities. Colonia eligible communities for State CDBG funds are located in the unincorporated area of Imperial County, and in the cities of Brawley, Calexico, Imperial, and El Centro. There are currently 15 Colonia designated communities.

Describe all of the criteria that will be used to select applications and the relative importance of these criteria

Criteria for all CDBG activities, including Colonia and Native American, but excluding the Economic Development Over-the-Counter (ED – OTC) Program, are based upon the following categories:

Need and Benefit – up to 400 points - The Department will assign points based on the seriousness of the locality’s community development needs and the benefit the program will have on those needs.

Readiness – up to 300 points - Readiness of the proposed activity is measured by an activity implementation plan, local government approvals, site control, design progress, and sufficient funding to complete the project as applicable.

Jurisdictional Capacity and Past Performance – up to 200 points - This category is identical for all activities applied for. Capacity to implement the proposed activity, as demonstrated by performance, including timeliness of clearance of General and Special Conditions, reporting and cooperation in clearing audit and monitoring findings.

State Objectives – up to 100 points - The Department may award application points for addressing one or more State objectives as identified in the annual CDBG NOFA. The Department will also be providing State Objective points for two of its three housing and community development priorities: 1) Homelessness and 2) Access to Opportunity. Further information and guidance on these additional State Objective factors will be provided in the NOFA.

If only summary criteria were described, how can potential applicants access application manuals or other state publications describing the application criteria? (CDBG only)

See CDBG Method of Distribution in Section AP 30 above.
Describe how resources will be allocated among funding categories

1. Introduction

Describe the state program addressed by the Method of Distribution

Pursuant to federal law, up to 10 percent of the total amount of CDBG funds shall be made available for Colonia activities. The State has determined that 5 percent of available funds for FY 2017 will be available to benefit Colonia eligible communities. Colonia eligible communities for State CDBG funds are located in the unincorporated area of Imperial County, and in the cities of Brawley, Calexico, Imperial, and El Centro. There are currently 15 Colonia designated communities.

Describe how resources will be allocated among funding categories

CDBG – The same process for awarding funds applies to activities within Colonias as is done for activities outside of Colonias. Allocations for various activities are done on a demand basis, after administration costs are removed and mandatory federal/State set-asides and expenditure caps are applicable. The program allows for up to 20 percent of the annual allocation be used for general administration costs, with includes planning grant activities and grantee contract administration. Of the activity funds remaining, federal requirements have a set-aside of 5 percent for Colonias. State statute requires 30 percent of annual funding be set aside for economic development activities, and 1.25 percent be set aside for non-federally recognized Native American communities. These set asides are specified in the NOFA. If there is not sufficient demand for activities under the set asides, then the balance of funds will be made available to community development activities. Since applicants may apply for any CDBG eligible activities in the NOFA, distribution of funds is based on a demand in accordance with State and federal regulations.

As part of the award process, Department staff verifies that funding levels for the different activities comply with state and federal regulations. State CDBG Statute requires that at least 51 percent of awarded funds be in support of housing and housing related activities which includes housing related public improvement projects. Federal criteria require a cap of not more than 15 percent for public service activities. Once these criteria have been met, the final awards of the remaining funds will be granted. In addition to the set asides and funding level criteria described above, the Department will monitor general administration expenditures to ensure compliance within the 20 percent federal expenditure cap rate, and ensure a minimum expenditure rate on activities meeting the national objective of benefitting at least 70 percent of low / moderate income persons. The scoring of activities contains a State Objective Point System which is used by the State to help allocate resources to geographic locations where there is a higher need, e.g. to help mitigate disasters.

Describe threshold factors and grant size limits.

Applications must meet the State and federal CDBG Regulation threshold requirements at time of submittal. Jurisdictions must be in compliance with submission requirements for their Housing Element, Office of Management and Budget (OMB) - A-133 Single Audit, and cannot be listed on the federal debarred contractor’s list. Although, State monitoring and audit findings no longer make a jurisdiction ineligible, they will be considered as part of the jurisdiction’s Capacity/Past Performance score. Furthermore, State CDBG Regulations states that an application shall be considered ineligible for CDBG funds if the applicant has not expended at least 50 percent of the aggregate sum of standard agreements executed for NOFAs released in 2012 or after. This rule, commonly known as the 50 Percent Expenditure Rule, applies to standard agreements for Community Development (CD) and Economic Development (ED) Enterprise Fund (EF) activities; but, excludes ED OTC, and NOFAs for

The California Department of Housing and Community Development DRAFT FY 2017-18 Annual Action Plan
Disaster Recovery Initiative fund. The fifty percent rule can be granted a waiver in accordance with Assembly Bill (AB) 723, or Chapter 552 of 2016 by submitting a request to the Department’s director for which the director has the authority to approve or reject.

The State will require all applicants to adhere to 93.302(d) to comply with the federal affordability period of 30 years. In addition, funded projects must comply with the State Affordability period.

Information on the State Affordability period, as well as more specific rating and ranking criteria can be found in the NHTF Allocation Plan attachment in the Grantee Unique Appendices.

What are the outcome measures expected as a result of the method of distribution?

Expected outcomes for FY 2017-18 funding are unknown since it is uncertain whether any Colonias funding will be requested in the coming year.

Identify the method of selecting project sponsor (including providing full access to grassroots faith-based and other community-based organizations). (HOPWA only).

HOPWA does not operate in Colonias.

Describe the State program addressed by Method of Distribution

The National Housing Trust Fund (NHTF) was established by the Housing and Economic Recovery Act of 2008 (HERA) and is administered by HUD. NHTF is funded with a set-aside from new mortgage purchases from Government Sponsored Enterprises. Per 24 CFR §93.250, 100 percent of funds must benefit Extremely Low Income (ELI) households or households with incomes at or below the poverty line (whichever is greater) when the total amount of NHTF funds is less than $1 Billion. On April 4th, 2016, HUD announced that nearly $174 million will be made available for NHTF recipients. Of this amount, the current NHTF allocation to California is ($10,128,143).

Describe the criteria that will be used to select and the relative importance of these criteria

The Department will adhere to the following federal NHTF requirements when selecting applications, and rating and ranking submittals:

- Geographic priorities for the distribution of funds;
- Applicant’s ability to obligate NHTF funds;
- Applicant’s ability to complete the proposed project in a timely manner;
- The availability of Federal, State or Local project-based rental assistance;
- How well the application meets the State’s priority housing needs; and
Use of non-federal funding sources as leverage.

In addition, the State will utilize the specific State rating factors consistent with the HOME program:

- Project feasibility;
- Site control;
- Compliance with Housing Element;
- Prior applicant experience and performance factors;
- Prior development team experience; and
- Community Need

The State will require all applicants to adhere to 93.302(d) to comply with the federal affordability period of 30 years. In addition, funded projects must comply with the State Affordability period.

Information on the State Affordability period, as well as more specific rating and ranking criteria can be found in the NHTF Allocation Plan attachment in the Grantee Unique Appendices.

Describe how resources will be allocated among funding categories.

All NHTF funds will be used for Rental Housing New Construction. More information can be found in the AP in the Grantee Unique Appendices.

Describe threshold factors and grant size limits.

The threshold factors and per-unit subsidy limit information can be found in the NHTF Allocation Plan attachment in the Grantee Unique appendices. The grant size limits will be specified in the NHTF NOFA.

What are the outcome measures expected as the result of the method of distribution.

Expected outcomes for FY 17 funding are unknown since it is uncertain whether any Colonias funding will be requested in the coming year. This information can also be found in AP 55.
AP-50 Geographic Distribution

AP-50 Geographic Distribution – 91.320(f)

1. Introduction

Description of the geographic areas of the state (including areas of low-income and minority concentration) where assistance will be directed

For most programs, assistance is made available to all areas of the State. Lists of eligible jurisdictions for CDBG, HOME, ESG, and HOPWA are provided in Appendix A. Eligible jurisdictions for LHCP are listed in Section AP-30, along with their Method of Distribution. Changes in CDBG and HOME eligible jurisdictions may occur annually if jurisdictions join or withdraw from a CDBG Urban County Agreement and for HOME only, a HOME Consortium.

HOPWA: Pursuant to new eligibility requirements for HOPWA formula awards, changes in eligible jurisdictions for HOPWA may occur if a metropolitan service area (MSA) reaches more than 500,000 in population, and has more than 2,000 persons living with HIV or AIDS annually. EMSAs annually receive approximately $35 million in HOPWA funds directly from HUD. State HOPWA currently funds non-EMSAs only, unless there is a compelling reason to assume oversight of a particular EMSA's funding for a limited time period.

NHTF - This will be the first year the Department administers the NHTF Program. Pursuant to §91.320(k)(5), the program considers geographic distribution. See the NHTF AP attachment in the Grantee Unique Appendices for more information.

Eligible applicants from the jurisdictions listed in Appendix A may apply for and be awarded program funding. See AP 30 for each program's individual Method of Distribution which sets forth allocation methods or applicant rating criteria which may directly or indirectly impact the geographic distribution of program funds. Since the State does not know at this time which projects it will award FY 2017 funds, the extent to which these projects will be in areas of low-income and minority concentration is unknown at this time.

2. Geographic Distribution

<table>
<thead>
<tr>
<th>Target Area</th>
<th>Percentage of Funds</th>
</tr>
</thead>
</table>

Table 8 - Geographic Distribution

3. Rationale for the priorities for allocating investments geographically

The State has no geographic target areas for allocation. See above discussion.
Affordable Housing

AP-55 Affordable Housing – 24 CFR 91.320(g)

1. Introduction

- Table 9 below reflects one year goals for Affordable Housing by support requirement.

<table>
<thead>
<tr>
<th>One Year Goals for the Number of Households to be Supported</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeless</td>
<td>1812</td>
</tr>
<tr>
<td>Non-Homeless</td>
<td>1378</td>
</tr>
<tr>
<td>Special-Needs</td>
<td>1165</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,832</td>
</tr>
</tbody>
</table>

*Table 9 - One Year Goals for Affordable Housing by Support Type*

- Table 10 below reflects one year goals for affordable housing by supportive type.

<table>
<thead>
<tr>
<th>One Year Goals for the Number of Households Supported Through</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Assistance</td>
<td>2532</td>
</tr>
<tr>
<td>Production of New Units</td>
<td>764</td>
</tr>
<tr>
<td>Rehab of Existing Units</td>
<td>314</td>
</tr>
<tr>
<td>Acquisition of Existing Units</td>
<td>157</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3707</td>
</tr>
</tbody>
</table>

*Table 10 - One Year Goals for Affordable Housing by Support Type*

Discussion

In FY 2017, the State CDBG, HOME, ESG, HOPWA and LHCP programs will assist estimates 4,832 households to access or maintain permanent housing, including an estimated 3,707 households who will receive short-term rent and/or utility assistance. The estimated 1165 Special Needs households will be assisted through HOPWA and NHTF. See AP 70 below for a breakdown of this number by type of HOPWA assistance projected. Other Special Needs households are anticipated to be served through the other ConPlan programs. These are not separately estimated, but are within the Homeless and Non-Homeless categories shown above. See AP 30 for a further discussion on NHTF and the populations it will serve.
AP-60 Public Housing

AP-60 Public Housing - 24 CFR 91.320(j)

1. Introduction

The Department does not own or operate public housing. In the State of California, public housing is administered directly through local Public Housing Authorities (PHAs). Pursuant to HUD requirements, PHAs are also not eligible to apply for CDBG, HOME, ESG, HOPWA, or LHCP funds directly. However, PHAs in eligible jurisdictions can work with eligible applicants to plan for the use of program funds to assist low-income tenants in their communities.

Actions planned during the next year to address the needs to public housing

PHAs in jurisdictions eligible to apply for federally-funded State programs may seek funds for eligible activities through their city or county application development process. For a list of California PHAs, see: http://www.hud.gov/offices/pih/pha/contacts/states/ca.cfm.

Actions to encourage public housing residents to become more involved in management and participate in homeownership

Since the State does not administer PHA funds, or have any oversight over PHA tenants, it has no actions directed specifically to public housing residents.

If the PHA is designated as troubled, describe the manner in which financial assistance will be provided or other assistance

There are currently no PHAs designated as “troubled” in the State’s CDBG non-entitlement areas.

Discussion

See above.
AP- 65 Homeless and Other Special Needs Activities

AP-65 Homeless and Other Special Needs Activities – 91.320(h)

1. Introduction

The State engages in a variety of activities to address homelessness. In addition to the information provided in earlier sections of the AP for ESG and HOPWA, further efforts are discussed below, and in AP 85.

a. ESG

Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including:

Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs

For FY 2017 ESG funds allow for Street Outreach (SO) as a stand-alone project or as an add-on with Emergency Shelter (ES) or Rapid Rehousing (RR). These services are intended to reach unsheltered homeless individuals and engage them in eligible activities including case management, emergency health and mental health services, transportation, and services for special populations as defined in the federal regulations.

Addressing the Emergency Shelter and transitional housing needs of homeless persons

ESG funds may be used for the costs of providing ES as defined by federal regulations 24 CFR 576.102. Pursuant to federal regulations, ESG funds cannot be used for transitional housing. In addition to providing temporary shelter, many programs provide a range of essential services necessary to assist people to access and retain permanent housing. Essential services include but are not limited to case management, education, job training, child care, mental health and medical health services. Shelter operations costs include maintenance, rent, security, equipment, utilities, and food. The Department estimates 8000 persons will receive emergency ES utilizing FY 2017 federal and CA ESG funds.

Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again
The ESG Program funds RR programs which provide short and medium-term rental assistance and supportive services to homeless individuals and families and those at risk of homelessness so that they can access and maintain affordable, suitable permanent housing. In the coming year, ESG anticipates that a minimum of 40 percent of its awards will go toward RR activities.

Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs.

In administering all of its housing programs, the Department continues to assist persons who are being discharged from publicly funded institutions and systems of care or are receiving assistance from other public or private agencies. Particular focus on assisting persons exiting institutional care is made through the Section 811 Project Rental Assistance (PRA) Program. This program provides rental assistance for non-elderly disabled individuals who are exiting long-term care facilities as well as developmentally disabled persons and others at-risk of institutionalization due to housing instability or homelessness.

In addition, the Department is currently designing the No Place Like Home (NPLH) program that will provide development financing, including capitalized operating subsidy reserves, for rental housing serving Extremely Low Income (ELI) persons, including children and youth, with a serious mental illness who are Chronically Homeless, Homeless, or At-risk of Chronic Homelessness. In particular, persons At-Risk of Chronic Homelessness will include persons discharged from various institutional settings. Under the proposed program, counties are required to provide mental health services and to coordinate the provision or referral to other services that NPLH tenants may need, including but not limited to, health, social services, employment, and education.

b. HOPWA:

Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including

Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs.

In addition to the above activities, HOPWA provides TBRA, Short Term Rent, Mortgage and Utility (STRMU), housing placement assistance, and supportive services to PLWH who are homeless or at risk of homelessness. In addition to homelessness prevention, HOPWA funds may be used to provide temporary shelter (emergency shelter or hotel/motel vouchers) to homeless PLWH while assisting them to locate stable housing.
Housing assistance and supportive services allow residents to achieve or maintain housing stability. The prevention of homelessness is an essential component of State HOPWA, as housing is increasingly identified as a strategic point of intervention to address HIV/AIDS and overlapping vulnerabilities (such as age, race, mental illness, drug use, or chronic homelessness). The National AIDS Housing Coalition reports that housing assistance has been shown to decrease health disparities while reducing overall public expense and/or making better use of limited public resources.

c. NHTF and HOME Paring

NHTF and HOME will be paired in the same NOFA with a goal of targeting ELI households and homeless. See the AP 30 Methods of Distribution for more background.

Discussion

See above.
## AP-70 HOPWA Goals

### AP-70 HOPWA Goals – 91.320(k)(4)

<table>
<thead>
<tr>
<th>Description</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term rent, mortgage, and utility assistance to prevent homelessness</td>
<td>960</td>
</tr>
<tr>
<td>of the individual or family</td>
<td></td>
</tr>
<tr>
<td>Tenant-based rental assistance</td>
<td>120</td>
</tr>
<tr>
<td>Units provided in housing facilities (transitional or permanent) that are</td>
<td>0</td>
</tr>
<tr>
<td>being developed, leased, or operated</td>
<td></td>
</tr>
<tr>
<td>Units provided in transitional short-term housing facilities developed,</td>
<td>85</td>
</tr>
<tr>
<td>leased, or operated with HOPWA funds</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1165</td>
</tr>
</tbody>
</table>

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The California Department of Housing and Community Development DRAFT FY 2017-18 Annual Action Plan
AP-75 Barriers to Affordable Housing

AP-75 Barriers to affordable housing – 91.320(i)

1. Introduction

Actions it planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment

Barriers or restrictions affecting affordable housing development in California communities include, but are not limited to, land-use controls, fees and exactions; processing and permit procedures; and restrictive on/off-site improvement standards. The cumulative impact of these public policies negatively affects affordable housing and residential investment by limiting the supply and affordability of housing. The Department will continue to pursue a variety of steps to address barriers to affordable housing, including:

Housing Element Reviews: The Department will continue to conduct reviews of the Housing Element of local general plans. State law requires each city and county to adopt a general plan containing at least seven mandatory elements including housing. Unlike the other general plan elements, the Housing Element must be updated every four, five, or eight years, and is subject to detailed statutory requirements and mandatory review by the Department. The Housing Element has many similar requirements to the federally-mandated ConPlan. The Housing Element requires a thorough assessment of housing needs and the adoption of a comprehensive implementation action plan to address those needs.

Among many other things, including programs to promote fair housing opportunities, the Housing Element requires an analysis of governmental constraints to the production and preservation of housing. This includes the negative effects of public policies on affordable housing and residential investment as the Housing Element must identify and analyze potential and actual governmental constraints to the maintenance, improvement, or development of housing for all income levels, including housing for persons with disabilities. The analysis identifies the specific standards and processes and evaluates their cumulative impact on the cost, supply, approval certainty, and housing affordability. The analysis also determines whether local regulatory standards (zoning, land use, permit processes, codes, fees, etc.) pose an actual constraint and triggers the necessary commitments to address and remove regulatory barriers. The analysis must additionally demonstrate local efforts to remove constraints that hinder a jurisdiction from meeting its housing needs. Cities and counties are required by Housing Element law to have land-use plans and regulatory policies which facilitate the development of a range of housing types to meet the needs of all income groups. The housing element which must be developed with public input and participation, serves as the basis for land-use and assistance programs to address local, regional and State housing needs.
As of December 28, 2016, 455 of the State's 538 jurisdictions, 85 percent were found to comply with housing element law. Since 2013, 509 jurisdictions (95 percent) have submitted their housing elements for the 5th cycle planning period. Compliance status of individual jurisdictions is available on the Department’s website [http://www.hcd.ca.gov/housing-policy-development/housing-resource-center/plan/he/status.pdf](http://www.hcd.ca.gov/housing-policy-development/housing-resource-center/plan/he/status.pdf)

**Housing Element Streamlined Review** – The Department will continue to conduct streamlined review of the housing elements. In the 5th cycle of the housing element, the Department allowed streamlined reviews for local governments that complied with housing element law in the prior planning period and completed key programs related to zoning and capacity for housing for lower income households, zoning for ES and transitional and supportive housing, procedures to provide reasonable accommodation in zoning and land use and incentives and concessions through State Density Bonus Law (Government Code Section 65915). To date, just less than half of California’s local governments utilized this process, ensuring critical zoning and procedures available to address barriers to affordable housing.

**Housing Element Implementation (Sustainable Housing Outcomes Program):** The Department will be making a concerted effort to engage in carrying out the important policies and programs in the Housing Element. Initial stages will be focused on following through with commitments and requirements to rezone capacity for housing for lower income households, to report on performance toward projected housing needs, to further evaluate barriers to housing and shelters for special needs populations and enhancing technical assistance with local governments.

**Technical Assistance and Model Ordinances:** Recent legislation improved State law related to accessory dwelling units (ADUs) and density bonuses and concessions and incentives for affordable housing (State Density Bonus Law). The Department will be providing guidance to local government to successfully implement these new laws, including model ordinances, clearinghouses to ongoing technical assistance with developers and planners.

**Regulatory Survey:** The Department is working with the Terner Center of UC Berkeley to conduct a survey of local regulations and their impact on housing. The data, analysis and findings will be used to assist with additional research and inform the Department’s SHOP, future Housing Element review and other policies and programs.

**HCD 2017 Priority Areas:** The Department has identified priority policy areas: climate change, homelessness and special needs, economy and access to opportunity and will carry out various projects related to these areas throughout the year.

**Analysis of Impediments and Affirmatively Furthering Fair Housing:**

The Department continues to take actions to overcome impediments to fair housing in pursuant to the goals set in the 2012 Analysis of Impediments to Fair Housing (AI). In 2016 – 2017, the Department focused on the training and educational objectives set in the AI. From February of 2016 through January of 2017, 15 Departmental staff members took part in the Governmental Alliance on Race and Equity (GARE)
cohort with multiple other California State Departments, cities and counties throughout Northern California. Cohort members spent a year learning about the history of racial disparities, segregation and lack of access to opportunity for minority groups. GARE cohort members developed community action plans to address disparities both within their governmental workplaces as well as the community’s their government agencies serves.

In addition to focusing on the goals set in the AI, the Department has been concentrating many of its community and development priorities around the specific goals and criteria set in the Affirmatively Furthering Fair Housing (AFFH) final rule and the Assessment of Fair Housing (AFH) State and Insular Areas Tool. Twenty Department staff members took part in a six month training with the University of California at Davis (UCD) and the Center for Regional Change (CRC) on fair housing. Participants studied the history of fair housing both nationally and within the State of California. Participants were provided an academic overview of the AFFH final rule and correlating data tools. By the end of the training participants had researched and developed specific project proposals for addressing barriers to fair housing throughout state and in the programs the Department administers. Finally, the Department has been working with the California Tax Credit Allocation Committee (TCAC) and the California Housing Finance Agency (CalHFA), multiple academic institutions and fair housing advocates, on developing methodology and tool for evaluating Access to Opportunity locations with a mapping tool. The objective is to support housing policies, program guidelines and regulations among all three State housing agencies that promote availability of affordable family housing with improved access to opportunity locations.

Discussion
See above.
AP-80 Colonias Actions

AP-80 Colonias Actions – 91.320(j)

1. Introduction

Actions planned to address obstacles to meeting underserved needs

To improve on the slow demand for housing rehabilitation loans, The Department has encouraged Imperial County other cities in Imperial County with Colonias to serve Colonias in its new housing rehabilitation grant program. The Department hopes to coordinate CDBG project funding efforts more closely with USDA Colonia funding to address the lack of resource obstacles faced by Colonias. Technical assistance from HUD may be requested by the Department to identify tools for addressing needs of Colonia communities in the State.

Actions the state plans to take to reduce the number of poverty-level families

HUD CPD Notice 2012-008 “strongly encourages” States to use Colonias funding only to address the lack of potable drinking water, adequate sewage systems, and decent, safe and sanitary housing. States should only fund other activities if they are undertaken in conjunction with funding of basic infrastructure or housing activities. In light of this guidance, the State has encouraged Imperial County to address anti-poverty activities in its Colonias and other incorporated areas of the County.

Actions the state plans to take to develop the institutional structure

All of State CDBG-eligible Colonias have good working relationships with Colonia leaders and residents. The State CDBG Program holds Colonia-specific roundtable discussions with Colonia leaders and County administrators to foster an open and ongoing dialogue. The Department supports the idea of a new Needs Assessment for Colonias to better direct the set-asides in an era of reduced demand for basic water, sewer and housing activities. The State CDBG Program intends to continue conducting roundtable meetings to develop various ideas and best practices in developing the institutional structure necessary for its success.

Specific actions the state plans to take to enhance coordination between public and private house and social service agencies

All State CDBG-eligible jurisdictions must follow CDBG citizen participation requirements, including outreach to housing and social service agencies serving the affected jurisdiction. Imperial County and other jurisdictions with Colonias are responsible for ensuring that housing and social service agencies are aware of available State funds to serve Colonias and can assist agencies in working together to better serve Colonias communities.
AP-85 Other Actions

AP-85 Other Actions – 91.320(j)

1. Introduction

**Actions planned to address obstacles to meeting underserved needs**

In addition to implementation of eligible activities under the CDBG, HOME, HOPWA, ESG, and LHCP programs discussed throughout this AP, the Department’s current Analysis of Impediments to Fair Housing (AI) identifies several actions to address obstacles related to meeting underserved needs. Planned actions under the AI for FY 2017 include, but are not limited to, the following: (1) Continue tracking the minority concentration of HOME projects and make this data available with Annual CAPERs as required by HUD; (2) Continue offering HOME application rating points to projects located outside of areas of minority concentration; (3) Continue implementation of Housing Element Reform efforts; (4) Continue implementation of several new programs designed to expand access to affordable housing for very low and extremely low-income households, including the Section 811 PRA program, VHHP, and the NHTF Program. (NHTF funds expected in the fall of 2017); (5) Continue training efforts related to fair housing and housing element compliance; and (6) Begin discussions around use of the new AFFH tool and Access to Opportunity Areas. Progress on implementation of recommended actions in the AI will be provided annually in the CAPER.

**NHTF** - The Department will dedicate all funds to new construction of affordable housing for units restricted to ELI populations or persons under the poverty level, whichever is greater. In its first year, NHTF funds are projected to provide 160 ELI units. All units will be restricted to ELI renters and additional application rating points will be provided to projects that can provide rental assistance for these units, ensuring affordability of these units to households with little or no income and the homeless.

**Actions planned to foster and maintain affordable housing**

In addition to implementation of housing assistance activities under the federal CDBG, HOME, HOPWA, ESG, and LHCP programs, the Department has a number of State-funded housing programs in place to foster and maintain affordable housing. For a listing of current NOFAs, see [http://www.hcd.ca.gov/grants-funding/active-funding/index.shtml](http://www.hcd.ca.gov/grants-funding/active-funding/index.shtml). Three new initiatives are described below.

In October 2017, the Department will issue a NOFA under the Affordable Housing and Sustainable Communities (AHSC) Program. Administered by California’s Strategic Growth Council and implemented by the Department, the AHSC Program funds land-use, housing, transportation, and land preservation projects to support infill and compact affordable housing development that reduce greenhouse gas
The California Department of Housing and Community Development

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("GHG") emissions. Funding for the AHSC Program is provided from the Greenhouse Gas Reduction Fund (GGRF), an account established to receive Cap-and-Trade auction proceeds. See http://www.hcd.ca.gov/fa.ahsc/index.html for more information.

In June 2014, voters approved bonds for the Veteran’s Housing and Homelessness Prevention Program (VHHP) that provides $600 million for veterans housing. At least 50 percent of capital development funding must be used for housing for extremely low income, and at least 60 percent of the units assisted must be permanent supportive housing. The third VHHP NOFA for $75 million was issued in December 2016. See http://www.hcd.ca.gov/grants-funding/active-funding/vhhp.shtml for more information.

The State was also awarded nearly $24 million in HUD five-year renewable project-based Section 8 funds. Round One funding which was made available to the State in June 2014 provides five-year renewable rental assistance to affordable housing projects serving Medicaid beneficiaries with disabilities ages 18-61 who have resided in a long-term health care facility for at least 90 days and desire to return to community living, or are at risk of placement in an inpatient facility because of loss of housing. The Round One NOFA was issued in August 2014 and applications are currently being accepted on an over-the-counter basis for these funds.

Round Two funds awarded in March 2015 expand this assistance to include homeless persons in Los Angeles County who are exiting institutions and other homeless in Los Angeles County who are high users of emergency medical services for whom permanent supportive housing can help reduce the need for these more costly medical interventions. Acceptance of applications for Round Two began in March 2016 on an over-the-counter basis.

State Agency partners include the California Housing Finance Agency (CalHFA), the California Department of Health Care Services (DHCS), HCD, and TCAC. Local partners for Round Two funds include the Los Angeles County CoC, Los Angeles City and County Housing Authorities, Los Angeles County Department of Public Health, and Los Angeles County Department of Mental Health. For more information, see http://www.csd.ca.gov.

**Actions planned to reduce lead-based paint hazards**

The LHCP Program is the primary source of funds targeted to lead-hazard reduction in California. The program's primary objectives are to:

- Provide lead hazard control services in FY 2017-18 to at least 70 pre-1978 housing units occupied by low-income households, targeting households containing lead based paint hazards and other related home hazards occupied with children with elevated blood lead levels, children under the age of six, a child that spends significant time in the home, or a pregnant woman;
- Provide lead hazard awareness education; Maximize resources by strengthening collaboration with local housing and health departments to increase lead-safe rental opportunities for low-income households, and expand the lead-safe certified workforce in the local communities and develop lasting lead-safe training resources.
LHCP is designed to work in conjunction with the federally-funded Low-Income Home Energy Assistance Program (LIHEAP) weatherization component, Department of Energy Weatherization Assistance Program (DOE WAP), local health agencies, and CDBG. When applicable, the CBOs will integrate LIHEAP and DOE-WAP weatherization funding as a leverage resource to offset LHCP allowable direct lead hazard program costs. For more information, see www.csd.ca.gov.

**Actions planned to reduce the number of poverty-level families**

In addition to CDBG’s economic development activities (discussed in CDBG’s Method of Distribution in Section AP 30), the ESG and HOPWA programs’ funded case management services may help poverty-level households link to mainstream education and employment opportunities to assist them in increasing their income.

Other State housing programs seek to reduce the housing cost burden on families who are considered extremely low income, many of whom have incomes at or below the poverty level, by developing housing units at 30 percent AMI or below, and/or by providing rent or operating subsidies that will assist families at this income level to afford housing. The Multifamily Housing Program (MHP) Supportive Housing Program, VHHP, NPLH (currently under development), CalWORKs Housing Support Program, NHTF, and the Section 811 PRA program specifically target households at 30 percent AMI or below. Other State programs such as HOME, AHSC, and 9 percent and 4 percent Tax Credit programs provide application rating points and/or additional dollars for providing rents at 30 percent AMI or below.

**Actions planned to develop institutional structure**

Through the VHHP, Section 811 PRA, and NPLH, the Department continues to work with other State departments to assist housing providers serving homeless and other low-income households to supportive services offered or funded through partner agencies for these programs. See http://www.hcd.ca.gov/grants-funding/active-funding/vhhp.shtml for more information on VHHP, http://www.hcd.ca.gov/grants-funding/active-funding/section-811.shtml for more information on Section 811 PRA, and http://www.hcd.ca.gov/grants-funding/active-funding/nplh.shtml for more information on NPLH.

**Actions planned to enhance coordination between public and private housing and social service agencies**

In addition to the programs discussed above, CDPH/OA is the State agency that administers statewide programs and activities that pertain to HIV/AIDS and is statutorily responsible for coordinating all State programs, services, and activities relating to HIV/AIDS. State HOPWA is situated in CDPH/OA to ensure that all HIV/AIDS service programs, including housing assistance, are coordinated at state and local levels.

CDPH/OA emphasizes inclusion of representatives of various HIV/AIDS service agencies, other California state departments (such as Corrections and Rehabilitation, Housing and Community Development, Rehabilitation, Health Care Services, and Developmental Services), local health departments, and others, in information gathering, research, and decision-making processes.
CDPH/OA convenes the CPG to assist in the development, implementation, and revision of the Plan. The Plan responds to the National HIV/AIDS Strategy that includes housing goals and objectives related to prevention efforts and improved access to HIV/AIDS care and treatment. CPG also informs CDPH/OA about local trends or newly-emerging populations in the epidemic, and successes and challenges in accessing HIV care and prevention services in the community. The CPG includes representatives from local HIV/AIDS planning groups as well as consumers, local health departments, and other statewide experts in the field.

Activities from the Plan to identify unstably housed persons include developing a system for routinely screening AIDS Drug Assistance Program (ADAP) clients for [unstable housing situations] homelessness during the annual ADAP re-enrollment, encouraging housing evaluation as a routine part of medical assessment, and establishing a CPG subcommittee to address housing services.

Project sponsors are required to the extent possible, to participate in local HIV/AIDS planning groups and the HIV/AIDS service delivery and needs assessment processes within their community. Local participation assists project sponsors in linking clients to necessary services and establishing collaborative relationships with other local government and private service agencies.

Discussion

See above.
AP-90 Program Specific Requirements

AP-90 Program Specific Requirements – 91.320(k) (1,2,3)

1. Introduction

Projects planned with all CDBG funds expected to be available during the year are identified in the Projects Table on page 14. The following identifies program income that is available for use that is included in projects to be carried out.
Community Development Block Grant Program (CDBG)  
Reference 24 CFR 91.320(k)(1)

The total amount of program income that will have been received before the start of the next program year and that has not yet been reprogrammed 0

The amount of proceeds from section 108 loan guarantees that will be used during the year to address the priority needs and specific objectives identified in the grantee’s strategic plan 0

The amount of surplus funds from urban renewal settlements 0

The amount of any grant funds returned to the line of credit for which the planned use has not been included in a prior statement or plan. 0

The amount of income from float-funded activities 0

Total Program Income 0

Other CDBG Requirements

The amount of urgent need activities 0

The estimated percentage of CDBG funds that will be used for activities that benefit persons of low and moderate income. Overall Benefit - A consecutive period of one, two, or three years may be used to determine that a minimum overall benefit of 70 percent of CDBG funds is used to benefit persons of low and moderate income. Specify the years covered that include this Annual Action Plan. (2017, 2018, and 2019). 70.00%
HOME Investment Partnership Program (HOME)
Reference 24 CFR 91.320(k)(2)

A description of other forms of investment being used beyond those identified in Section 92.205 is as follows:

None. HOME funds are allocated in the form of grants and deferred payment loans.

A description of the guidelines that will be used for resale or recapture of HOME funds when used for homebuyer activities as required in 92.254, is as follows:

Pursuant to 24 CFR 92.254(a)(5) and State HOME Regulations section 8206.1, the State HOME Program will utilize the recapture option in its homeownership programs and projects, but may utilize the resale option for limited equity forms of ownership, such as cooperatives and community land trusts. Due to reductions in HOME funding and staffing levels, HOME will be unable to administer FTHB activities proposing use of resale controls; therefore, no activities proposing use of resale controls will be approved in the coming fiscal year.

Recapture Loans: Where the local jurisdiction or the CHDO is not imposing its own resale controls, the recapture method used is to recapture the entire amount of the loan to the homebuyer. The assistance provided to the homebuyer may include down-payment assistance, closing costs, and/or the difference between the appraised home sales price and the amount of the first mortgage for which the low-income homebuyer can qualify, plus closing costs. The home sales price cannot exceed the appraised value of the home. If the Department provides funds for homeowner new construction or rehabilitation, and total project costs exceed appraised value, the development subsidy is not subject to recapture.

Pursuant to 24 CFR 92.254, when recapture is triggered by a sale (voluntary or involuntary) of the housing unit and there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, only the net proceeds can be recaptured, if any. Net proceeds are the sales price minus superior loan repayments (other than HOME funds) and any closing costs. HOME loans made under the recapture option may be assumed by subsequent HOME-eligible purchasers.

For loans held by State Recipients, the local jurisdiction may impose equity sharing provisions on the appreciation in home value proportionate to the share of the HOME assistance provided, less the homeowner investment in the property. Equity sharing would only apply if the sales price is sufficient to repay the HOME loan and the loan is not assumed by another HOME-eligible purchaser. The captured appreciation may also be reduced proportionate to the number of years during which the homebuyer has owned the home. The captured appreciation may also be subject to restrictions by other public lenders such as USDA or CalHFA.

Typically, the appreciation is calculated as follows:
Gross appreciation is calculated by subtracting the original sales price from the current sales price or the current appraised value if the loan accelerating event is other than sale of the property.

Net appreciation is calculated by subtracting the seller’s applicable closing costs, seller’s cash contribution in the original purchase transaction, value of seller’s sweat equity, if applicable, and documented value of capital improvements from the gross appreciation amount.

The State Recipient only claims repayment of the HOME principal and a portion of the net appreciation. That maximum portion of the net appreciation that is claimed by the State Recipient is equal to the percentage of the value of the home financed by the HOME loan. That is, if the loan equals 20 percent of the initial value of the home, a maximum of 20 percent of the net appreciation is claimed by the State Recipient.

Resale Loans: Pursuant to State HOME Regulations section 8206.1, HOME loans may be made in the form of resale loans on projects involving limited equity forms of ownership. In other situations, although the HOME loan remains a recapture loan, a State Recipient or CHDO may impose its own resale controls when there is a subsidy other than State HOME funds. The subsidy need not be an actual loan; it may be in the form of an inclusionary ordinance that requires homes to sell below fair market value.

Due to reductions in HOME funding and staffing levels, HOME will be unable to administer FTHB activities proposing use of resale controls; therefore, no activities proposing use of resale controls will be approved in the coming year.

A description of the guidelines for resale or recapture that ensures the affordability of units acquired with HOME funds? See 24 CFR 92.254(a)(4) are as follows:

See Above.

Plans for using HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds along with a description of the refinancing guidelines required that will be used under 24 CFR 92.206(b), are as follows:

None. The State HOME Program does not use its funds for refinancing of existing HOME debt.
Emergency Solutions Grant (ESG)
Reference 24 CFR 91.320(k)(3)

Include written standards for providing ESG assistance (may include as attachment)

The Department requires applicants to submit Written Standards for each funded activity. All Written Standards must comply with Appendix C.

If the Continuum of Care has established centralized or coordinated assessment system that meets HUD requirements, describe that centralized or coordinated assessment system.

The State has approximately 40 CoCs potentially eligible to access federal ESG funds and approximately 43 CoCs eligible for CA ESG funds. Individual CoC Coordinated Assessment descriptions are not available; however, all Coordinated Assessment systems of Service Areas funded by ESG in a given year must meet the requirements of section 8409(a) of the ESG State Regulations as well as HUD requirements.

Identify the process for making sub-awards and describe how the ESG allocation available to private nonprofit organizations (including community and faith-based organizations).

See ESG's Method of Distribution in AP 30.

If the jurisdiction is unable to meet the homeless participation requirement in 24 CFR 576.405(a), the jurisdiction must specify its plan for reaching out to and consulting with homeless or formerly homeless individuals in considering policies and funding decisions regarding facilities and services funded under ESG.

This requirement does not apply to states.

Describe performance standards for evaluating ESG.

See ESG's Method of Distribution in AP 30.

Discussion: See above.
**Appendix A**

**Eligible Jurisdictions for CDBG, HOME, ESG, HOPWA**

This table is subject to change.  
(Any changes will be reflected in program NOFAs and updated in the next AP)

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<th>HOPWA</th>
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*For ESG, CoCs with an asterisk are within the Balance of State Allocation. Homeless service providers within these CoC Service Areas are eligible to apply under the 2017 ESG NOFA for the Balance of State Allocation. Homeless Service providers within other CoC service Areas, including San Francisco, Glendale, Long Beach, and Pasadena for CA ESG funds only, may access these funds by applying directly to an ESG Administrative Entity (AE). A list of approved AEs is available on the Department’s ESG website at: [http://www.hcd.ca.gov/grants-funding/active-funding/esg.shtml](http://www.hcd.ca.gov/grants-funding/active-funding/esg.shtml).

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### Table

- **County:**
  - CoCs with an asterisk are within the Balance of State Allocation.
  - Homeless service providers within these CoC Service Areas are eligible to apply under the 2017 ESG NOFA for the Balance of State Allocation.
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Appendix B
Interested Parties Contact List
Reference: 2017-18 Annual Action Plan

Note: This link and the information contained in it are subject to change following our thirty-day comment period.

This Appendix is maintained as a separate document. It is posted alongside the FY 2017-18 AP at: http://www.hcd.ca.gov/policy-research/plans-reports/index.shtml
Appendix C
Reference: 2017-18 Annual Action Plan
ESG Written Standards Checklist

All CoCs participating in both the CoC Allocation and BoS Allocation must establish ESG Written Standards as set forth in the ESG Federal Regulations, section 576.400. In addition CoC Written Standards for ESG-funded activities must incorporate the requirements of ESG State Regulations section 8409.

If the CoC Written Standards do not include policies for: (1) Termination and the Appeal Process; (2) Reasonable Accommodation and Disability-Related Grievance Procedures; and (3) Location where Written Standard(s) Program Participant Rules are posted; and/or When Written Standards/Program Participant Rules are posted; and/or When Written Standards/Program Participation Rules are given to Program Participants, the ESG Applicant may need to provide a copy of those policies.

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<td>I.</td>
<td>Standard policies and procedures for evaluating individuals’ and families’ eligibility for assistance under Emergency Solutions Grant (ESG). The policies and procedures must be consistent with the recordkeeping requirements and definitions of &quot;homeless&quot; and &quot;at-risk of homelessness&quot; in the federal ESG regulations at: 24 CFR 576.2 and 24 CFR 576.500 (b-e).</td>
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<td>II.</td>
<td>Standards for targeting and providing essential services related to street outreach.</td>
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<td>III.</td>
<td>Policies and procedures for admission, diversion, referral, and discharge by emergency shelters assisted under ESG, including standards regarding length of stay, if any, and safeguards to meet the safety and shelter needs of special populations, (e.g., victims of domestic violence, dating violence, sexual assault, and stalking; and individuals and families who have the highest barriers to housing and are likely to be homeless the longest).</td>
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<td>IV.</td>
<td>Policies and procedures for assessing, prioritizing, and reassessing individuals' and families' needs for essential services related to emergency shelter.</td>
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<td>V.</td>
<td>Policies and procedures for coordination among emergency shelter providers, essential services providers, homelessness prevention, and rapid re-housing assistance providers; other homeless assistance providers; and mainstream service and housing providers. The required coordination may be done over an area covered by the Continuum of Care or a larger area.</td>
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Appendix D
Proposed National Housing Trust Fund Allocation Plan and Substantial Amendment

Housing Trust Fund Allocation Plan and Substantial Amendment to the AP and Consolidated Plan

National Housing Trust Fund Background

NHTF was established by the Housing and Economic Recovery Act of 2008 (HERA) and is administered by HUD. NHTF is funded with a set-aside from new mortgage purchases. Per 24 CFR Section 93.250, 100 percent of funds must benefit ELI households or households with incomes at or below the poverty line (whichever is greater) when the total amount of NHTF funds is less than $1 billion. On April 4, 2016, HUD announced that nearly $174 million will be made available for HTF recipients. Of this amount, the allocation to California is $23,228,115.

HTF Distribution Method and Recipient Requirements

The Department will distribute NHTF funds by pairing it with the State HOME Investment Partnership (HOME) program with an emphasis on homelessness. The Department will release at least one annual NOFA to distribute HTF and HOME funds to eligible recipients. The State will distribute funds by selecting applications submitted by eligible recipients, as required by 24 CFR Section 91.320(k)(5)(ii) and require a certification by each eligible recipient that housing units assisted with the NHTF will comply with NHTF federal regulations for development of multifamily rental housing.

NHTF eligible recipients are entitlement jurisdictions, non-entitlement jurisdictions, Developers, and nonprofit corporations that have been certified as a Community Housing Development Organization (CHDO) by the Department pursuant to HOME State Regulations section 8204.1. Native American Entities may apply as Developers. Entitlement jurisdictions receive funds directly from HUD. Non-entitlement jurisdictions are those that are eligible for the State HOME Program administered through HCD.

All recipients and related parties to recipients must adhere to nondiscrimination and affirmative marketing requirements of the HHTF Program including but not limited to nondiscrimination requirements, as stated within 24 CFR Section 93.303, and Section 93.350. Additionally, recipients and related parties shall comply with the following federal and State requirements:

1. demonstrate ability and financial capacity to complete the activities;
2. make acceptable assurances they will comply with all NHTF requirements during the entire affordability period;
3. demonstrate familiarity and experience with requirements of federal, State, and any other housing programs used in conjunction with NHTF funds; and
4. demonstrate experience and capacity to conduct the eligible NHTF activity in question as evidenced by relevant history.

Pursuant to CFR 24 Section 93.302(d), the federal affordability period is 30 years commencing upon project completion; however, State regulations impose a State affordability period. In order for projects to be eligible for funding, recipients shall comply with State length of affordability periods of 55 years for cities, counties, developers, and CHDOs; and 50 years for projects located on Native American Lands. These affordability periods are required and do not result in any additional points for eligible applications.

**Eligibility Requirements**

Entitlement Area (EA) jurisdictions, Non-EA jurisdictions, developers and CHDOs are eligible to apply for NHTF Program funding for new multi-family construction projects. To be considered, all interested applicants must complete and submit the State HOME Program application for multi-family new construction and the NHTF application for multi-family new construction as specified in the NOFA. Applications for projects located in EA jurisdictions will be rated and ranked competitively with Non-EA applicants based on the application and selection criteria.

Non-entitlement jurisdictions can only apply for NHTF funding for multi-family new construction by also applying for State HOME funds for multi-family new construction. In the event that NHTF must be released in a stand-alone NOFA, without State HOME Funds, non-entitlement jurisdictions will be able to apply for stand-alone NHTF funds.

**Cities and counties applying shall comply with the following:**

1. a city may only apply for funding for activities within its incorporated boundaries;
2. a county may only apply for funding for activities within its unincorporated areas;
3. a city or county applicant must demonstrate to the Department's satisfaction that it has:
   a. staff available or has committed to hiring staff able to operate a local HOME program and oversee the work of an administrative subcontractor, if any;
   b. resolved any audit finding(s), for prior Department, or federally funded housing or community development projects or programs to the satisfaction of the Department or federal agency by which the finding was made;
   c. provided a self-certification that it is not debarred or suspended from participation in federal or state housing or community development projects or programs; and
   d. provided documentation satisfactory to the Department that it is in compliance with the submittal requirements of OMB A-133, Single Audit Report.

**CHDO applicants shall comply with the following:**
1. have received the Department's certification to serve the jurisdiction in which the project is located;
2. resolved any audit findings for prior Department or federally funded housing or community development projects or programs to the satisfaction of the Department or federal agency by which the finding was made;
3. provided a self-certification that it is not debarred or suspended from participation in federal or state housing or community development projects or programs;
4. provided documentation satisfactory to the Department that it is in compliance with the submittal requirements of OMB A-133, Single Audit Report; and
5. provided evidence that the CHDO fulfills at least one of the following roles: sole project developer; sole owner; or sole general partner.

Developer applicants that includes Native American Entities shall comply with the following:

1. The Developer is not applying as a CHDO.
2. For housing projects on Native American Lands, a Developer must be a Native American Entity or a co-owner with a Native American Entity.
   a. “Native American Lands”, means real property located within the State of California that meets the following criteria: (1) it 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.
      i. A Native American Entity may apply as a Developer for a project activity within its tribal boundaries or within the boundaries of another Tribe. Project activities may be proposed on tribally owned lands outside the jurisdiction of the Tribe.
      ii. A Developer applicant must demonstrate to the Department's satisfaction that it has:
          1) resolved any audit finding(s), for prior Department, or federally funded housing or community development projects or programs to the satisfaction of the Department or federal agency by which the finding was made; and
          2) provided a self-certification that it is not debarred or suspended from participation in federal or state housing or community development projects or programs.

Application Requirements

The State will require the NOFA and applications to contain a description of the eligible activities to be conducted with NHTF funds as required in CFR 24 Section 93.200 and that each eligible recipient certify that housing assisted with NHTF funds will comply with NHTF requirements.

The NOFA shall specify the maximum amount of project funds available, any prohibitions on uses of funds, availability of administrative funds, general terms and conditions of funding allocations, timeframe for submittal of applications, and application requirements as follows:
1. Application shall be made on a form made available by the Department.

2. An application shall be deemed complete when the Department is able to determine from the information provided whether the application is eligible for rating.

3. All applications shall be required to contain the following:
   a. identification of the applicant;
   b. information on the proposed project;
   c. information adequate to determine whether the applicant is eligible;
   d. information adequate to determine whether the project is eligible;
   e. information indicating whether the applicant or any member of its project team has any unresolved audit findings or has been suspended or debarred from participation in any federal or State housing or community development program;
   f. information on any pending litigation affecting the applicant’s ability to carry out the project;
   g. identification of any administrative subcontractor;
   h. a certification that the applicant will comply with federal and State requirements;
   i. a resolution by the governing board of the applicant authorizing the application and the execution of all required documents;
   j. information adequate to determine the experience of the applicant with other federal, State, or local housing or community development programs; and
   k. identification of all members of the project team.

In addition to the information required by subsection (c), applications shall be required to contain the following:

1. a description of the roles, financial structure and all legal relationships of the applicant, developer, owner(s), managing general partner, administrative subcontractor and all other partners in the construction project;
2. the experience of the applicant, developer, owner, and managing general partner in developing the same type of subsidized project as proposed by the application;
3. the readiness of the project to proceed;
4. documentation demonstrating that the project either complies with or is exempt from Article 34 of the California Constitution.
5. the feasibility of the proposed project which shall include the following:
   a. the financial feasibility of the project and compliance with the Uniform Multifamily Regulations and Federal and State Requirements;
   b. a market study, property appraisal and Phase I/Phase II environmental site assessment.

   I. The market study must demonstrate whether sufficient demand exists in the market area to support the proposed project at the projected rents.
   II. The property appraisal must determine the value of the land upon which the proposed project will be developed. If the land is
leased, the appraisal must include the fair market value of the lease payments.

III. The Phase I/Phase II environmental site assessment must demonstrate whether the property is free from severe adverse environmental conditions.

IV. For projects located on Native American Lands as defined above, appraisals and a Phase I environmental site assessment will be required based on the data available.

6. Any document prepared pursuant to sub sections (ii) above shall be prepared by an individual or firm which:

a. has the appropriate license, when deemed necessary by the Department, and knowledge and experience necessary to competently prepare the document;

b. is aware of, understands, and correctly employs those recognized methods and techniques that are necessary to produce a credible and complete document;

c. 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 the value and condition of the subject property; and is an independent third party having no identity of interest with the applicant, partners of the applicant, intended partners of the applicant, or with the general contractor.

7. If the applicant is a CHDO, the procedures to ensure the CHDO’s effective project control of activities assisted with NHTF funds pursuant to 24 CFR Section 92.300(a)(1).

8. Applications must include a Project Milestone Accomplishment Chart and an Expenditure Schedule that substantiates the project timeline from predevelopment activities to project completion. Additionally, the Expenditure Schedule will demonstrate that grant funds will be expended in compliance with the terms of Standard Agreement. NHTF does not allow for contract extensions.

9. Project Feasibility: – Rental projects must demonstrate compliance with NHTF program requirements and HCD’s Uniform Multifamily Regulations (UMRs), California Code of Regulations; title 25, division 1; chapter 7, subchapter 19; commencing with section 8300. If funds are disencumbered or made available due to an unexecuted standard agreement, the Department may make such funds available (1) to the next highest-ranked unfunded or partially-funded application from the most recent award of funds if the applicant can demonstrate that a proposed project can be successfully implemented and executed or (2) through the next published NOFA.

NHTF Selection Criteria
There is a total of 1550 application points dispersed through the following selection criteria:

Geographic Priorities for the Distribution of Funds (50 Points)

At least 20 percent of NHTF funds awarded will be reserved for applicants qualifying for Rural Points. Projects will be eligible for Rural Points if located in a census tract that is in a “Rural Area”. Rural Area is defined consistent with section 50199.21 of the California Health and Safety Code. The multiple ways to be qualified as a Rural Area are summarized below:
1. The project is located in an area that is eligible for financing under the Section 515 program or successor program of the Rural Development Administration of the United States Department of Agriculture.

2. The project is located in a nonmetropolitan area which are areas automatically considered rural. Under the current definition of “metropolitan statistical area” established by the US Office of Management and Budget, effective in 2010, 21 of California’s 58 counties qualify as nonmetropolitan: Alpine, Amador, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, Sierra, Siskiyou, Tehama, Trinity, and Tuolumne.

3. The project census tract is not designated by the Census Bureau as being in an area that is considered an Urbanized Area. (Any inconsistencies in the above rural area definitions shall be resolved in favor of considering the area a rural area.) However, if there are not sufficient Rural Area applications to meet the 20 percent Rural set-aside requirement, the Department may fund any eligible non-rural applications.

The NHTF funds will be available to all jurisdictions in California, but only projects located in Rural Areas will receive points for the location of their project.

**Applicant’s Ability to Obligate NHTF Funds (450 Points)**

**Applicant Capability:**

There are two components to the Applicant Capability 1) Prior Experience component and 2) Performance Factor component.

Prior Experience points will be awarded for:

1. prior applicant experience in the implementation of federal, State, or local affordable housing or community development projects in the last seven years.

2. prior development team experience in developing the same type of subsidized project as proposed in the application in the last five years.

**Performance Factor**

Applicants will receive Performance Factor points unless they receive Performance Factor point deductions. In no case shall deduction points exceed the maximum Performance Points specified in the NOFA for this category. The deduction of Performance Factor points can be for any combination of the following factors:

1. Factor One: for all missed State HOME Program project deadlines of the applicant, developer, owner, and managing general partner including the deadlines for obtaining all permanent financing, project set-up, construction loan closing, project completion, and expenditure.

2. Factor Two: for late or missing State HOME Program monthly, quarterly program income, annual, or project completion reports. HCD reserves the right to deduct points even if the annual report is submitted on time but prepared inaccurately.

3. Factor Three: if applicants, developers, owners, and managing general partners have in the most recent five-year period made a material misrepresentation of any requirement or fact in an application, project report or other document submitted to the Department including but not limited to that which jeopardizes the Department's investment in a project or places the Department at risk of a monitoring finding. HCD will
notify the relevant parties of the proposed penalty and the notification will allow applicants an opportunity to submit an appeal to the Department.

4. Factor Four: for noncompliance with monitoring requirements identified in the last five years. There are two distinct sub-categories:
   a. First, applicants, owners, and managing general partners who have not complied with monitoring requirements identified by HCD in the last five years will lose up to 100 points. HCD will notify the relevant parties of the proposed penalty and the notification will allow applicants an opportunity to submit an appeal to the Department.
   b. Second, points will be deducted for the following late reports associated with occupied State HOME rental projects (advance notice will not be provided on the status of these reports):
      - Non-entitlement Jurisdictions
        10 points will be deducted for each late Annual Monitoring Report due to HCD in the most recent period
      - CHDOs
        5 points will be deducted for each late Annual Operating Budget and each late Annual Report due to HCD in the most recent period

**Applicant’s Ability to Complete the Proposed Project in a Timely Manner, the extent to which the project has Federal, State or Local Project Based Rental Assistance and use of non-Federal Funding Sources (300 Points)**

**Readiness:** Examines the project development plan, as well as the status of local government approvals, design progress, and financing commitments. Financing commitments that will garner points include:
   1. the leverage of non-federal development funding sources; and
   2. the extent to which the project has federal, State, or local project based rental assistance.

HCD will also examine the following when awarding the readiness points to eligible applicants: market study, appraisal, floodplain analysis, lead-based paint, asbestos and mold reports, preliminary construction cost estimate and scope of work, Physical Needs Assessment, status in obtaining all required local government approvals and design progress.

**How Well the Application Meets the State’s Priority Housing Needs (700 Points)**

Increasing the supply of rental housing for ELI household is a priority housing need. To encourage projects to serve households that are NHTF-eligible (i.e. Extremely Low-Income households), the State will offer State Objective Points for providing deeper affordability and for serving special needs populations, specifically the homeless. See discussion of State Objectives below.

Additional scoring criteria consistent with the State HOME Program are as follows:

1. **Housing Element Compliance** - Provides points to cities or counties with an adopted housing element that has been approved by HCD. Projects developed on Indian Reservations or Native American lands, CHDOs, and newly formed cities will receive full points in this rating category.
2. **Direct HOME Allocation Declined** - HOME entitlement jurisdictions that have given up their HOME formula allocation to compete in the State
HOME Program receive additional points.

3. **Community Need**: Examines census data such as poverty, race, income, vacancy rates, age of housing stock, housing overcrowding, and home sales prices. Community Need will be evaluated in accordance with the Federal Affirmatively Furthering Fair Housing (AFFH) Final Rule and HCD’s Access to Opportunity Initiative(s).

4. **State Objectives**: NHTF shall award State Objective points for applications that target housing for the homeless population. The Department will also be providing State Objective points for two of its three housing and community development priorities: 1) Homelessness and 2) Access to Opportunity. Further information and guidance on these additional State Objective factors will be provided in the NOFA.

**Maximum Per-unit Development Subsidy**

Per HUD’s Housing Trust Fund Allocation Plan Guide, Sections 91.320(k)(5) and 93.300(a), states may adopt limits used in other federal programs such as HOME. HCD will implement the maximum per-unit development subsidy amount as stated in the State HOME Regulations and defined in the federal HOME program regulations.

Pursuant to federal HOME requirements discussed at: Notice-CPD-15-003-Interim-Policy-on- Maximum-Per-Unit-Subsidy-Limits-for-the-Home-Program, the per-unit subsidy limits for most counties will be capped at 240 percent of the current base limit approved by Congress. California’s Home Program Subsidy Limits per unit, effective as of November 18, 2015, are listed in the below table and subject to change pending HUD guidance.

<table>
<thead>
<tr>
<th>County</th>
<th>0-BDR</th>
<th>1-BDR</th>
<th>2-BDR</th>
<th>3-BDR</th>
<th>4-BDR</th>
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<td>All Counties</td>
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<td>$160,615</td>
<td>$195,305</td>
<td>$252,662</td>
<td>$277,344</td>
</tr>
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**Other Program Requirement**

**Accessibility Requirements**

Recipients must agree to meet all applicable requirements, including the mandatory tenant protection provisions found in 12 USC 4568(c)(8)(A) and in Section 93.303 of the NHTF Legislation and Regulations. They must also agree to meet accessibility requirements. These requirements are found in Section 93.301 that includes the requirements of 24 CFR Part 8 and implements Section 504 of the Rehabilitation Act of 1973.

Furthermore, NHTF funded projects are subject to the following provisions in the October 2015 TCAC Regulations, related to accessibility:

1. All NHTF projects will adhere to the California Building Code Chapter 11(B), including provisions about the minimum amount of accessibility units as specified in Section 10325(f)(7)(K) of the October 2015 TCAC Regulations.
2. For senior NHTF projects, all projects over two stories shall have an elevator (Section 10325 (g)(2)(C)). Elevators must meet all applicable California Building Code Chapter 11(B) requirements and one-half of all units on an accessible path shall have mobility accessible as defined by CBC 11(B). For more information, see TCAC Regulations Section 10325 (g)(2)(B).
3. All NHTF projects will make reasonable accommodations for prospective applicants with handicaps, as found in Section 10337(b)(2).
State Limited Beneficiaries of Preferences
The State will limit beneficiaries and/or give preference to segments of the extremely low-income population as identified in the HCD’s Annual plan and selection criteria.

Rehabilitation Standard
The State will not use NHTF funds for rehabilitation of housing, although rehabilitation is allowed by HUD.

Resale and Recapture Provisions
The State will not use NHTF funds to assist first-time homebuyers, although first-time homebuyer assistance is allowed by HUD.

NHTF Affordable Homeownership Limits
The State will not use NHTF funds for homeownership housing, as allowed by HUD.

Refinancing of Existing Debt
The State will not permit NHTF funds to be used to refinance existing long-term debt.

Certification: The State has previously included its certification that includes Housing Trust Fund in the Form 424 and State Certification attachment.
Section 8300. Purpose and Scope
Section 8301. Definitions
Section 8302. Restrictions on Demolition
Section 8303. Site Control Requirements
Section 8304. Unit Standards
Section 8305. Tenant Selection
Section 8306. Tenant Recertification
Section 8307. Rental Agreement and Grievance Procedure
Section 8308. Operating Reserves
Section 8309. Replacement Reserves
Section 8310. Underwriting Standards
Section 8311. Limits on Development Costs
Section 8312. Developer Fee
Section 8313. Reserved
Section 8314. Use of Operating Cash Flow
Section 8315. Subordination Policy
Section 8316. Leasehold Security
Purpose and Scope

These regulations provide uniform standards and program rules for multifamily rental housing developments assisted by the Department of Housing and Community Development. When expressly incorporated by reference, some or all of the provisions of this Chapter shall apply to: The Joe Serna Junior Farmworker Grant (JSJFWHG) Program (Chapter 7, subchapter 3, commencing with Section 7200); the Multifamily Housing Program (MHP) (Chapter 7, subchapter 4, commencing with Section 7300); and the HOME Investment Partnerships (HOME) Program (Chapter 7, subchapter 17, commencing with Section 8200). These regulations interpret and make specific the following Health and Safety Code Division 31, Part 2 statutes applicable to these programs: Chapter 2 (commencing with Section 50517.5); Chapter 16 (commencing with Section 50896), and Chapter 6.7 (commencing with Section 50675).

These regulations establish terms, conditions and procedures for funds awarded after the effective date of these regulations.

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (2); 50675.1(c); 50675.11; 50896.3(b), Health and Safety Code. Reference: 50517.5, 50675, 50896, 50896.1, and 50896.3 Health and Safety Code, and 24 CFR part 92.

Definitions

The following definitions govern this subchapter.
- "Assisted Unit" means a Unit that is subject to the Program’s rent and/or occupancy restrictions as a result of the financial assistance provided by the Program, as specified in the Regulatory Agreement.
- “CalHFA” means the California Housing Finance Agency.
- “Commercial Space” means any nonresidential space located in or on the property of a 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.
- “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.
- “Debt Service Coverage Ratio” means the ratio of (1) Operating Income less the sum of Operating Expenses and required reserves to (2) debt
service payments, excluding voluntary prepayments and non-mandatory debt service. In calculating Debt Service Coverage Ratio, the Department may include all Operating Income, and may exclude Operating Income that cannot be reasonably underwritten by lenders making amortized loans.

- "Department" means the Department of Housing and Community Development.
- "Developer Fee" means the same as the definition of that term in California Code of Regulations, Title 4, Section 10302.
- "Distributions" means the amount of cash or other benefits received from the operation of a Rental Housing Development and available to be distributed pursuant to Section 8314 to the Sponsor or any party having a beneficial interest in the Sponsor or the Project, after payment of all due and outstanding obligations incurred in connection with the Rental Housing Development. Distributions do not include payments for: deferred Developer Fee up to the limit set forth in Sections 8312, approved partnership and asset management fees, mandatory debt service, approved reserve accounts established to prevent tenant displacement resulting from the termination of rent subsidies, operations, maintenance, payments to required reserve accounts, land lease payments to parties that do not have a beneficial interest in the Sponsor entity, or payments for property management or other services as set forth in the Regulatory Agreement for the Rental Housing Development.
- "Eligible Households" for MHP means “eligible household” as defined in Section 7301, for HOME this term means the same as “low income families” as defined in 24 CFR 92.2, and for JSJFWHG this term means the same as “agricultural household” as defined in Section 7202.
- "Operating Expenses" means the amount approved by the Department that is necessary to pay for the recurring expenses of the Project, such as utilities, maintenance, management, taxes, licenses, and the cost of on-site supportive services coordination, but not including debt service, required reserve account deposits, or other supportive services costs.
- "Operating Income" means all income generated in connection with operation of the Rental Housing Development including rental income for Assisted Units and non-Assisted Units, rental income for Commercial Space, laundry and equipment rental fees, rental subsidy payments, and interest on any accounts, other than approved reserve accounts, related to the Rental Housing Development. "Operating Income" does not include security and equipment deposits, payments to the Sponsor for supportive services (except for funds applied towards the cost of on-site supportive service coordination), or tax benefits received by the Sponsor.
- "Program" means the Department funding program or programs providing assistance to the Project.
- "Project" means a 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.
- "Regulatory Agreement" means the written agreement between the Department and the Sponsor that will be recorded as a lien on the Rental
Housing Development to control the use and maintenance of the Project, including restricting the rent and occupancy of the Assisted Units.

- "Rental Housing Development" means a structure or set of structures with common financing, ownership, and management and which collectively contains 5 or more Units (except that HOME projects may contain fewer than 5 Units.). "Rental Housing Development" does not include any "health facility" as defined by Section 1250 of the Health and Safety Code or any "alcoholism or drug abuse recovery or treatment facility" as defined by Section 11834.02 of the Health and Safety Code. Where a Rental Housing Development is located on non-contiguous parcels, all of the parcels shall be governed by similar tenant selection criteria, serve similar tenant populations and have similar rent and income restrictions.

- "Restricted Unit" means any Assisted Unit and any Unit that is subject to Rent and occupancy restrictions that are comparable to those applicable to Assisted Units. Restricted Units include Units subject to a TCAC regulatory agreement, and all Units subject to similar long-term, low-income or occupancy restrictions imposed by other public agencies.

- "Rural Area" means the same as defined in Section 50199.21 of the Health and Safety Code.

- "Sponsor" means the legal entity or combination of legal entities with continuing control of the Rental Housing Development. Where the borrowing entity is or will be organized as a limited partnership, Sponsor includes the general partner or general partners who have effective control over the operation of the partnership, or, if the general partner is controlled by another entity, the controlling entity. Sponsor does not include the seller of the property to be developed as the Project, unless the seller will retain control of the Project for the period of time necessary to ensure Project feasibility as determined by the Department.

- "TCAC" means the California Tax Credit Allocation Committee.

- "Transitional Housing" means a Rental Housing Development operating under programmatic constraints that require the termination of assistance after a specified time or event, in no case less than 6 months after initial occupancy, and the re-renting of the Assisted Unit to another eligible participant.

- "Unit" means a residential Unit that is used as a primary residence by its occupants, including efficiency Units, residential hotel units, and units used as Transitional Housing.

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a), and 50896.3(b), Health and Safety Code. Reference: Sections 50517.5, 50675, 50675.1(c), 50675.2, and 50896.1(a), Health and Safety Code, and 24 CFR part 92.
Restrictions on Demolition

Proposed projects involving new construction and requiring the demolition of existing residential Units are eligible only if the number of bedrooms in the new Project is at least equal to the total number of bedrooms in the demolished structures. The new Units may exist on separate parcels provided all parcels are part of the same Rental Housing Development (with common ownership, financing and management).

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a), and 50896.3(b), Health and Safety Code. Reference: Sections 50517.5(a)(1), (d)(3); 50675.4; 50675.7; and 50896.1(a) Health and Safety Code, and 24 CFR Section 92.353(a).

Site Control Requirements

1. At the time of application, a sponsor must have site control of the of the proposed Project property, in the name of the Sponsor or an entity controlled by the Sponsor, by one of the following means:
   2. fee title;
   3. a leasehold interest on the Project property with provisions that enable the lessee to make improvements on and encumber the property provided that the terms and conditions of any proposed lease shall permit, prior to loan closing, compliance with all Program requirements, including compliance with Section 8316;
   4. an enforceable option to purchase or lease which shall extend through the anticipated date of the Program award as specified in the Notice of Funding Availability;
   5. a disposition and development agreement with a public agency;
   6. an agreement with a public agency that gives the Sponsor exclusive rights to negotiate with that agency for acquisition of the site, provided that the major terms of the acquisition have been agreed to by both parties; or
   7. a land sales contract, or other enforceable agreement for the acquisition of the property.
Unit Standards

1. Restricted Units shall not differ substantially in size or amenity level from non-Restricted Units with the same number of bedrooms, and Units shall not differ in size or amenity level on the basis of income-level restrictions. Restricted Units shall not be segregated from non-Restricted Units, and Units shall not be segregated from each other on the basis of income-level restrictions. Within these limits, Sponsors may change the designation of a particular Unit from Assisted to non-Assisted or from one income-restriction to another over time. For Projects involving rehabilitation or conversion, the Department may permit certain Units to be designated as exclusively market-rate Units where necessary for fiscal integrity and where all other Program requirements are satisfied.

2. For the full loan term, the number, size, type, and amenity level of Assisted Units shall not be fewer than the number nor different from the size, type and amenity level described in the Regulatory Agreement.

3. For projects assisted by MHP, the number of Assisted Units shall equal the number of Restricted Units to the extent allowed by the requirements of Article XXXIV of the California Constitution.

Tenant Selection

1. Sponsors shall select only Eligible Households as tenants of vacant Assisted Units, using procedures approved by the Department that include:
   a. reasonable criteria for selection or rejection of tenant applications which shall not discriminate in violation of any federal, state or local law governing discrimination, or any other arbitrary factor;
b. prohibition of local residency requirements;

c. prohibition of local residency preferences, except where accompanied by an equal preference for employment in the local area and applied to areas not smaller than municipal jurisdictions or recognized communities within unincorporated areas;

d. tenant selection procedures that include the following components, and that are available to prospective tenants upon request:

- e. selection of tenants based on order of application, lottery or other reasonable method approved by the Department;

- f. notification to tenant applicants of eligibility for residency and, based on turnover history for Units in the Rental Housing Development, the approximate date when a Unit may be available;

- g. notification of tenant applicants who are found ineligible to occupy an Assisted Unit of their ineligibility and the reason for the ineligibility, and of their right to appeal this determination;

- h. maintenance of a waiting list of applicant households eligible to occupy Assisted Units and Units designated for various tenant income levels, which shall be made available to prospective tenants upon request;

- i. targeting specific special needs populations in accordance with the Regulatory Agreement and applicable laws; and

- j. affirmative fair housing marketing procedures as specified in the Affirmative Fair Housing Marketing Plan Compliance Regulations of the United States Department of Housing and Urban Development, (24) CFR part 200.620 (a)-(c), or similar affirmative fair marketing housing plan as approved by the Department.

Sponsors shall rent vacant units to households with no less than the number of people specified in the following schedule:

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Minimum Number of Persons in Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRO</td>
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<td>4-BR</td>
<td>6</td>
</tr>
<tr>
<td>5-BR</td>
<td>8</td>
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A Sponsor may assign tenant households to Units of sizes other than those indicated as appropriate in the table above if the Sponsor reasonably determines that special circumstances warrant such an assignment and the reasons are documented in the tenant's file. The Sponsor's determination is subject to approval by the Department. Through the Project's tenant selection or management plan, a sponsor may receive advance Department approval of categorical exceptions to the above schedule.

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a) and 50896.3(b), Health and Safety Code. Reference: Sections 50517.5(a)(1), (d)(3), (d)(5), (e)(2); 50675.1(c); 50675.8(a)(1); 50896.1(a) Health and Safety Code, and 24 CFR Sections 92.303, 92.350 and 92.351.

Tenant Recertification

1. The Sponsor shall annually recertify household size and income for Assisted Units.
2. If at the time of recertification, a tenant's household size has changed and no longer meets the occupancy standards pursuant to the previous section, the Sponsor may require the tenant household to move to the next available appropriately sized Unit.

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a) and 50896.3(b), Health and Safety Code. Reference: Sections 50517.5(a)(1), (d)(3), (d)(5), (e)(2); 50675.1(c); 50675.8(a)(1); 50896.1(a) Health and Safety Code, and 24 CFR Sections 92.303, 92.350 and 92.351.

Rental Agreement and Grievance Procedure

1. All rental or occupancy agreements for Assisted Units are subject to Department approval and shall include:
   a. provisions requiring good cause for termination of tenancy. One or more of the following constitutes "good cause":
      i. failure by the tenant to maintain applicable eligibility requirements under the Program or other eligibility requirements as approved by the Department;
ii. material noncompliance by the tenant with the lease, including one or more substantial violations of the lease or habitual minor violations of the lease which:
   1) adversely affect the health and safety of any person or the right of any tenant to the quiet enjoyment of the leased premises and related Project facilities;
   2) substantially interfere with the management, maintenance, or operation of the Rental Housing Development; or
   3) result from the failure or refusal to pay, in a timely fashion, Rent or other permitted charges when due. Failure or refusal to pay in a timely fashion is a minor violation if payment is made during the 3-day notice period;
iii. material failure by the tenant to carry out obligations under federal, state or local law;
iv. subletting by the tenant of all or any portion of the Assisted Unit;
v. any other action or conduct of the tenant constituting significant problems which can be reasonably resolved only by eviction of the tenant, provided that the Sponsor has previously notified the tenant that the conduct or action in question would be considered cause for eviction. Examples of action or conduct in this category include the refusal of a tenant, after written notice, to accept reasonable rules or any reasonable changes in the lease or the refusal to recertify income or household size; or
vi. for Transitional Housing, the end of the maximum term prescribed for tenant occupancy by the Program operated in a particular Transitional Housing Project.
   b. a provision requiring that the facts constituting the grounds for any eviction be set forth in the notice provided to the tenant pursuant to state law;
   c. notice of grievance procedures for hearing complaints of tenants and appeal of management action; and
   d. a requirement that the tenant annually recertify household income and size.
2. The Sponsor shall adopt an appeal and grievance procedure to resolve grievances filed by tenants and appeals of actions taken by Sponsors with respect to tenants' occupancy in the Rental Housing Development, and prospective tenants' applications for occupancy. The Sponsor's appeal and grievance procedure shall be subject to Department approval and, at a minimum, shall include the following:
   a. a requirement for delivery to each tenant and applicant of a written copy of the appeal and grievance procedure;
   b. procedures for informal dispute resolution;
   c. a right to a hearing before an impartial body, which shall consist of one or more persons with the power to render a final decision on the appeal or grievance; and
d. procedures for the conduct of an appeal or grievance hearing and the appointment of an impartial hearing body.

3. Neither utilization of, nor participation in any of the appeal and grievance procedures shall constitute a waiver of or affect the rights of the tenant, prospective tenant, or Sponsor to a trial de novo or judicial review in any judicial proceeding which may thereafter be brought in the matter.

4. This section shall not be construed to pre-empt or supersede requirements established by local government which further limit good cause for eviction.

5. NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a) and 50896.3(b), Health and Safety Code. Reference: Sections 50517.5(d)(3), (d)(5), (e)(2); 50675.8(a)(1), (a)(2); and 50896.1(a) Health and Safety Code and 24 CFR Section 92.253 and 92.303.

Operating Reserves

1. The Sponsor shall establish an operating reserve for the purpose of defraying potential operating shortfalls arising from unforeseen circumstances, beyond the rent-up period.

2. Withdrawals from the operating reserve shall require prior written approval of the Department. Should the Department fail to take action on a request for an eligible withdrawal from the operating reserve within 30 days from documented receipt of the request, that request shall be deemed approved.

3. The initial deposit to the operating reserve shall be funded from development funding sources in an amount determined by the Department, which shall be not less than the total of the following: 4 months of projected Operating Expenses (excluding the cost of on-site supportive services coordination), 4 months of required replacement reserve deposits, and 4 months of non-contingent debt service. For projects with tax credits, the requirement shall be 3 months of these items. In setting the initial funding requirement, the Department shall consider factors including, but not limited to the projected level of Project cash flow, the adequacy of the operating budget, Project location, local market characteristics, the number of sites, and Project design.

4. Sponsor shall fully replace any withdrawals from the Operating Reserve using available cash flow prior to use of any cash flow to pay deferred Developer Fee, partnership management or similar fees, or Distributions.
5. Upon occurrence of both of the following events, the Department may reduce the required minimum balance: (i) operation at a debt service coverage ratio of 1.15 or greater for 5 years; and (ii) operation at an Operating Expense coverage ratio of 1.08, where Operating Expense ratio is defined to equal effective gross income, less required replacement reserve deposits and non-contingent debt service, divided by total Operating Expenses, not including the approved cost of supportive services coordination.

6. The Department may agree with other financing sources to allocate authority regarding amounts deposited into or withdrawn from the Operating Reserve, where the Department determines that such arrangement would not jeopardize the fiscal integrity of the Project and the minimum reserve requirements would be maintained. For Projects subject to the HUD Section 811 and 202 programs or receiving a permanent loan from CalHFA, the Department may also defer to the operating reserve requirements of these agencies during the time such projects are regulated by HUD or CalHFA, and not require deposits in the amounts specified in subsection (b).

7. Where all Project development funding sources are legally precluded from using their funds to capitalize the operating reserve as required by subsection (b), the Sponsor may fund this account out of Operating Income, provided that cash flow is sufficient to reasonably ensure that the required balance can be accumulated within six years of initial occupancy.

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a) and 50896.3(b), Health and Safety Code. Reference: Sections 50517.5, 50675.5(b)(8), and 50896.1(a) Health and Safety Code.

Replacement Reserves

1. The Sponsor shall establish a replacement reserve for the purpose of defraying the cost of infrequent major repairs and replacement of building components that are too costly to be absorbed by the Project’s annual operating budget.

2. Withdrawals from the replacement reserve shall require prior written approval of the Department. Should the Department fail to take action on a request for an eligible withdrawal from the replacement reserve within 30 days of documented receipt of the request, that request shall be deemed approved.

3. The replacement reserve shall be funded from Operating Income or a combination of Operating Income and development sources
   a. For new construction or conversion Projects, the initial amount of annual deposits to the replacement reserve account shall be equal to at least 0.6 percent of estimated construction costs associated with structures in the Project, excluding construction contingency and general
contractor profit, overhead and general requirements, unless the Department approves a different amount based on the results of a third-party a reserve study or other reliable indicators of the need for replacement reserve funds over the term of the Program loan.

b. For rehabilitation Projects, the initial amount of annual deposits to the replacement reserve account shall be determined by the Department based on the results of a third-party physical needs assessment or other reliable indicators of the need for replacement reserve funds over the term of the Program loan.

c. The Department may periodically adjust the amount of required deposits to the replacement reserve for a particular Project based on the results of reserve studies or other reliable indicators of the need for replacement reserve funds over time.

d. The Department may agree with other financing sources to allocate authority regarding amounts deposited into or withdrawn from the replacement reserve, where the Department determines that such arrangement would not jeopardize the fiscal integrity of the Project and the minimum reserve requirements would be maintained. For Projects subject to the HUD Section 811 and 202 programs or receiving a permanent loan from CalHFA or the Rural Housing Service of the United States Department of Agriculture, the Department may also defer to the replacement reserve requirements of these agencies during the time such projects are regulated by HUD, CalHFA or the Rural Housing Service of the United States Department of Agriculture.

e. NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a) and 50896.3(b), Health and Safety Code. Reference: Sections 50517.5(d)(1), 50675.5(b)(8), and 50896.1(a) Health and Safety Code.

**Underwriting Standards**

1. In analyzing Project feasibility, the Department shall, at a minimum, utilize the following assumptions and criteria:
2. 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.
3. Vacancy rates for Commercial Space shall be assumed to be 50 percent.
4. Total Operating Expenses (not including property taxes or the approved costs of on-site service coordination) shall not be less than those specifically listed in California Code of Regulations, Title 4, Section 10327 as minimum Operating Expenses (without the reduction allowed by those regulations for bond-financed projects). The Department may project higher Operating Expenses where warranted by the experience of comparable properties and particular building characteristics, such as the nature of the tenant population or the level of rehabilitation. Prior to
loan closing, the Department may approve total Operating Expenses that are less than those specified in Section 10327, supra, only if the Project has an extraordinary design feature, such as its own electrical generation system, which results in a quantifiable operating cost savings as documented by a qualified third party.

5. All Operating Expenses, including property management fees, shall be within the normal market range, as periodically determined by the Department in surveys or based on costs observed in its portfolio.

6. The first year Debt Service Coverage Ratio shall not be:
   a. less than 1.10:1 or
   b. greater than 1.20:1, except where projected cash flow after debt service and required reserve deposits is equal to or less than 12 percent of operating expenses, or where a higher first year ratio is necessary to meet either the requirements of subsection (h) or CalHFA’s standard underwriting requirements.

7. In applying the requirements of subsections (e)(1) and (e)(2), the annual MHP Program loan payment of 0.42 percent will be considered debt service. These requirements shall not apply to Projects funded under the HUD Section 811 and 202 programs.

8. Balloon payments are not allowed on senior debt, and are allowed on junior debt during the term of the Program loan only where the Department determines that the balloon payment will not jeopardize project feasibility.

9. Variable interest rate debt shall be underwritten at the ceiling interest rate, unless the Department determines that using a lower interest rate assumption will not jeopardize project feasibility.

10. The Project must demonstrate a positive cash flow for 15 years, using income and expenses increase rate assumptions specified in California Code of Regulations, Title 4, Section 10327. If projected Project income includes rental assistance or operating subsidy payments under a renewable contract, the Department may assume that this contract will be renewed, where the renewal of the rental assistance or operating subsidy is likely.

11. Reserved
   a. Where the Department is providing construction-period financing, the minimum budgeted construction contingency shall be 5 percent of construction costs for new construction projects and 10 percent of construction costs for rehabilitation and conversion projects.
   b.

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a) and 50896.3(b), Health and Safety Code. Reference:
Limits on Development Costs

1. Project development costs must be reasonable compared to development costs for other similar developments of modest design in the general area of the Project.
2. Builder overhead, profit and general requirements shall be limited in accordance with California Code of Regulations, Title 4, Section 10327.
3. Property acquisition prices shall not exceed appraised value, except where the increment above appraised value is fully covered by junior public agency financing that carries no mandatory debt service.
4. Proposed Project sites shall not require site development work that is significantly more costly than that typical for other similar projects in the local market area, unless either:
   a. the proposed site acquisition cost together with the site development costs are less than the cost of a typical site together with typical site development costs in the Project’s market area; or
   b. there are no other sites available in the market area with a lower combined cost.

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a) and 50896.3(b), Health and Safety Code.

Reference: Sections 50517.5(a)(1), (c)(2), (e)(2); 50675(a); 50675.4((b)(2), (c)(1); 50675.5, and 50896. (1)(a), Health and Safety Code

Developer Fee

1. Developer Fee shall not exceed the amount calculated in accordance with subsections (1), (2) or (3) below, with the exception of LIHTC Projects which shall also be subject to subsection (b). The per unit amounts will be adjusted in thousand dollar increments in accordance with changes in the CPI when, following the year 2000, the CPI has indicated the next full thousand-dollar increment has been reached.
   a. For new construction Projects and Projects where the contract for the rehabilitation work equals or exceeds $25,000 per unit:
   b. For the first 30 Units, $20,000 per Unit.
c. For each Unit in excess of 30, $7,500 per Unit.
d. For other Projects involving acquisition and rehabilitation where the contract amount for the rehabilitation work, excluding contractor
profit and overhead, equals or exceeds $7,500 per Unit and is less than $25,000 per unit:
e. For the first 30 Units, $9,000 per Unit.
f. For each Unit in excess of 30, $4,500 per Unit.
g. For all other Projects, $2,000 per Unit.

2. For LIHTC Projects, Developer Fee payments shall not exceed the lesser of $1,200,000 or the maximum amount that may be included in
eligible basis pursuant to California Code of Regulations, Title 4, Section 10327. If the Developer Fee limit established pursuant to this
subsection exceeds that established in subsection (a) above, the difference shall be deferred and payable from operating cash flow pursuant
to Section 8314(a)(1)(A).

3. Deferred Developer Fee is payable out of cash flow pursuant to Section 8314. For LIHTC Projects, the amount of the deferred Developer Fee
is also subject to the limits on

4. deferred developer fee in the TCAC regulations and any applicable federal statutes or regulations.

5. The dollar value of any capital contribution of funds or real property made by the Sponsor or an affiliate, as approved by the Department, for
Project development costs shall increase the Developer Fee limit by the dollar value of the capital contribution.

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a) and 50896.3(b), Health and Safety Code.
Reference: Sections 50517.5(a)(1), (c)(2), (e)(2); 50675.5(b)(5); 50675.8(a)(5); and 50896.1(a), Health and Safety Code.

Reserved

1. Use of Operating Cash Flow
   a. Operating income remaining after payment of approved operating expenses, reserve deposits and mandatory debt service shall be applied
      in the following priority order:
   i. First, towards payment of any:
      1) approved deferred Developer Fee, pursuant to Section 8312; and
      2) asset management, partnership management and similar fees, to the extent such fees are specified under the terms of financing
from a local public entity and reasonable in comparison to fees paid in other similar developments in the Department's portfolio. Where there is no standard specified under local public entity financing, or there is no local public entity financing, the Department shall allow the payment of asset management fees in an amount not to exceed $12,000 per year.

ii. Second, 50 percent to the Sponsor as Distributions and 50 percent to the Department as payments on the Program loan.
   1) If the terms of other public agencies' financing also require payments from remaining cash flow, the Department may agree to share what would otherwise be its 50 percent share of available cash flow with the public agencies in amounts proportional to the agencies’ respective loan amounts.
   2) To be consistent with the terms of other public agency loans, the Department may agree to set the percentage payable to the Sponsor at an amount less than 50 percent.
   3) For projects with income from project-based Section 8 or similar project-based rental assistance that is not underwritten by other Project lenders, the Department may reduce the Sponsor's share to an amount equivalent to the amount they would receive if one of the other lender’s loan amount was based on an income stream that included the income from the rental assistance.

b. A Sponsor may not accumulate Distributions from year to year. A Sponsor may deposit all or a portion of permitted Distributions into a Project account for distribution in subsequent years. These future Distributions shall not reduce the otherwise permitted Distribution in those subsequent years.

c. Payment of Distributions, deferred Developer Fee, asset management fees, partnership management and similar fees shall be permitted only after the Sponsor submits a complete annual report and operating budget, and the Department determines that the report and budget demonstrate compliance with all Program requirements for the applicable year. Circumstances under which no Distributions, deferred Developer Fee, asset management fees or partnership management and similar fees shall be paid include:
   i. when written notice of default has been issued by any entity with an equitable or beneficial interest in the Project;
   ii. when the Department determines that the Sponsor has failed to comply with the Department's written notice of any reasonable requirement for proper maintenance or operation of the Rental Housing Development or use of Project income;
   iii. if all currently required debt service, including mandatory payments on the Program loan, and Operating Expenses have not been paid;
   iv. if the replacement reserve account, operating reserve account, or any other reserve accounts are not fully funded pursuant to Sections 8308 and 8309 and the Regulatory Agreement.
d. Distributions attributed to income from Commercial Space and non-Restricted Units shall not be subject to limits pursuant to this section.

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.1(a) and 50896.3(b), Health and Safety Code. Reference: Sections 50517.5(a)(1), (c)(2), (e)(2); 50675.8(a)(5); 50896.1(a).

Subordination Policy

1. The Department may execute and cause to be recorded a subordination agreement subordinating the Department's lien so long as the subordination does not increase the Department's risk beyond that contemplated in the Program loan or grant commitment, as may be amended from time to time, and so long as the subordination would further the interest of the Program. However, and except for Projects assisted by the U.S. Department of Housing and Urban Development under the Section 811 or Section 202 programs, the Department shall not enter into a subordination agreement or other agreement that contains any of the following:
   a. Any limitation of, or condition on, the Department’s exercise of its remedies including, but not limited to issuing a notice of default based on a breach under the Department’s loan documents, including a default based solely on a breach of the senior lienholder’s documents.
   b. An agreement that the senior lienholder’s acceptance of a deed in lieu of foreclosure would result in the senior lienholder taking title to the Rental Housing Development free and clear of the Department’s lien(s).
   c. An agreement permitting any modification or supplement of the senior lienholder’s lien without the prior written consent of the Department except an agreement that permits a senior lienholder to make advances to: (i) cure a default under a lien with a higher priority than the Department’s lien; (ii) pay delinquent taxes on the security property; (iii) pay delinquent hazard or liability insurance premiums for the security property; or (iv) to protect the health and safety of the tenants.
   d. An agreement that would require the Department to undertake additional obligations to any party.

2. The Department’s lien(s) shall not be subordinated to the liens of a local governmental entity unless the total local governmental assistance to the Project is more than twice the amount of the Department’s total assistance to the Project (including both loans and grants).

3. As used in this section:
   a. “Department’s lien” means a deed of trust, regulatory agreement, or other agreement securing payment or performance under an award.
of Program funds that has been recorded in the office of the recorder of the county in which the Rental Housing Development is located.

b. “Lien of a local government entity” means a recorded deed of trust, regulatory agreement, reversion, or other recorded agreement securing payment or performance, or a covenant running with the land that affects the maintenance, use, operation, or occupancy of the Rental Housing Development. Except that covenants in favor of a community redevelopment agency regarding the use, maintenance, operation, or transferability of a Rental Housing Development including rent limitations or income restrictions on tenants, or prohibiting discrimination, shall not constitute liens subject to the requirements of this section.

c. “Total local government assistance” means the sum of the principal amounts of loans and grants made by the local government entity plus other direct project costs paid for by the local governmental entity and approved by the Department including, but not limited to, costs of site preparation, demolition, environmental remediation, and land acquisition. The value of assistance in the form of land write-downs or donations shall be limited to the cost paid by the public agency to acquire the land, less any sales proceeds paid to the agency; or in the case of a leasehold, the cost paid by the public agency less the present value of projected lease payments.

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.3(b), Health and Safety Code. Reference: 50517.5(d)(4)(D), 50675(e), 50675.1(b), 50675.6(d), 50896, 50896.1, and 50896.3 Health and Safety Code

**Leasehold Security**

1. In any Project where the Sponsor proposes to control the Project land through a long-term ground lease, either:
   a. the Regulatory Agreement and other Program documents shall be recorded against both the Sponsor’s interest in the Project and the fee interest in the land, and the lease shall have a term remaining at the time of recordation at least equal to the term of the Program loan or grant; or
   b. if the Regulatory agreement and other Program documents are not recorded against the Project’s fee interest, the ground lease shall be subject to the Department’s approval, must not be subject to any other mortgages on the fee interest, and shall contain, or be amended to contain, provisions which:
      i. establish a remaining term of at least ninety (90) years from the date the Department documents are recorded, provided that the Department may accept a lesser term, not less than 65 years, when the lessor is a public agency;
ii. ensure the validity of the lien of the Program loan and/or grant documents on the lease;

iii. ensure that the lease permits the Project to satisfy all Program requirements and permit the Department to enforce the provisions of the Program loan and/or grant without restriction;

iv. expressly consent to the lessee’s assignment of the lease to the Department without further consent of the lessor, and permit the Department, after acquisition of the leasehold property, to transfer or assign the lease to a third party without consent of the lessor.

v. provide that the lessor does not have the right to terminate the lease or accelerate the rent upon lessee’s breach without first giving the lessee and the Department reasonable notice and opportunity to cure within a reasonable period;

vi. provide that no termination, modification or amendment to any terms of the lease shall be effective without the written consent of the Department, and any attempt to take such actions would be void without the Department’s consent; require that, in the event of destruction of any improvements on the land, neither the lessor nor the lessee shall terminate the lease if and so long as the lessee or Department pursues reconstruction of the improvements with reasonable diligence;

vii. provide that the Department shall not have any liability for the performance of any of the obligations of lessee under the lease until the Department has acquired the leasehold interest, and then only in accordance with the terms of the lease and only with respect to obligations that accrue during the Department’s ownership of the leasehold interest;

viii. provide that neither the lessor nor the lessee, in the event of bankruptcy by either, will take the benefit of any provisions in the United States Bankruptcy Code that would cause the termination of the lease or otherwise render it unenforceable in accordance with its terms;

ix. provide that the leasehold interest will not merge into the fee in the event that the lessee acquires the reversionary interest in the Project; and

x. provide that acquisition of the leasehold property by the Department will not result in a termination of the leasehold; and upon such event, obligate the lessor to enter into a new lease having a term at least as long as the term remaining on the lease prior to acquisition by the Department and on substantially the same terms and conditions.

2. Where the lessee and lessor are related or affiliated parties, the Program loan and/or grant documents shall be recorded against both the Sponsor’s interest in the Project and the fee interest in the land.

3. The Department may modify or waive the requirements of subparagraph (a)(2) where the lessor is a public agency that demonstrates that it
is prohibited by law from meeting the requirements and the Department determines that there remains adequate security for the Program loan

NOTE: Authority cited: Sections 50406(n); 50517.5(a)(1), (3); 50675.1(c); 50675.11; 50896.3(b). Reference: 50517.5 (d)(4)(A), 50675.7, 50896.1, and 50896.3 Healthy and Safety Code.