

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

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April 30, 2020

MEMORANDUM FOR: ALL POTENTIAL APPLICANTS

FROM:


Jennifer Seeger, Acting Deputy Director
Division of Financial Assistance

SUBJECT:

**Local Housing Trust Fund Program
Notice of Funding Availability**

The California Department of Housing and Community Development (Department) is pleased to announce the release of this Notice of Funding Availability (NOFA) for approximately \$57 million in funds for the Local Housing Trust Fund (LHTF) Program. This funding provides Matching Grants to Local Housing Trust Funds established by cities and counties, Native American Tribes and incorporated 501(c)(3) nonprofit organizations. Eligible activities include construction loans and/or permanent financing loans to pay for predevelopment costs, acquisition costs, and other costs associated with the development or rehabilitation of Affordable rental housing projects, or Emergency Shelters, Transitional Housing, Permanent Supportive Housing, and Affordable homebuyer/homeowner projects, including assistance to income-eligible households to purchase for-sale housing units or to rehabilitate. Funds may also be used for the construction, conversion, repair, and rehabilitation of Accessory Dwelling Units (ADUs) or Junior Accessory Dwelling Units (JADUs).

Application materials must be submitted electronically to the Department's website. Requirements for uploading the Application Workbook and required supporting documentation, including naming conventions, are described in the application instructions available at <https://www.hcd.ca.gov/grants-funding/active-funding/lhtf.shtml>. The application instructions and submittal portal will be available beginning July 15, 2020. The Department no longer requires a hardcopy submittal of the Application Workbooks or supplemental documentation.

Applicants must upload all application materials to the Department's website no later than **11:59 p.m. Pacific Standard Time on August 3, 2020**.

To receive information on workshops and other updates, please subscribe to the LHTF Program [listserv](#). If you have any further questions, please contact LHTF@hcd.ca.gov.

Attachment

Local Housing Trust Fund Program

Notice of Funding Availability



**State of California
Gavin Newsom, Governor**

**Lourdes M. Castro Ramírez, Secretary
Business, Consumer Services and Housing Agency**

**Douglas R. McCauley, Acting Director
California Department of Housing and Community Development**

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April 30, 2020

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I. Overview

A. Notice of Funding Availability

The California Department of Housing and Community Development (Department) is announcing the availability of approximately \$57 million in funding for the Local Housing Trust Fund (LHTF) Program. Funding for this Notice of Funding Availability (NOFA) is provided by the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1), adopted by voters on November 6, 2018.

Program Funds awarded under this NOFA shall be used to provide construction loans and/or permanent financing loans to pay for construction or rehabilitation of Affordable rental housing projects, Emergency Shelters, Permanent Supportive Housing, Transitional Housing and Affordable homebuyer/homeowner projects. Program Funds may also be used to assist income-eligible first-time homebuyers to purchase homes, and to rehabilitate houses owned by income-eligible occupants, as well as to construct, convert, reconstruct, rehabilitate and/or repair Accessory Dwelling Units (ADUs) or Junior Accessory Dwelling Units (JADUs).

B. Timeline

| | |
|----------------------|----------------|
| NOFA Release | April 30, 2020 |
| Application Due Date | August 3, 2020 |
| Award Announcements | October 2020 |

C. Authorizing Legislation and Regulations (Regulatory Authority)

Health and Safety Code (HSC) Section 50842.2 established the LHTF Matching Grant program.

HSC Section 50843.5(a) authorized the Department to provide matching funds to Local Housing Trust Funds established by cities and counties, Native American Tribes, and/or incorporated 501(c)(3) nonprofit organizations.

Senate Bill 3 (SB 3) (Chapter 365, Statutes of 2017) authorized the Veterans and Affordable Housing Bond Act of 2018 and authorized the issuance of bonds in the amount of \$4 billion under the State General Obligation Bond Law. Specifically, SB 3 allows for the allocation of \$300 million of the Bond proceeds for the LHTF program.

SB 3 also allowed the Department to adopt Guidelines instead of regulations for the LHTF program, establishing requirements for administration of the program. The Department adopted Guidelines in April 2020.

Applications submitted under this NOFA are subject to the Guidelines, all applicable statutory requirements, and this NOFA. All section references in this NOFA refer to the Guidelines unless otherwise noted. The Guidelines and NOFA are available on the Department's website.

Capitalized terms not otherwise defined in this NOFA shall have the meanings set forth in Guidelines section 101.

II. Program Requirements

The following is provided as a summary for the allocation of the LHTF program funds to Local Housing Trust Funds. This is not to be considered a complete representation of the eligibility, threshold, or other requirements, terms and conditions.

A. Eligible Applicants

An applicant must be:

1. A city, county, or city and county that has created, funded, and operated an existing Local Housing Trust Fund or that has created and funded a new Local Housing Trust Fund in compliance with Guidelines Sections 102(a)(1), 102(a)(2), and 102(a)(3).

A Local Housing Trust Fund or Regional Housing Trust Fund that was created, funded, and operated by a combination of two or more cities or counties must agree in its application to utilize program funds only for Eligible Projects located in cities or counties that at the time of application have met the requirements outlined in Guidelines Section 102(a)(4).

2. An existing or new Local Housing Trust Fund that is a charitable nonprofit organization as defined by Section 501(c)(3) of the Internal Revenue Code and which complies with Guidelines Section 102(b)(1), 102(b)(2) and 102(b)(3).
3. A Native American Tribe or Tribes that has created, funded, and operated an existing Local Housing Trust Fund, or that has created and funded a new Local Housing Trust Fund in compliance with Guidelines Section 102(c)(1), 102(c)(2), and 102(c)(3). Fifteen percent of the funds made available by this NOFA shall be reserved for Local or Regional Housing Trust Funds meeting the definition of "new Local Housing Trust Fund". In the event there are insufficient applications from new Local Housing Trust Funds that pass threshold, the funds shall be used for applications from existing Local Housing Trust Funds.

B. Eligible Activities

Pursuant to Guidelines Section 105, the LHTF funds shall be allocated in compliance with all of the following:

1. To provide construction loans and/or permanent financing loans at simple interest rates of no higher than three percent per annum, for payment of predevelopment costs, acquisition, construction, or rehabilitation.
2. Administrative expenses may not exceed five percent of Program Funds and Matching Funds.

3. A minimum of 30 percent of Program Funds and Matching Funds, after deducting administrative expense, shall be expended on assistance to Extremely Low-Income Households. To comply with this requirement, dwelling units or shelter beds must be Affordable to and restricted for Extremely Low-Income Households with household income of no more than 30 percent of Area Median Income (AMI).
4. No more than 20 percent of the Program Funds and Matching Funds, after deducting administrative expense, shall be expended on assistance to Moderate-Income Households. To comply with this requirement, dwelling units must be Affordable to and restricted for Moderate-Income Households with household income of no more than 120 percent of AMI.
5. The remaining Program Funds and Matching Funds shall be expended on assistance to Lower Income Households. To comply with this requirement, dwelling units must be Affordable to and restricted for Lower Income Households with household income of no more than 80 percent AMI.

C. Funding Activity Limits

Pursuant to Guidelines Section 103, the funding minimums and maximums apply as detailed below.

The minimum application request by an Applicant that is an existing Local Housing Trust Fund shall be \$1 million.

The minimum application request by an Applicant that is a new Local Housing Trust Fund, but which is not a Regional Housing Trust Fund, shall be \$500,000.

The minimum application request by an Applicant that is a new Local Housing Trust Fund, which is also a Regional Housing Trust Fund, and which is utilizing Permanent Local Housing Allocation Funds as Matching Funds, shall be \$750,000.

The maximum application request for all Applicants shall be \$5 million.

D. Matching Funds Requirements

Pursuant to Guidelines Section 104, all Programs Funds provided shall be matched by the Applicant on a dollar for dollar basis with Matching Funds derived from dedicated sources of funding, such as taxes, fees, loan repayments, or public or private contributions. Matching Funds shall be On Deposit prior to disbursement of Program Funds. Matching Funds must be utilized on a dollar-for-dollar basis for the same Eligible Project for which Program Funds are used.

All requirements of Guidelines Section 104 must be satisfied.

E. Program Administrative Costs

Pursuant to Guidelines Section 105(b), a Local Housing Trust Fund that receives an award under this NOFA shall not use more than five percent of the allocation and not more than five percent of Matching Funds for administrative costs related to the execution of eligible activities.

F. Underwriting, Administration, and Reporting Requirements

A grantee of the LHTF program must comply with the underwriting and loan requirements of Guidelines Section 107, the administrative requirements of Sections 108 and 109 (b), and the reporting requirements of Section 112.

G. Application Requirements

1. Threshold

Only complete applications on forms made available by the Department submitted on or before the application deadline stated in this NOFA shall be considered for funding. Applications must meet the requirements set forth in Guidelines Sections 106(d) and 106(e).

2. Rating and Ranking

In the event that the amount of funding requested in complete and eligible applications exceeds the funds available, applications shall be evaluated and funded using the following criteria:

| Criterion | Max Pts. |
|--|-----------|
| Non-Residential Matching Funds: Extent to which the Applicant provides Matching Funds from sources other than residential Local Impact Fees or In Lieu Fees (Guidelines Section 106(f)(1)) <ul style="list-style-type: none">- 0% – 25% from other sources ~ 5 points- 26% - 50% from other sources ~ 10 points- 51% or more from other sources ~ 15 points | 15 |
| Deeper Income Targeting: Extent to which the Applicant commits to expend less than 20 percent of Program Funds and Matching Funds to serve Moderate-Income Households (Guidelines Section 106(f)(2)) <ul style="list-style-type: none">- 11% - 18% funding for Moderate-Income Household ~ 5 points- 6% - 10% funding for Moderate-Income Household ~ 10 points- 1% - 5% funding for Moderate-Income Household ~ 15 points- 100% funding for Lower-Income Household ~ 20 points | 20 |

| | |
|---|------------|
| <p>Readiness: Extent to which the Applicant has completed a first phase funding process for multifamily rental projects and announced on its website the status of each project, including those projects that were approved to submit a final application upon award of Program Funds by the Department (Guidelines Section 106(f)(3))</p> <ul style="list-style-type: none"> - Website posting of pipeline projects with status ~ 5 points, PLUS EITHER of the next two (2) factors: - Projects with first phase funding completed representing two (2) times the application request (e.g. if requesting \$5 million, pipeline projects must total at least \$10 million ~ 5 points OR - Projects with first phase funding completed representing three (3) times the application request (e.g. if requesting \$5 million, pipeline projects must total at least \$15 million ~ 10 points <p>Note: applications requesting funds solely for single family activities will receive zero points in the category.</p> | 15 |
| <p>Increasing the Supply of Lower-Income Rental Housing: Extent to which the Applicant commits to use Program Funds and Matching Funds for the new construction of rental housing developments affordable to and restricted to households with average incomes of no more than 60 percent of AMI (Guidelines Section 106(f)(4))</p> <ul style="list-style-type: none"> - 50% funding for 60% AMI or less ~ 0 points - 51% - 74% funding for 60% AMI or less ~ 10 points - 75% - 99% funding for 60% AMI or less ~ 15 points - 100% funding for 60% AMI or less ~ 20 points | 20 |
| <p>Community Need: Percentage of Lower-Income Households paying more than 50 percent of their household income for rent or owner expenses, in jurisdictions to be served by the application, in comparison with jurisdictions to be served by other applications (Guidelines Section 106(f)(5))</p> <ul style="list-style-type: none"> - 0% - 25% ~ 5 points - 26% - 44% ~ 10 points - 45% or higher ~ 15 points | 15 |
| <p>Regional Housing Trust Fund Applicants: Applicants which are a Regional Housing Trust Fund meeting the description herein get all points in this category. A Regional Housing Trust Fund, for the purposes of these points, is one that includes six jurisdictions (in counties with total populations of 250,000 or less), or eight jurisdictions (in counties with more than 250,000), or that meet the minimum threshold (two jurisdictions with more than one million people, three jurisdictions in counties with total populations of 250,000 or less, or four jurisdictions in counties with more than 250,000, and include more than 66 percent of the population of the county or counties (Guidelines Section 106(f)(6))</p> | 15 |
| <p>Total maximum points</p> | 100 |

Please Note: In future NOFAs, HCD may assess negative points for Applicants who received awards in prior years for applications in which they committed to Deeper Income Targeting and/or to Increase the Supply of Lower-Income Rental Housing but did not expend funds committed to these activities.

3. Tie Breaker

In the event of tied point scores, the Department shall rank tied applications based on the extent to which the application identifies specific multifamily rental projects for which the trust fund has issued Letters of Intent to developers for construction or permanent financing.

H. State and Federal Requirements

Climate Adaptation - Executive Order B-30-15 addressed the need for climate adaptation and ordered that:

1. All state agencies with jurisdiction over sources of greenhouse gas emissions shall implement measures, pursuant to statutory authority, to achieve reductions of greenhouse gas emissions to meet the 2030 and 2050 greenhouse gas emissions reductions targets.
2. State agencies shall take climate change into account in their planning and investment decisions and employ full life-cycle cost accounting to evaluate and compare infrastructure investments and alternatives.
3. State agencies planning and investments shall be guided by the following principles:
 - Priority should be given to actions that both build climate preparedness and reduce greenhouse gas emissions;
 - Where possible, flexible and adaptive approaches should be taken to prepare for uncertain climate impacts;
 - Actions should protect the state's most vulnerable populations; and
 - Natural infrastructure solutions should be prioritized.

In response to the Governor's Executive Order, the Department strongly encourages Awardees to implement the LHTE-funded project in a manner that reduces greenhouse gas emissions and adapts to climate change. In addition, Awardees must obtain specific information from local governments indicating the progress made in planning to adapt to climate change.

III. Application, Submission, Workshops, and Appeals

A. Application forms

Applications must be on the Department's forms and cannot be altered or modified by the Applicant. Excel forms must be in Excel format, not a PDF document. Applications that do not meet the program requirements outlined in this NOFA will not be eligible for funding. Application forms are available for download on the [LHTE webpage](#).

B. Application Submission Process

Application materials must be submitted electronically to the Department's website. Requirements for uploading the Application Workbook and required supporting documentation, including naming conventions, are described in the application instructions available at <https://www.hcd.ca.gov/grants-funding/active-funding/lhtf.shtml>. The application instructions and submittal portal will be available beginning July 15, 2020. The Department no longer requires a hardcopy submittal of the Application Workbooks or supplemental documentation.

Applicants must upload all application materials to the Department's website no later than **11:59 p.m. Pacific Standard Time on August 3, 2020**.

Personal deliveries will not be accepted. No facsimiles, incomplete applications, application revisions, or walk-in application packages will be accepted. Applications that do not meet the filing deadline requirements will not be eligible for funding.

C. Application Workshops

The Department will conduct application webinars for the LHTF program application submittal process. Applicants are strongly encouraged to attend an application workshop to gain information critical for preparing the application. LHTF program workshop details and related program information will be posted on the [LHTF webpage](#).

D. Appeals

1. Basis of Appeals

- a. Upon receipt of the Department's notice that an application has been determined to be incomplete, ineligible, fails threshold, or has a reduction to the initial point score, Applicants under this NOFA may appeal such decision(s) to the Department pursuant to this section.
- b. No Applicant shall have the right to appeal a decision of the Department relating to another Applicant's eligibility, point score, award, denial of award, or any other matter related thereto.
- c. The appeal process provided herein applies solely to decisions of the Department made in this LHTF program NOFA and does not apply to any decisions made with respect to any previously issued NOFAs or decisions to be made pursuant to future program NOFAs.

2. Appeal Process and Deadlines

- a. To file an appeal, Applicants must submit to the Department a written appeal which states all relevant facts, arguments, and evidence upon which the appeal is based. Furthermore, the Applicant must provide a detailed reference to the area or areas of the application that provide clarification and

substantiation for the basis of the appeal. No new or additional information will be considered if this information would result in a competitive advantage to an Applicant. Once the written appeal is submitted to the Department, no further information or materials will be accepted or considered thereafter.

- b. Appeals are to be submitted to the Department at LHTF@hcd.ca.gov according to the deadline set forth in Department review letters.
- c. Appeals must be received by the Department by the date stated in the Department's review letter.

3. Decision

Any request to amend the Department's decision shall be reviewed for compliance with the Guidelines and this NOFA. All decisions rendered shall be final, binding, and conclusive, and shall constitute the final action of the Department.

E. Disclosure of Application

Information provided in the application will become a public record available for review by the public, pursuant to the California Public Records Act (Chapter 1473, Statutes of 1968). As such, any materials provided will be disclosable to any person making a request under this Act. The Department cautions applicants to use discretion in providing information not specifically requested, including, but not limited to, bank account numbers, personal phone numbers and home addresses. By providing this information to the Department, the applicant is waiving any claim of confidentiality and consents to the disclosure of submitted material upon request.

IV. Award Announcements and Contracts

A. Award Announcements

Awards will be announced in October 2020. Award recommendations will be posted on the LHTF program website.

B. Contracts

Successful Applicants (Awardee(s)) will enter into a Standard Agreement with the Department. The Standard Agreement contains all the relevant state and federal requirements, as well as specific information about the award and the work to be performed.

A condition of an award will be that a Standard Agreement must be executed by the awardee within 30 days (contracting period) of the awardee's receipt of the Standard Agreement(s). Failure to execute the Standard Agreement(s) within the Contracting Period may result in award cancellation. The Awardee(s) shall remain a party to the Standard Agreement for the entire term of the Standard Agreement; removal of the Awardee(s) shall be prohibited.

V. Other State Requirements

A. Article XXXIV

All projects shall comply with Article XXXIV, Section 1 of the California Constitution as clarified by the Public Housing Election Implementation Law (HSC Sections 37000 - 37002). Article XXXIV documentation for loans underwritten by the Department shall be subject to review and approval by the Department prior to the announcement of award recommendations.

B. Housing First Practices

Housing First is an evidence-based model designed to permanently house an individual and make available optional supportive services to help them remain stably housed. Housing First means that housing is made available with very low barriers to entry and applicants are not rejected due to poor credit, financial history, lack of rental history, criminal convictions unrelated to tenancy, or behaviors that indicate a lack of housing readiness. Supportive services providers shall also utilize Housing First principles and offer services as needed and/or requested on a voluntary basis. Housing shall not be contingent upon participation in services. Applicants will certify and document adherence to Housing First practices in the application, property management plan, and supportive services plan. Adherence to Housing First practices shall be subject to periodic compliance monitoring.

C. Pet Friendly Housing Act of 2017

Housing funded through the LHTF program is subject to the Pet Friendly Housing Act of 2017 (HSC Section 50466). Each Awardee is required to submit a signed and dated certification that residents of the LHTF program-funded housing development will be authorized to own or otherwise maintain one or more common household pets.

D. Prevailing Wage Requirements

LHTF Program Funds awarded under this NOFA are subject to state prevailing wage law, as set forth in Labor Code Section 1720 et seq., and require the payment of prevailing wages unless the project meets one of the exceptions of Labor Code Section 1720 (c), as determined by the Department of Industrial Relations (DIR). The DIR can be contacted via its website at <https://www.dir.ca.gov/oprl/DPreWageDetermination.htm> Applicants are urged to seek professional advice as to how to comply with state prevailing wage law.

VI. Other Terms and Conditions

A. Right to Modify or Suspend

The Department reserves the right, at its sole discretion, to suspend, amend, or modify the provisions of this NOFA at any time, including without limitation, the amount of funds available hereunder. If such an action occurs, the Department will

notify all interested parties and will post the revisions to the Department's website. You may [subscribe](#) to the Department's email list.

B. Conflicts

In the event of any conflict between the terms of this NOFA and either applicable state or federal law or regulation, the terms of the applicable state or federal law or regulation shall control. Applicants are deemed to have fully read and understand all applicable state and federal laws, regulations, and guidelines pertaining to the LHTF program, and understand and agree that the Department shall not be responsible for any errors or omissions in the preparation of this NOFA.