

**State of California 2020-2024
Federal Consolidated Plan
2020-2021 Annual Action Plan
Second Substantial Amendment**



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Public Comment

July 1, 2021

State of California

2020-2021 Annual Action Plan

Second Substantial Amendment

The following amendment language will be added to the 2020-2021 Annual Action Plan to:

- 1. Allow the state to align the Housing Trust Fund (HTF) program's maximum per-unit development subsidy limits with actual costs of developing non-luxury housing in California.***
- 2. Allow the state to release the 2020 and 2021 HUD allocation for HOME Investment Partnerships Program (HOME) and HTF in one Notice of Funding Availability (NOFA).***
- 3. Allow the state to fund HTF applications on a competitive basis and/or over-the-counter (OTC) through a periodic NOFA.***

The full text of the existing plan is contained in the 2020-2024 Consolidated Plan and may be found at: <https://www.hcd.ca.gov/policy-research/plans-reports/index.shtml#conplan>.

AP-05 Executive Summary - 24 Code of Federal Regulations (CFR) 91.200(c), 91.220(b)

Introduction

The 2020-2021 Annual Action Plan (AP) is being amended as follows:

To add language to the HTF method of distribution to allow the HTF program to provide financial assistance in amounts that are in line with the actual cost of developing affordable housing in California. Additionally, to make sure all HTF funding is allocated to projects as part of the Housing for a Healthy California (HHC) program, this amendment will allow for the 2020 and 2021 HUD allocation of HTF to be made available in a single NOFA and for applications to be accepted on a continuous basis, as needed. The 2020 and 2021 HUD allocation for HOME will also be made available in a single NOFA. Language being changed is indicated by strikeout while new language being added is underlined.

Summary of Citizen Participation Process and consultation process

This amendment will be available for a public comment period of at least 30 days, per the California Department of Housing and Community Development's (HCD) Citizen Participation Plan.

This Amendment was available for public comment from all interested members of the public from **Thursday, July 1, 2021** to **Monday, August 2, 2021**.

A virtual public hearing about this AP Amendment was hold on Friday, **July 16, 2021**. No public comments were received.

This Amendment and the public notice document are available for review on HCD's website at <http://www.hcd.ca.gov/policy-research/plans-reports/index.shtml>.

Please submit written comments to ConsolidatedPlan@hcd.ca.gov.

Comments may also be mailed to:

California Department of Housing and Community Development
Division of Federal Financial Assistance
2020 W. El Camino Ave. Suite 200
Sacramento, CA 95833

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

HOME Program

1. Describe the state program addressed by the Method of Distribution

The HOME Investment Partnerships Program (HOME) provides funds for Project Activities and Program Activities (PA) on a competitive basis and/or OTC annually through a periodic NOFA. The competitive method will be utilized unless there is a business need to utilize the OTC method to obligate each year's allocation. The 2020 and 2021 HUD allocation will be made available in a single NOFA.

NHTF Program

1. Describe the state program addressed by the Method of Distribution

California's National Housing Trust Fund (NHTF) program provides funding for Rental New Construction, Rehabilitation, Acquisition, and any other eligible activities as per the federal Regulations at 24 CFR 93, for projects on a competitive or continuous basis through a periodic NOFA. A NHTF applicant must be the owner or developer of the NHTF-assisted project and must meet the requirements identified in the recipient definition of 24 CFR 93.2.

In 2017, the California State Legislature passed AB 74, which subsequently was signed

into law by former Governor Edmund G. Brown Jr. The Legislation directs the state to use NHTF resources for the newly established Housing for a Healthy California (HHC) program. The HHC program creates supportive housing for individuals who are recipients of or eligible for health care provided through the California Department of Health Care Services (DHCS) Medi-Cal program. HHC uses a competitive application process to identify eligible projects and award funds.

HCD will be developing guidelines for the NHTF program during the 2021-2022 program year to prepare for the Fiscal Year 2022-23 allocation, which will need an updated method of distribution.

2. Describe how resources will be allocated among funding categories

HCD will distribute funds to eligible recipients, as defined in 24 CFR § 93.2, on a competitive basis and/or OTC through a periodic NOFA. The competitive method will be utilized unless there is a business need to utilize the OTC method to obligate each year's allocation.

The 2020 and 2021 HUD allocations will be made available in a single NOFA. In general, the funding distribution method will remain as follows:

3. Describe threshold factors and grant size limits

- a. To be eligible, a recipient may be an organization, agency, or other entity (including a public housing agency, a for-profit entity, or a nonprofit entity) acting as an owner or developer to carry out an assisted project. The organization must meet the requirements of 24 CFR § 93.2 of 'Recipient'. A Recipient must: a) make acceptable assurance they will comply with all NHTF requirements during the entire affordability period; b) demonstrate ability and financial capacity to undertake, comply, and manage the eligible activity; c) demonstrate familiarity with requirements of federal, state, and any other housing programs used in conjunction with NHTF funds to ensure compliance; d) demonstrate experience and capacity to conduct the eligible NHTF activity in questions as evidenced by relevant history; and e) has site control.
- b. The maximum loan limit per Applicant is \$20 million. The maximum amount that can be used for capitalized operating subsidy reserves will be one third of the total loan amount in accordance with 24 CFR 93.200(a)(1).
- c. HCD will adopt maximum per-unit development subsidy limits based on the actual costs of developing non-luxury housing in California. HCD will base limits on a compilation of data about non-luxury developments and land costs in California. The subsidy limits shall be established as follows:
 - a. Maximum per-unit loan amounts shall not exceed the total eligible costs required, when considered with other available financing and assistance, to:

- i. Ensure the funds to be used for eligible uses;
 - ii. Ensure that rents for Assisted Units comply with program requirements; and
 - iii. Operate in compliance with all other program requirements.
- b. Maximum per-unit loan amounts will be adjusted for number of bedrooms, by geographic location, and for loan limit calculations, HCD shall include the number of units within a rental housing development and the number of bedrooms per unit.
- c. Maximum per-unit loan amounts for loans underwritten by HCD shall be updated annually and published in the NOFA.
- d. ~~HCD will adopt maximum per unit development subsidy limits similar to the limits established by the state's No Place Like Home (NPLH) program as follows:~~
 - a) ~~Maximum per-unit loan amounts shall not exceed the total eligible costs required, when considered with other available financing and assistance, in order to: a) enable the funds to be used for eligible uses; b) ensure that rents for Assisted Units comply with Program requirements; and c) operate in compliance with all other program requirements.~~
 - b) ~~The capital portion of the loan amount is further limited to the sum of a base amount per Assisted Unit, plus the amount per Assisted Unit required to reduce rents from 30 percent of the 30 percent of Area Median Income (AMI) level to the actual maximum restricted rent for the Assisted Unit, with loan limits increasing based on the level of affordability provided.~~
 - c) ~~For loan limit calculations, HCD shall include the number of units within a rental housing development and the number of bedrooms per Assisted Unit.~~
 - d) ~~For Assisted Units receiving rental assistance, the loan amount will be based on the most restrictive level of income restriction that will apply following the closing of the program loan.~~
 - e) ~~Initial base amounts for the portion of the loan that does not include rental assistance will be equal to the NPLH initial base amounts.~~
 - f) ~~The capital portion amounts in subparagraph (2) above will be adjusted annually based upon increases in the Consumer Price Index. Maximum per-unit loan amounts for loans underwritten by HCD shall be updated annually and published in the NOFA.~~

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

The expected outcome measure is the increase in supply of affordable rental housing by providing NHTF assistance to units for tenants at or below 30 percent of Average

Median Income (AMI) or below the poverty line; whichever is greater. The goal outcome indicator measures are rental units constructed and rental units rehabilitated. ~~HCD expects to construct 257 rental units and rehab 37 rental units.~~ HCD expects to construct 257 rental units and rehabilitate 37 rental units.

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

National Housing Trust Fund (NHTF) Reference 24 CFR 91.320(k)(5)

1. How will the grantee distribute its HTF funds? Select all that apply:

~~HCD will distribute funds to eligible recipients, as defined in 24 CFR § 93.2, on a competitive basis and/or OTC annually through a periodic NOFA. A NOFA will be issued, and applications will be evaluated.~~

HCD will distribute funds to eligible recipients, as defined in 24 CFR § 93.2, on a competitive and/or OTC basis through a periodic NOFA. A NOFA will be issued, and applications will be evaluated.

2. Maximum per-unit Development Subsidy Amount for Housing Assisted with NHTF Funds. Enter or attach the grantee's maximum per-unit development subsidy limits for housing assisted with HTF funds.

The limits must be adjusted for the number of bedrooms and the geographic location of the project. The limits must also be reasonable and based on actual costs of developing non-luxury housing in the area.

If the grantee will use existing limits developed for other federal programs such as those established by the Low Income Housing Tax Credit (LIHTC), HOME, and/or Public Housing Development Cost Limits, it must include a description of how the NHTF maximum per-unit development subsidy limits were established or a description of how existing limits developed for another program and being adopted for NHTF meet the HTF requirements specified above.

HCD will adopt maximum per-unit development subsidy limits based on the actual costs of developing non-luxury housing in California. HCD will base limits on a compilation of data about non-luxury developments and land costs in California. The subsidy limits shall be established as follows:

~~similar to the limits established by the state's No Place Like Home (NPLH) program, as follows:~~

1. Maximum per-unit loan amounts shall not exceed the total eligible costs required, when considered with other available financing and assistance, to:
 - a. Ensure the funds to be used for eligible uses; and
 - b. Ensure that rents for Assisted Units comply with program

requirements; and operate in compliance with all other program requirements.

~~The capital portion of the loan amount is further limited to the sum of a base amount per unit, plus the amount per unit required to reduce rents from 30 percent of the 30 percent of the Area Median Income (AMI) level to the actual maximum restricted rent for the unit, with loan limits increasing based on the level of affordability provided.~~

2. Maximum per-unit loan amounts will be adjusted for number of bedrooms, by geographic location, and for loan limit calculations, HCD shall include the number of units within a rental housing development and the number of bedrooms per unit.

~~1. For units receiving rental assistance, the loan amount will be based on the most restrictive level of income restriction that will apply following the closing of the program loan.~~

~~2. Initial base amounts for the portion of the loan that does not include rental assistance are set at:~~

~~3. \$125,000 per unit for projects using 9 percent low-income housing tax credits.~~

~~4. \$175,000 per unit for all other projects.~~

~~5. The amounts above will be adjusted annually based upon increases in the Consumer Price Index.~~

3. Maximum per-unit loan amounts for loans underwritten by HCD shall be updated annually and published in the NOFA.