

COMMUNITY DEVELOPMENT AGENCY
HOUSING AND FEDERAL GRANTS DIVISION

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Date: Thursday, May 18, 2023 at 6:00 p.m.

To: Countywide Priority Setting Committee (PSC)

From: Molly Kron, Senior Planner
Aline Tanielian, Planner
Jillian Zeiger, Senior Planner
Leelee Thomas, Deputy Director

Subject: Funding Recommendations for FY 2023-24 Community Development Block Grant (CDBG), 2022-23 and 2023-24 Home Investment Partnership Program (HOME), and FY 2021-22 HOME-American Rescue Plan Act (HOME-ARP).

Location: Virtual Hearing via Zoom. Register here:
https://us06web.zoom.us/webinar/register/WN_Oh8zs7NnQAOqHa-S62cclQ

REQUEST:

1. Consider and approve fiscal year 2023-24 funding recommendations for Community Development Block Grant (CDBG) for the County Other planning area.
2. Consider and approve fiscal year 2023-24 CDBG funding recommendations provided by the Novato City Council and the San Rafael City Council for their respective planning areas.
3. Consider and approve fiscal year fiscal year 2023-24 funding recommendations and 2022-23 funding amendments for the HOME Investment Partnerships Program (HOME).
4. Consider and approve fiscal year 2021-22 funding recommendations HOME-ARP for all planning areas.

RECOMMENDATION:

1. Adopt funding recommendations for CDBG, HOME, and HOME-ARP projects to be presented to the Marin County Board of Supervisors.

SUMMARY:

The Annual Action Plan amending the Consolidated Plan guides the distribution of funding and serves as the grant application to the U.S. Department of Housing and Urban Development (HUD) for formula funding from the CDBG, HOME, and HOME-ARP programs. These federally funded programs provide resources for housing, community facilities, and public services for lower-income households. County Staff (“Staff”) propose the enclosed recommendations for the 2023-24 Annual Action Plan and the proposed amendments to the 2021-22 and 2022-23 Annual Action Plans.

DISCUSSION:

Federal Grants Overview

The Community Development Block Grant (CDBG) program and Home Investment Partnership Program (HOME) are federally funded programs of the U.S. Department of Housing and Urban Development (HUD) that provide funding to benefit low- and moderate-income households. Examples of projects funded by CDBG and HOME throughout the County include site acquisition, development, and rehabilitation of affordable housing; rehabilitation of group homes, community centers, and childcare centers; and a wide range of public services including childcare, legal services, and food access. HOME funds must be used for affordable housing projects, while CDBG funds are divided into three activity categories: 1) Housing, 2) Community Facilities (“Capital”) projects, and 3) Public Services. Federal regulation stipulates that at least 85% of CDBG funds must be spent on administration, Housing projects, and Capital projects, and up to 15% may be spent on Public Services.

HOME-ARP funds arose from the American Rescue Plan (ARP) Act, which became law on March 11, 2021. The ARP appropriated \$5 billion to the HOME Investment Partnerships Program to provide housing, services, and shelter to individuals experiencing homelessness and other vulnerable populations. The federal government allocated \$2,902,549 of this HOME-ARP funding to the County of Marin. The grant funds are available for expenditure through September 2030. HOME-ARP funds can be used to support affordable rental housing, tenant-based rental assistance, supportive services, and non-congregate shelter. Marin County’s [HOME-ARP Allocation Plan](#) was approved by HUD on March 13, 2023. The Allocation Plan details the County’s community consultation efforts and its preference to fund projects that will serve families who are experiencing homelessness or at risk of homelessness, including families who are victims of domestic violence.

The recommendations enclosed in this staff report include CDBG funding approved by the Novato and San Rafael City Councils for their respective planning areas. Subject to approval by the Marin County Board of Supervisors on June 13, 2023, the funding recommendations brought forth by the PSC will be included in the Annual Action Plan, which is an amendment to the five-year Consolidated Plan for fiscal years 2020-24. The Consolidated Plan includes an analysis of affordable housing and community development

needs and policy statements for the entire five-year period, and details CDBG and HOME project budgets for the first year. This year's Annual Action Plan addresses the fourth year of the 2020-24 period, and will be submitted to HUD upon the Board's approval.

Substantial changes to previous year Annual Action Plans require an amendment. This staff report includes recommendations for two amendments. First, changes to the 2022-23 HOME funding recommendations as a result of a project relinquishing funds previously committed is addressed. Second, the allocation of HOME-ARP funds is supported by an amendment to the 2021-22 Annual Action Plan.

2023-24 Funding Year

Funds for Marin County's 2023-24 CDBG and HOME programs come from the federal budget for fiscal year 2023, which is from October 1, 2023 to September 30, 2024. This coming year, Marin County's CDBG allocation is \$1,589,600, approximately 2.5% less than the 2022-23 funding received of \$1,630,142. The HOME allocation is \$846,217, also slightly less than the \$854,906 allocated in 2022-23. HUD determines funding based on its own programmatic budget and a demographic comparison of Marin with other grantees. The project funding recommendations in this staff report are subject to change in accordance with the federal budget approved by Congress and official sign-off received from HUD.

The upcoming 2023-24 funding cycle is the second year of the two-year application period of 2022-24. Staff has been concerned about the impacts of funding cuts, in particular, to public services projects. Staff have identified additional one-time sources to fill this year's funding cuts. Utilizing unanticipated program income and one-time redirection of administration funds, the recommendations presented keep project funding for public services consistent with the previous year's allocations.

Because additional funding sources became available for housing projects simultaneously, Staff issued a Notice of Funding Availability (NOFA) in February 2023 to solicit additional housing project applications. In addition to CDBG, HOME, and HOME-ARP, the submitted applications are vying for funding from the State Permanent Local Housing Allocation (PLHA) matched by the Marin County Affordable Housing Fund (HTF).

July 1, 2023 is the beginning of Marin County's fiscal year and the start of the fourth year covered by the Consolidated Plan. Proposed funding recommendations for the use of federal fiscal year 2023 CDBG funds and HOME funds is available in Attachment 1. In order to meet HUD's time limits for spending, the budget also includes HOME funds from prior years which are recommended for reprogramming (reallocation) to new projects, and allocations from CDBG and HOME program income.

Program Structure and Requirements

The Marin County Federal Grants program generally runs on a two-year application cycle. Housing and Capital projects apply for funding using the two-year project timeline and budget. Public Services projects are eligible for funding renewal based on

accomplishments and subject to available CDBG funds. This process provides the flexibility for Staff to open a mid-cycle (annual) application in the event projects are not moving forward or additional resources become available. In addition, there is a minimum individual grant size of \$15K per year. Countywide projects may receive funding from each planning area to bring their grant amount up to at least \$15K.

This structure is intended to increase the funded organizations' impact and enables nonprofit partners to better plan their programs. While organizations typically only submit applications every two years, funding allocations must be approved annually based on the project's past performance and expected HUD allocation.

In recent years, there has been an increased local emphasis on the extent to which members of the protected classes are served by CDBG and HOME projects, and the quality and effectiveness of each funded organizations' Affirmative Marketing Plan.

Accordingly, all project applications are evaluated based on their ability to meet HUD's national objectives, the PSC's enhanced thresholds for evaluating projects, and standard project evaluation criteria as follows:

National Objective Thresholds:

- Benefit low- and moderate-income persons.
- Prevent or eliminate blight.
- Meet other community development needs for low- and moderate-income persons.

PSC Adopted Priorities:

- Support projects that Affirmatively Further Fair Housing and have the commitment and capacity to engage in Affirmative Marketing.
- Prioritize projects that serve members of the protected classes as defined by HUD.
- Prioritize projects that serve low-income persons.

Project Evaluation Criteria:

- Readiness—can awarded funds be completely expended during the grant year?
- Sustainability—does the organization have capacity to sustain a project or program beyond this federal funding period?
- Effectiveness and Accountability—does the organization have the capacity and track record to effectively conduct the project and administer federal funds? Are there current or upcoming organizational leadership transitions?
- Prioritize greatest impact—greatest number of people served and/or most impact on an individual basis, and/or serving hard-to-reach populations.

PSC Priorities for CDBG and HOME Housing projects:

- Family Housing—units not deed restricted for specific populations.
- Land trust model in eastern Marin that provides home ownership opportunities. (Eastern Marin in this case is defined as all areas of Marin except West Marin.)

The PSC also established the following priorities for CDBG funds allocated to Public Services projects during fiscal years 2022-24:

- **Basic Health Services** – includes services that prevent or treat medical conditions for individuals who are uninsured, under-insured, or people with low incomes who cannot afford their deductible. Programs and services include but are not limited to preventative health such as immunizations, well-child care from birth, periodic health evaluations for adults, voluntary family planning services, children’s eye and ear examinations conducted to determine the need for vision and hearing correction, and hygiene services. Services may also include medically necessary emergency health care, inpatient and outpatient treatment, diagnostic laboratory and diagnostic and therapeutic radiologic services, and provision of prescription drugs.
- **Children, Youth, and Parent Support Services** – includes services that target low-income families and address disparities in access to early childhood education, high costs of childcare countywide, and family self-sufficiency. Programs and services include but are not limited to supporting childcare scholarships, student extracurricular activities, parent engagement and training, case management, therapeutic services, transportation, home visitations, and family legal supports.
- **Food Security** – includes services that provide physical and/or economic access to food to meet dietary needs for a productive and healthy life. Programs and services include but are not limited to free meal sites, food banks, grocery subsidies, home delivered meals, and other programs that provide food to people in need.
- **Housing Support Services** – includes services that assist individuals in accessing stable housing, prevent discrimination in housing choice, and aid renters in maintaining stable housing. Programs and services include but are not limited to fair housing counseling, legal support, housing locators, and down payment and rental assistance.

Additional details regarding the application of priorities, guiding principles for making recommendations, and spending deadlines can be found in Attachment 2.

CDBG RECOMMENDATIONS:

The CDBG Program has a total allocation of \$1,589,600 for FY 2023-24, to be used in combination with approximately \$43,209 in program income. After accounting for 20% in administration costs, it is expected that about \$1,306,247 will be available for projects. Below are CDBG funding recommendations from staff for Countywide Fair Housing and the County Other Planning Area, as well as the recommendations approved by the Novato and San Rafael City Councils for their respective planning areas.

Countywide Fair Housing

Staff recommend allocating funding for Fair Housing services before funding calculations are made for each Planning Area. Funding fair housing services is a CDBG

requirement, and doing so before making other recommendations ensures that we meet the requirement.

Funding recommendation: Staff recommend allocating \$65,000 to support funding for one (1) fair housing project. This allocation consists of \$63,746 in Public Services funds and \$1,254 in Administration funds.

Project	FY 22-23 Allocation	This Year's Funding Request	Total Recommended
Fair Housing Advocates of Northern CA <i>Fair Housing Counseling and Education</i>	\$65,000	\$79,500	\$65,000

County Other Planning Area Funding Recommendations for CDBG

The County Other Planning Area is expected to receive a total CDBG allocation of \$463,577 for FY 2023-24. A minimum of \$272,369 is designated for housing projects, a maximum of \$65,597 may be applied to public services, and the remaining \$125,611 can be applied to either capital or housing projects. A total of 17 applications were evaluated for the County Other Planning Area – 9 Countywide projects and 8 serving the County Other Planning Area only. The total funding request for these 17 projects is \$2,875,890.

Housing Projects

A total of nine (9) housing applications were considered for the County Other Planning Area – five (5) Countywide projects and four (4) serving the County Other Planning Area only. The applications have a total request of \$2,672,542.

Funding recommendation: Staff recommend allocating a total of \$397,980 to support funding four (4) housing projects.

Project	CDBG Request	County Other Recommendation	Total Expected CDBG Allocation
Eden Housing, Inc. <i>Point Reyes Coast Guard</i>	\$600,000	\$147,795	\$147,795
Episcopal Community Services <i>Homekey 1251 S. Eliseo</i>	\$500,000	\$0	\$0
Habitat for Humanity Greater SF <i>Residential Rehab Loan Program</i>	\$249,357	\$95,000	\$220,000
Homeward Bound of Marin <i>Novato Veterans and Workforce Housing</i>	\$600,000	\$0	\$110,000

Project	CDBG Request	County Other Recommendation	Total Expected CDBG Allocation
Marin Center for Independent Living <i>Residential Access Modification Program</i>	\$18,000	\$0	\$0
Bolinas Community Land Trust* <i>140 Maple Road</i>	\$500,000	\$0	\$0
Community Land Trust Association of West Marin* <i>60 Third Street</i>	\$50,000	\$0	\$0
Community Land Trust Association of West Marin* <i>Ocean Terrace Energy Upgrades</i>	\$56,000	\$56,000	\$56,000
Two Valleys Community Land Trust* <i>6956 Sir Francis Drake Blvd. Rehabilitation</i>	\$99,185	\$99,185	\$99,185
Housing Subtotal	\$2,672,542	\$397,980	\$622,980

*County Other-only request

Capital Projects

Only one (1) capital application was considered for the County Other Planning Area from the Fairfax-San Anselmo Children’s Center. The total funding request was \$104,238. However, the applicant withdrew their application for 2023-24, as the project has stalled and the federal funding that was allocated previously has not yet been expended.

Funding recommendation: Staff cannot make a recommendation for capital projects in the County Other Planning Area.

Project	CDBG Request	County Other Recommendation	Total Expected CDBG Allocation
Fairfax-San Anselmo Children’s Center <i>Kitchen Health & Safety Repair</i>	\$64,238	Withdrawn	\$0

Public Services

A total of seven (7) public services applications were considered for the County Other Planning Area – 4 Countywide projects and 3 serving the County Other Planning Area only. The applications have a total request of \$125,851.

Funding recommendation: Staff recommend allocating a total of \$66,851 to support funding for all seven (7) public services projects.

Project	FY 22-23 Allocation	County Other Recommendation	Total Expected CDBG Allocation
Covia Foundation <i>Home Match Marin</i>	\$15,000	\$4,000	\$15,000
ExtraFood.org <i>Building an Equitable and Sustainable Food Safety Net in Marin County</i>	\$15,335	\$5,500	\$15,335
Family & Children's Law Center <i>Domestic Violence Legal Services for Low Income Families</i>	\$15,346	\$3,500	\$15,346
Legal Aid of Marin <i>Keeping Marin Residents in their Homes</i>	\$34,500	\$7,500	\$34,500
Fairfax-San Anselmo Children's Center* <i>School-Age Transportation Program</i>	\$15,335	\$15,335	\$15,335
Performing Stars of Marin* <i>Robust Social Services for Southern Marin Residents Including Children, Youth and Families</i>	\$15,000	\$15,000	\$15,000
San Geronimo Valley Community Center* <i>Human Service Program</i>	\$15,335	\$15,335	\$15,335
Public Services Subtotal	\$125,851	\$66,851	\$125,851

*County Other-only request

Novato Planning Area Funding Recommendations for CDBG

On Tuesday, April 25, 2023, the Novato City Council passed a resolution approving CDBG funding recommendations for the 2023-24 fiscal year. Staff recommend that the Priority Setting Committee adopt the City of Novato's recommendations, listed here, in accordance with the Cooperation Agreement governing the administration of the Novato Planning Area.

Project	Novato Recommendation
HOUSING	
Eden Housing, Inc. <i>Point Reyes Coast Guard</i>	\$0
Episcopal Community Services <i>1251 S. Eliseo</i>	\$0

Project	Novato Recommendation
Habitat for Humanity Greater San Francisco <i>Residential Rehab Loan Program</i>	\$40,000
Homeward Bound of Marin <i>Novato Veterans and Workforce Housing</i>	\$100,000
Marin Center for Independent Living <i>Residential Access Modification Program</i>	\$0
Housing Subtotal	\$140,000
CAPITAL	
Buckelew Programs <i>Novato House Residential Support Services Facility</i>	\$0
North Marin Community Services <i>NMCS Building Security</i>	\$110,000
Capital Subtotal	\$110,000
PUBLIC SERVICES	
Covia Foundation <i>Home Match Marin</i>	\$3,500
ExtraFood.org <i>Building an Equitable and Sustainable Food Safety Net in Marin County</i>	\$1,750
Family & Children's Law Center <i>Domestic Violence Legal Services for Low Income Families</i>	\$1,750
Legal Aid of Marin <i>Keeping Marin Residents in their Homes</i>	\$5,000
North Bay Children's Center* <i>Child Care Scholarships</i>	\$15,335
North Marin Community Services* <i>NMCS Teacher Workforce Stabilization</i>	\$15,335
Public Services Subtotal	\$42,670
TOTAL Planning Area Allocation	\$292,670

*Novato-only request

San Rafael Planning Area Funding Recommendations for CDBG

On Monday, May 1, 2023, the San Rafael City Council passed a resolution approving CDBG funding recommendations for the 2023-24 fiscal year. Staff recommend that the Priority Setting Committee adopt these recommendations in accordance with the Cooperation Agreement governing the administration of the San Rafael Planning Area.

Project	San Rafael Recommendation
HOUSING	
Canal Alliance* <i>153 Novato Street Rehabilitation</i>	\$180,000
Eden Housing, Inc. <i>Point Reyes Coast Guard</i>	\$0

Project	San Rafael Recommendation
Episcopal Community Services <i>Homekey 1251 S. Eliseo</i>	\$0
Habitat for Humanity Greater San Francisco <i>Residential Rehab Loan Program</i>	\$85,000
Homeward Bound of Marin <i>Novato Veterans and Workforce Housing</i>	\$0
Marin Center for Independent Living <i>Residential Access Modification Program</i>	\$0
Housing Subtotal	\$265,000
CAPITAL	
City of San Rafael Department of Public Works* <i>Canal Area Pathway Projects</i>	\$120,000
Community Action Marin* <i>Renovation of the De Colores Children's Center & Safety Net Services Hub</i>	\$30,000
Capital Subtotal	\$150,000
PUBLIC SERVICES	
Covia Foundation <i>Home Match Marin</i>	\$7,500
ExtraFood.org <i>Building an Equitable and Sustainable Food Safety Net in Marin County</i>	\$7,750
Family & Children's Law Center <i>Domestic Violence Legal Services for Low Income Families</i>	\$9,750
Legal Aid of Marin <i>Keeping Marin Residents in their Homes</i>	\$22,000
City of San Rafael* <i>Pickleweed Preschool</i>	\$23,000
Public Services Subtotal	\$70,000
TOTAL Planning Area Allocation	\$485,000

*San Rafael-only request

Program Income Recommendations for HOME

When the CDBG program receives revenue from a completed project, payment of accrued interest, or repayment of a loan, this amount is considered program income, which must be made available to fund new CDBG activities. In 2022-23, the County received \$28,872.49 in program income from two projects (Toussin Senior Apartments - \$28,872.49 and Greenbrae Boardwalk - \$3,000). The County also received \$14,336.72 in program income from Toussin Senior Apartments in 2021-22 that was not previously allocated. Staff recommendations for reprogrammed funds are included in the dollar amounts listed in the previous section. A detailed account of program income funds can be found in Attachment 3.

HOME RECOMMENDATIONS:

The Countywide HOME Investment Partnerships Program has a FY 2023-24 entitlement of \$846,217, to be used in combination with \$863,122 in funding reprogrammed from 2022-23 projects and \$85,191 in program income. After accounting for 10% in administration costs, it is expected that \$1,701,389 will be available for projects. HOME requires that a minimum of 15% of the annual entitlement, or \$255,169 for 2022-23 & 2023-24, be allocated to a Community Housing Development Organization (CHDO).

Countywide Funding Recommendations for HOME Program

A total of three (3) applications were received for the Countywide HOME program totaling \$1,900,000. One (1) application was received from Eden Housing, Inc., a certified CHDO.

Funding recommendation: Staff recommend allocating a total of \$1,701,389 to support funding two (2) of the three (3) projects.

Project	HOME Request (2 Years)	HOME Recommendation
Eden Housing, Inc. (CHDO) <i>Oak Hill Apartments</i>	\$1,200,000	\$800,000
Habitat for Humanity Greater San Francisco <i>Habitat Redwood Blvd.</i>	\$1,600,000	\$901,389
Homeward Bound of Marin <i>Novato Veterans and Workforce Housing</i>	\$1,000,000	\$0
Total	\$,800,000	\$1,701,389

Reprogramming Recommendations for HOME

At its January 1992 meeting, the Priority Setting Committee decided that unspent CDBG or HOME balances allocated to projects two or more years prior or relinquished by a project be considered for reallocation or “reprogramming” to other projects which may be able to spend the funds more quickly and/or be in greater need of the funds. In compliance with this policy, for FY 2022-23, staff recommend that a total of \$863,122 in HOME funds be reprogrammed. Staff recommendations for reprogrammed funds are included in the total project funding amount in the section above.

Program Income Recommendations for HOME

When the HOME program receives revenue from a completed project, payment of accrued interest, or repayment of a loan, this amount is considered program income, which must be made available to fund new HOME activities. In 2022-23, the County received \$85,191 in program income from two projects (Toussin Senior Apartments - \$67,716 and Fireside Apartments - \$17,475). Staff recommendations for reprogrammed funds are included in the dollar amounts listed in the previous section. A detailed

account of program income funds can be found in Attachment 3.

HOME-ARP RECOMMENDATIONS:

Countywide Funding Recommendations for HOME-ARP Program

A total of three (3) applications were received for the Countywide HOME-ARP program totaling \$6,367,167. The HOME-ARP Program has a total allocation of \$2,902,549. The amount allowed for administration is \$435,382. The recommendations presented account for a reduced level of administration funding, with project funding proposed at \$2,600,000. Because of the uncertainty of project compliance staff are presenting an alternative recommendation

Funding recommendation: Staff recommend allocating a total of \$2,600,000 to support funding all three (3) projects.

Project	HOME-ARP Request	HOME-ARP Recommendation
Eden Housing, Inc. <i>Point Reyes Coast Guard</i>	\$2,400,000	\$710,000
Eden Housing, Inc. <i>Oak Hill Apartments</i>	\$1,500,000	\$1,300,000
Homeward Bound of Marin <i>Novato Veterans and Workforce Housing</i>	\$2,467,167	\$590,000
Administration		\$302,549
Total	\$6,367,167	\$2,902,549

Funding recommendation alternative: Homeward Bound of Marin’s project is currently in a competitive process to receive State Project Homekey funding. There is a risk that Project Homekey requirements may be in conflict with HOME-ARP requirements. If Homeward Bound of Marin receives State Project Homekey funding and the project is unable to satisfy the HOME-ARP requirements, staff recommend the following alternative allocation.

Project	HOME-ARP Request	HOME-ARP Recommendation
Eden Housing, Inc. <i>Point Reyes Coast Guard</i>	\$2,400,000	\$870,000
Eden Housing, Inc. <i>Oak Hill Apartments</i>	\$1,500,000	\$1,600,000
Homeward Bound of Marin <i>Novato Veterans and Workforce Housing</i>	\$2,467,167	\$0
Administration		\$432,549
Total	\$6,367,167	\$2,902,549

FISCAL IMPACT:

There is no direct cost or revenue impact on local jurisdictions' general funds generated by the recommended action for CDBG, HOME, and HOME-ARP, as the Priority Setting Committee is directing HUD funds to specific projects. Allocating funds to projects may allow County and City general and capital funds to be allocated to other priorities.

OPTIONS:

1. Approve allocations of CDBG, HOME, and HOME-ARP funding as recommended in this staff report.
2. Make different allocations of CDBG, HOME, and HOME-ARP funding. (Funds may be shifted between the CDBG categories, but the Public Services category cannot exceed 15% and the Housing category cannot be less than 40%.)
3. Provide direction to staff.

ATTACHMENTS:

Attachment 1 — CDBG, HOME, and HOME-ARP Recommendations for FY 2023-24

Attachment 2 — Additional Guiding Principles for Funding Recommendations

Attachment 3 — CDBG and HOME Program Income

Attachment 4 — CDBG, HOME, and HOME-ARP Project Summaries

LINKS TO PROJECT APPLICATIONS:

- [Capital Project Applications](#)
- [Housing Project Applications](#) (*includes CDBG, HOME, and HOME-ARP*)
- [Public Services Project Applications](#)

Attachment 1: 2023-24 CDBG, HOME, and HOME-ARP Funding Recommendations

APP. #	PROJECT SPONSOR	PROJECT NAME	Project Address	APPLICANT'S CDBG REQUEST	Novato	San Rafael	County Other	CDBG Allocations	APPLICANT'S HOME REQUEST	HOME Allocations (2 Years)	APPLICANT'S HOME-ARP REQUEST	HOME-ARP Allocations	PROJECT TOTALS
HOUSING													
CH 03	Eden Housing, Inc (CHDO)	Point Reyes Coast Guard	1 Commodore Webster Drive, Point Reyes Station	\$ 600,000	\$ -	\$ -	\$ 147,795	\$ 147,795	\$ -	\$ -	\$ 2,400,000	\$ 710,000	\$ 857,795
CH 04	Eden Housing, Inc (CHDO)	Oak Hill Apartments	Sir Frances Drake Blvd, San Quentin	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,200,000	\$ 800,000	\$ 1,500,000	\$ 1,300,000	\$ 2,100,000
CH 06	Episcopal Community Services	1251 S. Eliseo	1251 S. Eliseo Drive, Larkspur	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CH 07	Habitat for Humanity Greater San Francisco	Habitat Redwood Blvd.	8161 Redwood Blvd, Novato	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,600,000	\$ 901,389	\$ -	\$ -	\$ 901,389
CH 08	Habitat for Humanity Greater San Francisco	Residential Rehab Loan Program	n/a	\$ 249,357	\$ 40,000	\$ 85,000	\$ 95,000	\$ 220,000	\$ -	\$ -	\$ -	\$ -	\$ 220,000
CH 09	Homeward Bound of Marin	Novato Veterans and Workforce Housing	826 State Access Road, Novato	\$ 600,000	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ 1,000,000	\$ -	\$ 2,467,167	\$ 590,000	\$ 690,000
CH 10	Marin Center for Independent Living	Residential Access Modification Program	710 4th Street, San Rafael	\$ 18,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OH 01	Bolinas Community Land Trust	140 Maple Rd.	140 Maple Rd.	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OH 02	Community Land Trust Association of West Marin	60 Third St.	60 Third St.	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OH 03	Community Land Trust Association of West Marin	Ocean Terrace Energy Upgrades	21 Calle Del Embarcadero	\$ 56,000	\$ -	\$ -	\$ 56,000	\$ 56,000	\$ -	\$ -	\$ -	\$ -	\$ 56,000
OH 04	Two Valleys Community Land Trust	6956 Sir Francis Drake Blvd. Rehabilitation	6956 Sir Francis Drake Blvd.	\$ 99,185	\$ -	\$ -	\$ 99,185	\$ 99,185	\$ -	\$ -	\$ -	\$ -	\$ 99,185
SH 01	Canal Alliance	153 Novato St. Rehab	153 Novato St.	\$ 200,000	\$ -	\$ 180,000	\$ -	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ 180,000
								\$ 802,980	\$ 1,701,389		\$ 2,600,000		\$ 5,104,369

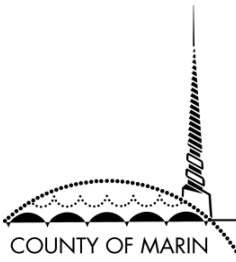
CAPITAL													
NC 02	North Marin Community Services	NMCS Building Security	1907 Novato Blvd, Novato	\$ 183,163	\$ 110,000	\$ -	\$ -	\$ 110,000					\$ 110,000
SC 01	City of San Rafael Department of Public Works	Canal Area Pathway Projects	18 Falmouth Cove, San Rafael	\$ 350,000	\$ -	\$ 120,000	\$ -	\$ 120,000					\$ 120,000
SC 02	Community Action Marin	Renovation of the De Colores Children's Center & Safety Net Services Hub	1123 Court Street, San Rafael	\$ 50,000	\$ -	\$ 30,000	\$ -	\$ 30,000					\$ 30,000
								\$ 260,000					\$ 260,000

PUBLIC SERVICES												
CS 01	Covia Foundation	Home Match Marin	851 Irwin St. Ste 200G, San Rafael	\$ 15,000	\$ 3,500	\$ 7,500	\$ 4,000	\$ 15,000				\$ 15,000
CS 02	ExtraFood.org	Sustainable Food Safety Net in Marin County	907 Sir Francis Drake Blvd, Kentfield	\$ 25,000	\$ 1,750	\$ 7,750	\$ 5,835	\$ 15,335				\$ 15,335
CS 03	Fair Housing Advocates of Northern California	Fair Housing Counseling and Education	1314 Lincoln Avenue, Suite A, San Rafael	\$ 79,500	\$ -	\$ -	\$ 65,000	\$ 65,000				\$ 65,000
CS 04	Family & Children's Law Center	Domestic Violence Legal Services for Low Income Families	1401 Los Gamos Dr., Suite 200, San Rafael	\$ 30,000	\$ 1,750	\$ 9,750	\$ 3,846	\$ 15,346				\$ 15,346
CS 05	Legal Aid of Marin	Keeping Marin Residents in their Homes	1401 Los Gamos Drive, Suite 100, San Rafael	\$ 40,000	\$ 5,000	\$ 22,000	\$ 7,500	\$ 34,500				\$ 34,500
OS 01	Fairfax-San Anselmo Children's Center	School Age Transportation Program	199 Porteous Avenue, Fairfax	\$ 17,250	\$ -	\$ -	\$ 15,335	\$ 15,335				\$ 15,335
OS 02	Performing Stars of Marin (PSoM)	Southern Marin Residents Including Children, Youth and Families	271 Drake Avenue, Marin City	\$ 15,000	\$ -	\$ -	\$ 15,000	\$ 15,000				\$ 15,000
OS 03	San Geronimo Valley Community Center	Human Service Program	6350 Sir Francis Drake Blvd, San Geronimo	\$ 61,098	\$ -	\$ -	\$ 15,335	\$ 15,335				\$ 15,335
NS 01	North Bay Children's Center, Inc.	Child Care Scholarships	932 C Street, Novato	\$ 20,000	\$ 15,335	\$ -	\$ -	\$ 15,335				\$ 15,335
NS 02	North Marin Community Services	NMCS Teacher Workforce Stabilization	680 Wilson Avenue, Novato	\$ 20,000	\$ 15,335	\$ -	\$ -	\$ 15,335				\$ 15,335
SS 01	City of San Rafael/Pickleweed Preschool	Pickleweed Preschool	50 Canal Street	\$ 45,624	\$ -	\$ 23,000	\$ -	\$ 23,000				\$ 23,000
								\$ 244,521				\$ 244,521

Administration												
	CDBG							\$ 325,308				\$ 325,308
	HOME									\$ 189,043		\$ 189,043
	HOME-ARP										\$ 302,549	\$ 302,549
								\$ 325,308		\$ 189,043		\$ 302,549
											\$ 816,900	

GRAND TOTALS							CDBG	\$1,632,809	HOME	\$1,890,432	HOME-ARP	\$2,902,549	\$6,425,790
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LEGEND	
Countywide	
County Other	
Novato	
San Rafael	



Attachment 2 — Additional Guiding Principles for Funding Recommendations

Program Spending Deadlines

Community Development Block Grants (CDBG) –

HUD regulations stipulate the timely expenditure of project funds and that unspent funds should be reallocated and used in communities that can meet timely spending guidelines. HUD takes sanctions if, on the annual test date in late April, an entitlement community has unspent CDBG funds that exceed 1.5 times its annual CDBG grant amount. If a community's unspent CDBG balance exceeds the 1.5 standard on the test date, HUD will designate the community as a "high-risk" grantee and may also take funds away. The reduction of grant awards is done through an automated process, so there is no opportunity to request a waiver or extension. If the CDBG grant declines, the amount of unspent funds permitted also declines. Therefore, we must take care to prioritize CDBG funds for projects that are ready to proceed.

Current HUD regulations and policy trends suggest increased scrutiny on entitlement communities and the administration of their federal dollars. Funding should therefore be prioritized for projects that can meet timely spending requirements, avoiding funding agencies with unspent balances or agencies lacking the administrative capacity to execute their spending in a timely manner.

HOME Investment Partnerships Program (HOME) –

In January 2019, HOME spending deadlines were modified by the passage of the Consolidated Appropriations Act. This legislation suspends the 24-month commitment requirement for Community Housing Development Organization (CHDO)¹ set-aside funds, as well as continues the suspension of the 24-month commitment requirement for regular HOME Investment Partnerships Program (HOME) funds. Both deadline requirements are suspended through December 31, 2023. In addition, per authority provided to HUD through the CARES Act, there is a waiver available for the four-year project completion requirement, among others.

Prior to the passage of these bills, the County was required to enter into a contract with a CHDO project sponsor, committing the HOME funds to a specific project within 2 years of the HUD allocation. The requirement that HOME funds be placed under

¹ A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves.

contract within two years is extremely difficult to implement in Marin County. This change combined with the increased time for project completion will ease some burden and risk of losing funds due to projects involved in prolonged entitlement, funding obtainment, and construction processes. The County is not permitted to enter into a contract to provide a project sponsor with HOME funds unless all other necessary financing has been secured, and there is a reasonable expectation that the project can start construction or rehabilitation within one year of the contract date. If the project involves acquisition, there must be a reasonable expectation that acquisition will occur within six months. In practice, the sponsor needs to have secured all local planning approvals before they can obtain the funding commitments for the entire cost of the project.

Although the 24-month commitment has been suspended and the four-year project completion requirement is available to be waived, there remains a 9-year expiration on funds. If this deadline is not met, HUD can cancel that portion of the community's HOME grant. HUD can also require repayment of funds, even if the County has already spent the money on a project, regardless of whether the project is eventually completed.

The most challenging aspect of HOME funds is the requirement that all other financing must be secured prior to the County entering into a contract to provide a project with HOME funds. Most sponsors of affordable housing find that they need a significant commitment of HOME funds in order to leverage commitments from other sources of funding, particularly if those sources are not local. For example, in order for an affordable housing development project to successfully compete for low-income housing tax credits, it needs a substantial commitment of local funding, which often includes HOME funds.

Priorities

Affirmatively Furthering Fair Housing –

Marin County has received criticism for its lack of affordable housing, particularly for members of the protected classes. The 2020 County Analysis of Impediments to Fair Housing Choice (AI) identifies four (4) broad categories of barriers to fair housing choice. Federal grant funding will be used in a manner consistent with supporting the goals of furthering fair housing choice in Marin County. To do this, fair housing and affirmative marketing criteria have been elevated as a comprehensive part of the Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) project selection process. All CDBG and HOME applications are assessed for capacity and compliance with those criteria.

Projects in alignment with the Fair Housing goals laid out in the Consolidated Plan and the AI will be prioritized. Addressing the fair housing concerns in Marin County will require a concerted effort on behalf of County staff, the Board of Supervisors, cities and towns, and Countywide Priority Setting Committee members.

Supporting Projects That Serve Members Of The Protected Classes –

The PSC has opted to prioritize projects that serve members of the protected classes. The funding application collects data that specifically identifies which members of the protected classes are being served and how. This data aids in making funding recommendations and evaluating whether projects predominantly serve members of protected classes.

All funded projects will be required to affirmatively market their services. In this context, project applicants must market services and give special assistance to historically disadvantaged groups. It is insufficient to simply not discriminate; assertive steps aimed at reversing historical trends and discriminatory patterns must be taken. The affirmative marketing plans are one part of that effort, with the purpose of promoting a condition in which individuals of similar income levels in the same area have available to them a range of choices in housing and services regardless of their race, religion, color, national origin, sex, disability, or familial status. Through an affirmative marketing plan, a grantee indicates what special efforts they will make to reach out to potential clients who might not normally seek housing or services. This requires that the provider study the market area, learn the target population, and design methods to reach out to the target population. Affirmative marketing does not limit choices; it expands choices by actively seeking to reverse the patterns of the past and provide for open and fair access to housing and services where the individual is free to live, work, and recreate where they choose. Affirmative marketing does not include specific goals or quotas. However, quantitative data and analysis are essential to planning and monitoring affirmative marketing program effectiveness.

To better support organizations in conducting affirmative marketing, County staff have updated affirmative marketing planning templates and continue to provide technical assistance to encourage successful planning. In addition, Fair Housing Advocates of Northern California recently offered a training for public service providers to increase capacity around conducting affirmative marketing.

Prioritizing Fewer Applications –

HUD requested that Marin reconsider the numerous small allocations that have been made in favor of funding fewer, larger projects that address priorities established by the Priority Setting Committee, “larger projects” being identified by HUD as \$10,000 per project. This recommendation was based on multiple conversations with the HUD office on ways to utilize funds more efficiently and effectively, most recently with comments on the 2016 Consolidated Plan Amendments.

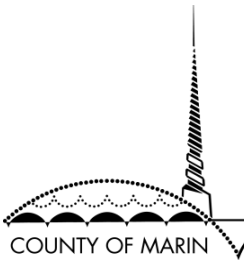
Funding Fewer Housing Projects Per Year –

The PSC also recommended that one or two housing projects that are prepared and ready to utilize funds be prioritized. Funding fewer projects per year could allow more substantial funding commitments instead of funding many projects for multiple years.

Funding in larger amounts may also assist housing projects with meeting a timelier completion schedule. However, this may not always be feasible due to Marin's commonly lengthy approval processes and HUD's strict timely spending requirements.

Attachment 3 - CDBG/HOME Program Income

Community Development Block Grant Program Program Income				
Amount	Program Income	Program Income Amount	PROJECT	
14,336.72	2021-22 Program Income - \$14,336.72 (Toussin)	2,867.34	Administration	
		11,469.38	Project funding	
28,872.49	2022-23 Program Income - \$14,336.72 (Toussin) \$28,326 (Greenbrae Boardwalk)	5,774.50	Administration	
		23,097.99	Project funding	
		43,209.21		



COMMUNITY DEVELOPMENT AGENCY
HOUSING AND FEDERAL GRANTS DIVISION

Attachment 4 – CDBG, HOME, and HOME-ARP Project Summaries 2023-24

Housing Funding Requests

Countywide Projects

CH 03 Eden Housing, Inc. – Point Reyes Coast Guard

Eden Housing, Inc., a nonprofit affordable housing developer committed to developing, acquiring, or rehabilitating affordable homes, requests \$600,000 in CDBG funding and \$2,400,000 in HOME-ARP funding to support the rehabilitation of homes at the former Coast Guard site. The request is for predevelopment, general development, and construction expenses. Staff recommend \$147,795 in CDBG and \$710,000 in HOME-ARP funds for 2023.

CH 04 Eden Housing, Inc. – Oak Hill Apartments

Eden Housing, Inc., a nonprofit affordable housing developer committed to developing, acquiring, or rehabilitating affordable homes, requests \$600,000 in HOME and \$1,500,000 in HOME-ARP funding to support the development of 115 affordable units on State-owned surplus land near San Quentin. The request would go toward general development and construction expenses. Because there will be additional, reprogrammed HOME funds available from the prior year, Staff recommend \$800,000 in HOME for 2022-23 and 2023-24, and \$1,300,000 in HOME-ARP funds for 2023.

CH 06 Episcopal Community Services – 1251 S. Eliseo

Episcopal Community Services, a nonprofit homeless housing and service provider committed to ending homelessness, requests \$500,000 in CDBG funding to support the Homekey renovation of the facility at 1251 S. Eliseo Drive into 43 units of permanent supportive housing for chronically homeless adults. The request would go toward predevelopment, general development, and construction expenses. Staff do not recommend funding at this time.

CH 07 Habitat for Humanity Greater San Francisco – Habitat Redwood Blvd

Habitat for Humanity Greater San Francisco, a nonprofit affordable housing developer committed to building quality homes for homeownership, requests \$800,000 in HOME funding to support development of 80 affordable single-family homes on a surplus land site in Northern Novato. The request would go directly toward general development and construction expenses. Because

there will be additional, reprogrammed HOME funds available from the prior year, Staff recommend \$901,389 in HOME funds for 2022-23 and 2023-24.

CH 08 Habitat for Humanity Greater San Francisco – Residential Rehab Loan Program

In December 2022 the County contracted with a new provider, Habitat for Humanity Greater San Francisco, to administer the County’s Residential Rehab Loan Program. By way of the previous project sponsor, the program has requested \$220,000 in CDBG funding to support low and differed interest home loans for low-income homeowners to make home repairs. The request would go toward personnel and administrative expenses to transition the program from the previous provider and administer new loans. In accordance with Habitat’s two-year contract amount, staff recommend \$220,000 in CDBG funds for 2023.

CH 09 Homeward Bound of Marin – Novato Workforce Housing

Homeward Bound of Marin, a nonprofit homeless housing and service provider committed to ending homelessness, requests \$600,000 in CDBG, \$500,000 in HOME, and \$2,467,167 in HOME-ARP funding to support construction and site improvements for 26 workforce rental housing units in Novato. The request would go directly toward general development and construction expenses. Staff recommend \$100,000 in CDBG, no HOME funds, and \$590,000 in HOME-ARP funds for 2023.

CH 10 Marin Center for Independent Living – Residential Access Modification Program

Marin Center for Independent Living, a nonprofit service provider committed to helping seniors and persons with disabilities achieve independence, requests \$18,000 in CDBG funding to support home access modifications to improve housing accessibility for people with disabilities. The request would go toward materials and labor expenses for home modifications. Staff do not recommend funding at this time.

County Other Projects

OH 01 Bolinas Community Land Trust – 140 Maple Road

Bolinas Community Land Trust, a nonprofit community land trust committed to the creation and preservation of affordable housing for low-income residents, requests \$500,000 in CDBG funding to support rehabilitation and legalization of a 4-unit property at 140 Maple Road in Bolinas. The request would go toward general renovations to the buildings and a new septic system. Staff do not recommend funding at this time.

OH 02 Community Land Trust Association of West Marin – 60 Third Street

Community Land Trust Association of West Marin, a nonprofit community land trust committed to providing stable and permanently affordable homes in

the communities surrounding Tomales Bay, requests \$50,000 in CDBG funding to support rehabilitation of a single residential unit at 60 Third Street in Point Reyes Station, including septic system installation and development of an Accessory Dwelling Unit (ADU). The request would go directly toward construction costs. Staff do not recommend funding at this time.

OH 03 Community Land Trust Association of West Marin – Ocean Terrace Energy Upgrades

Community Land Trust Association of West Marin, a nonprofit community land trust committed to providing stable and permanently affordable homes in the communities surrounding Tomales Bay, requests \$56,000 in CDBG funding to support energy efficiency and safety upgrades to an 8-unit apartment building in Stinson Beach. The request would go toward installation of a solar panel, door and window replacements, and electrical fees. Staff recommend \$56,000 in CDBG funds for 2023.

OH 04 Two Valleys Affordable Housing Association – 6956 Sir Francis Drake Blvd

Two Valleys Affordable Housing Association, a nonprofit community land trust and advocacy organization committed to creating and preserving permanently affordable homes in the San Geronimo and Nicasio Valleys, requests \$99,185 in CDBG funding to support rehabilitation of a 3-unit property, including both internal and external repairs. The request would go toward general development expenses. Staff recommend \$99,185 in CDBG funds for 2023.

San Rafael Projects

SH 01 Canal Alliance – 153 Novato St. Rehab

Canal Alliance, a nonprofit organization service provider committed to serving the low-income Latine immigrant community in San Rafael and throughout Marin, requests \$200,000 in CDBG funding to support rehabilitation of 2 low-income units at 153 Novato Street in San Rafael, including bathroom and kitchen renovations and new paint and flooring. The request would go directly toward construction costs. Staff recommend \$180,000 in CDBG funds for 2023.

Capital Funding Requests

County Other Projects

OC-01 Fairfax San-Anselmo Children’s Center – Kitchen Health & Safety Repair

Fairfax San-Anselmo Children’s Center has **withdrawn** its application for Kitchen Health & Safety Repair, as the project has stalled and the federal funding that was allocated previously has not yet been expended.

Novato Projects

- NC 01 Buckelew Programs – Novato House Residential Support Services**
Buckelew Programs, a nonprofit housing and services provided committed to promoting recovery, resilience, and hope through behavioral health services for individuals and families, requests \$33,750 in CDBG funding to support remodeling and upgrading its Residential Support Services facility in Novato for adults with serious mental illness. The request would go toward various construction-related expenses including lead testing and remediation, electrical upgrades, and bathroom remodels. Staff do not recommend funding at this time.
- NC 02 North Marin Community Services – Building Security**
North Marin Community Services, a nonprofit safety-net service and childcare provider committed to providing quality early childcare, education, and integrated services, requests \$183,163 in CDBG funding to support building security enhancements for its two buildings. The request would go toward the purchase of security cameras and key card locking systems. Staff recommend \$110,000 in CDBG funds for 2023.

San Rafael Projects

- SC 01 City of San Rafael – Canal Area Pathway Projects**
The City of San Rafael's Public Works Department, a local government body committed to improving and maintaining public property and infrastructure, requests \$350,000 in CDBG funding to support three walkway improvement projects in the Canal neighborhood of San Rafael. The request would go toward general development and construction expenses. Staff recommend \$120,000 in CDBG funds for 2023.
- SC 02 Community Action Marin – Renovation of De Colores Children's Center & Safety Net**
Community Action Marin, a nonprofit safety-net service and childcare provider committed to eliminating poverty, requests \$50,000 in CDBG funding to support renovation of the De Colores Children's Center and Safety Net Services Hub. The request would go toward predevelopment, general development, and construction expenses. Staff recommend \$30,000 in CDBG funds for 2023.

Public Services Funding Requests

Countywide Projects

CS 01 Covia Foundation – Home Match Marin

Covia Foundation, a nonprofit housing and service provider committed to improving the lives of older adults, requests \$15,000 in CDBG funding to support its Home Match program, which creates shared affordable housing by matching over-housed older adults with low-income service workers in Marin. The request would go toward employee salaries. Staff recommend \$15,000 in CDBG funds for 2023.

CS 02 ExtraFood.org – Equitable & Sustainable Food Safety Net

ExtraFood.org, a nonprofit organization committed preventing food waste and eliminating food insecurity, requests \$25,000 in CDBG funding to support expansion of its food safety-net and food recovery program. The request would go toward the employee salaries, administrative expenses, and contribute to the acquisition a new refrigerated truck. Staff recommend \$15,335 in CDBG funds for 2023.

CS 03 Fair Housing Advocates of Northern California – Fair Housing Counseling and Education

Fair Housing Advocates of Northern California, a nonprofit fair housing organization committed to ensuring equal housing opportunity, requests \$79,500 in CDBG funding to support its fair housing counseling and education programs. The request would go toward the employee salaries and administrative expenses. Staff recommend \$65,000 in CDBG funds for 2023.

CS 04 Family & Children’s Law Center – Domestic Violence Legal Services

Family & Children’s Law Center, a nonprofit legal service provider committed to providing high-quality, low-cost legal services to children and families, requests \$30,000 in CDBG funding to provide domestic violence legal services. The request would go toward employee salaries and administrative expenses. Staff recommend \$15,346 in CDBG funds for 2023.

CS 05 Legal Aid of Marin – Keeping Marin Residents in their Homes

Legal Aid of Marin, a nonprofit legal aid provider committed to empowering the Marin community through legal representation, advocacy, and education, requests \$40,000 in CDBG funding to support expansion of its housing support legal assistance program to keep residents in their homes. The request would go toward employee salaries and administrative expenses. Staff recommend \$34,500 in CDBG funds for 2023.

County Other Projects

- OS 01 Fairfax-San Anselmo Children’s Center – School-Age Transportation Program**
Fairfax San-Anselmo Children’s Center, a nonprofit childcare provider committed to providing quality early childcare and education, requests, requests \$17,250 in CDBG funding to support after-school transportation for children. The request would go toward employee salaries and maintenance of four vans. Staff recommend \$15,335 in CDBG funds for 2023.
- OS 02 Performing Stars of Marin – Social Services for Southern Marin Residents**
Performing Stars of Marin, a nonprofit arts and safety-net organization committed to providing children in Marin City opportunities to participate in the arts, requests \$15,000 in CDBG funding to support the continuation of after-school and summer arts and enrichment programs for children and youth. The request would go toward employee salaries, meals, transportation, and administrative expenses. Staff recommend \$15,000 in CDBG funds for 2023.
- OS 03 San Geronimo Valley Community Center – Human Services Program**
San Geronimo Valley Community Center, a nonprofit safety-net provider and community center committed to fostering healthy communities in the San Geronimo Valley and Nicasio, requests \$61,098 in CDBG funding to support its weekly food bank. The request would go toward employee salaries. Staff recommend \$15,335 in CDBG funds for 2023.

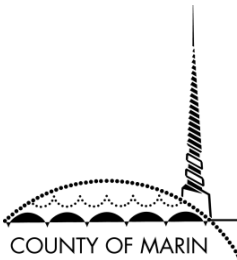
Novato Projects

- NS 01 North Bay Children’s Center – Child Care Scholarships**
North Bay Children’s Center, nonprofit childcare provider committed to providing quality early childcare and education, requests \$20,000 in CDBG funding to support scholarships for its child development programs. The request would go toward monthly childcare scholarships for qualifying families. Staff recommend \$15,335 in CDBG funds for 2023.
- NS 02 North Marin Community Services – NMCS Teacher Workforce Stabilization**
North Marin Community Services, a nonprofit safety-net service and childcare provider committed to providing quality early childcare, education, and integrated services, requests \$20,000 in CDBG funding to support stabilization of its teacher workforce so that low-income working families can remain in essential jobs and children can receive high-quality care. The request would go toward teacher salaries. Staff recommend \$15,335 in CDBG funds for 2023.

San Rafael Projects

SS 01 City of San Rafael – Pickleweed Preschool

The City of San Rafael’s Library and Recreation Department, a local government body committed to providing State-licensed childcare programming for school-age and preschool-age children, requests \$45,624 in CDBG funding to support Pickleweed Preschool programming in the Canal neighborhood of San Rafael. The request would go toward employee salaries. Staff recommend \$23,000 in CDBG funds for 2023.



COMMUNITY DEVELOPMENT AGENCY
HOUSING AND FEDERAL GRANTS DIVISION

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Environmental Review
Housing
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Code Enforcement
GIS
Federal Grants

www.marincounty.org/cda

DATE: Thursday, May 18, 2023, at 6 P.M.

TO: Countywide Priority Setting Committee

FROM: Aline Tanielian, Planner
Molly Kron, Senior Planner
Leelee Thomas, Deputy Director

SUBJECT: Marin Housing Trust Fund (Housing Trust) and Matching Permanent Local Housing Allocation (PLHA) Funding Recommendations for CY 2023

MEETING LOCATION: Virtual Hearing via Zoom. Register here: https://us06web.zoom.us/webinar/register/WN_Oh8zs7NnQAOqHa-S62cclQ

REQUEST:

1. Consider funding recommendations for Marin Housing Trust and matching PLHA for the County Other Planning Area for Calendar Year 2023 and approve recommendations.
2. Consider Marin Housing Trust and matching PLHA recommendations provided by the Novato City Council regarding the Novato Planning Area and from the San Rafael City Council for the San Rafael Planning Area for Calendar Year 2023 and approve recommendations.

RECOMMENDATION:

1. Recommend Marin Housing Trust and matching PLHA funding to the Marin County Board of Supervisors.

SUMMARY:

The Permanent Local Housing Allocation Program (PLHA) is a state program providing annual funding to local jurisdictions for affordable housing. The funding was created by Senate Bill 2 (SB2, 2017), the "Building Homes and Jobs Act". PLHA aims to address housing shortages and high housing costs by providing an ongoing source of financing through real estate fees. Staff propose the enclosed recommendations for the 2023 Calendar Year.

DISCUSSION:

The Permanent Local Housing Allocation Program (PLHA) is a state funding source through the Department of Housing and Community Development (HCD). The County of Marin is eligible for non-competitive PLHA funds as an Entitlement Community designated by the U.S. Department of Housing and Urban Development for the Community Development Block Grant (CDBG) program and because it has an approved Housing Element in compliance with the State Housing Law, at the time of application, and submits Annual Progress Reports approved by HCD. Funding recommendations are subject to final approval of PLHA funds by HCD.

On July 21, 2020, the Marin County Board of Supervisors passed a resolution to apply for PLHA grant funding through the non-competitive NOFA process. In August 2020, the Board approved a five-year expenditure plan for the funds. This plan was developed in consultation with the Board of Supervisors Housing Subcommittee and in alignment with the Countywide Priority Setting Committees' (PSC) approved 2020-24 Consolidated Plan and Assessment of Impediments to Fair Housing Choice (AI).

Under the five-year plan, PLHA funds match portions of funds placed into the Marin Housing Trust. This activity was recommended by staff to ensure effective and efficient deployment of PLHA funds. Marin Housing Trust funds can be applied to projects in all jurisdictions of Marin and seeks collaborative funding from cities and towns where eligible projects are approved. When matched with PLHA, staff aim to distribute funding in each of the CDBG Planning Areas (County Other, San Rafael, and Novato) with funding dependent on the recommended project.

Evaluation Guidelines

All project applications are evaluated based on their ability to meet PLHA criteria developed by HCD and the PSC's approved program goals.

HCD Project criteria includes:

- Demonstration of readiness, including site control for development projects, land use entitlements, environmental review, and commitments of other required funding and resources.
- Prioritization for projects that support those earning 60% AMI or below.

Readiness is a key factor identified by HCD. The County is not eligible to receive additional PLHA allocations if there are uncommitted formula funds.

In addition to the criteria set forth by HCD, the PSC approved the following PLHA program goals, which are informed by the HUD approved 2020-24 Consolidated Plan and Analysis of Impediments to Fair Housing Choice:

- Family Housing
- Rental Housing – Acquisition, New Construction, Rehabilitation
- Homeowner Housing – Acquisition, New Construction, Rehabilitation
- Special Needs Housing

- Land trust in eastern Marin that provides home ownership opportunities, with specific inclusion for Black/African Americans residents.

In alignment with the PSC’s efforts on fair housing and equity, all applications include:

- A demographic assessment (race/ethnicity, people with disabilities, families) of the applicants existing housing developments in Marin.
- Demographics of staff and board members of the applicant organization.

Funding Analysis

For the 2023 program year, the County has \$1,179,015 in PLHA funds to distribute. Along with matching Housing Trust, these funds will support predevelopment, development, acquisition, and preservation of affordable housing, with an emphasis on projects serving those that earn an income at or under 60 percent Area Median Income (AMI), as stipulated in the PLHA Final Guidelines.

Between February 9 and March 17, 2023, the County released a Notice of Funding Availability (NOFA) application for \$2,358,030¹ in PLHA/Marin Housing Trust funds. A total of nine (9) PLHA/Marin Housing Trust applications were received for projects across the county totaling \$13,216,060 in requests.

❖ County Other Planning Area Funding Recommendations

A total of six (6) applications were considered for the County Other Planning Area. The applications have a total request of \$7,858,030. Staff recommend allocating a total of \$1,158,000 of County Housing Trust/PLHA funds to Eden Housing’s Oak Hill project. This project meets the regulatory requirements set forth by PLHA, including readiness and site control. In addition, they both address the Rental Housing and Family Housing program goals approved by the PSC.

Project	2023 Housing Trust/PLHA Request	PLHA Recommendation	County Match	Total Funding
EAH Inc. <i>1 Hamilton, Mill Valley</i>	\$1,000,000	\$0	-	-
Eden Housing, Inc. <i>Pt. Reyes Coast Guard</i>	\$2,300,000	\$0	-	-
Eden Housing, Inc. <i>Oak Hill</i>	\$1,500,000	\$579,000	\$579,000	\$1,158,000

¹ This figure is inclusive of the Marin County Trust Fund match.

Educational Housing Partners <i>Educator/County Employee Housing</i>	\$2,358,030	\$0	-	-
Bolinas Community Land Trust <i>140 Maple Road</i>	\$500,000	\$0	-	-
Community Land Trust Association of West Marin <i>60 Third Street</i>	\$200,000	\$0	-	-
Total	\$7,858,030	\$579,000		\$1,158,000

❖ **Novato Planning Area Funding Recommendations**

On Tuesday, April 25, 2023, the Novato City Council passed a resolution approving PLHA funding recommendations for the 2023 calendar year. This recommendation is reflective of Novato City Council’s March 14, 2023, \$350,000 funding approval from their affordable housing program fund. Staff recommend that the Priority Setting Committee adopt the City of Novato’s recommendations, listed here.

Project	2023 Housing Trust/ PLHA Request	PLHA Recommendation	County Match	Planning Area Match	Total Funding
Habitat for Humanity Greater San Francisco <i>Habitat Redwood Blvd</i>	\$2,000,000	\$350,000	\$350,000	\$350,000 ²	\$1,050,000
Homeward Bound of Marin <i>Novato Veterans and Workforce Housing</i>	\$2,358,030	\$0	-	-	-
Total	\$4,358,030	\$350,000			\$1,050,000

² On March 14, 2023, Novato City Council approved \$350,000 towards this project from the City’s affordable housing program fund.

❖ San Rafael Planning Area Funding Recommendations

On Monday, May 1, 2023, the San Rafael City Council passed a resolution approving the PLHA funding recommendations for the 2023 calendar year. In addition, San Rafael agrees to match PLHA funding for the approved project. This recommendation is contingent upon San Rafael funding their portion of the match. If this commitment is not executed, staff will reconsider funding. Staff recommend that the Priority Setting Committee adopt the City of San Rafael's recommendations:

Project	2023 Housing Trust/ PLHA Request	PLHA Recommendation	County Match	Planning Area Match	Total Funding
<i>Eden Housing, Inc. 3301 Kerner</i>	\$1,000,000	\$250,000	\$250,000	\$250,000	\$750,000
Total	\$1,000,000	\$357,125			\$750,000

FISCAL IMPACT:

Approval of the County Housing Trust/PLHA recommendations will increase expenditures from the Marin Housing Fund to match state funded PLHA resources.

OPTIONS:

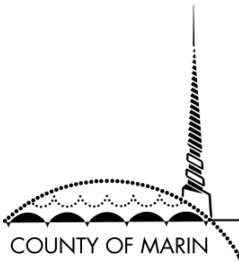
1. Approve allocations of County Housing Trust/PLHA funding as recommended by staff.
2. Make different allocations of County Housing Trust/PLHA funding.
3. Provide direction to staff.

ACTION REQUIRED:

1. Adopt recommendations for County Housing Trust/PLHA projects to be presented to the Marin County Board of Supervisors.

ATTACHMENTS:

Attachment 1 — County Housing Trust/PLHA Project Summaries
Attachment 2 — PLHA Guidelines



COMMUNITY DEVELOPMENT AGENCY
HOUSING AND FEDERAL GRANTS DIVISION

Attachment 1 – PLHA Project Summaries

Bolinas Community Land Trust – 140 Maple Road

Bolinas Community Land Trust, a nonprofit community land trust committed to the creation and preservation of affordable housing for low-income residents, requests \$500,000 in County Housing Trust/PLHA funds to support rehabilitation and legalization of a 4-unit property at 140 Maple Road in Bolinas. The request would go toward general renovations to the buildings and a new septic system. To better support project completion, staff recommend providing larger funding amounts to fewer projects and do not recommend funding for this project at this time.

Community Land Trust Association of West Marin – 60 Third Street

Community Land Trust Association of West Marin, a nonprofit community land trust committed to providing stable and permanently affordable homes in the communities surrounding Tomales Bay, requests \$200,000 in County Housing Trust/PLHA funds to support rehabilitation of a single residential unit at 60 Third Street in Point Reyes Station, including septic system installation and development of an Accessory Dwelling Unit (ADU). The request would go directly toward construction costs. To better support project completion, staff recommend providing larger funding amounts to fewer projects and do not recommend funding for this project at this time.

EAH Inc. – 1 Hamilton Drive

EAH, a nonprofit affordable housing organization committed to expanding the range of opportunities for all by developing and managing quality affordable housing, requests \$1,000,000 in County Housing Trust/PLHA funds to support the development of a 45-unit affordable residential complex on land owned by the City of Mill Valley. The request would go toward predevelopment expenses. To better support project completion, staff recommend providing larger funding amounts to fewer projects and do not recommend funding for this project at this time.

Eden Housing, Inc. – 3301 Kerner Boulevard

Eden Housing, a nonprofit affordable housing developer committed to developing, acquiring, or rehabilitating affordable homes, requests \$1,000,000 in County Housing Trust/PLHA funds to support the adaptive reuse of a three-story office building in San Rafael to 40 permanent supportive housing apartments for those experiencing homelessness. The request would be applied to unanticipated design changes required to address a portion of the building that is situated in a floodplain. This project meets the regulatory requirements set forth by the PLHA program including readiness and site control. In addition, the project meets two of the program goals approved by the PSC, including the creation of new rental housing and housing that serves a special needs

population. Staff recommend \$250,000 in Housing Trust funds and \$250,000 matching PLHA funds (\$500,000 total). This recommendation is contingent upon San Rafael funding their portion of the match. If this commitment is not executed, staff will reconsider funding.

Eden Housing, Inc. – Oak Hill Apartments

Eden Housing, Inc., a nonprofit affordable housing developer committed to developing, acquiring, or rehabilitating affordable homes, requests \$1,500,000 in County Housing Trust/PLHA funds to support the development of 115 affordable units on State-owned surplus land near San Quentin in unincorporated Larkspur. The request would go toward general development and construction expenses. This project meets the regulatory requirements set forth by the PLHA program including readiness and site control. In addition, the project meets PSC approved program goal to create new rental housing. Staff recommend \$579,000 in Housing Trust funds and \$579,000 matching PLHA funds (\$1,158,000 total).

Eden Housing, Inc. – Point Reyes Coast Guard

Eden Housing, Inc., a nonprofit affordable housing developer committed to developing, acquiring, or rehabilitating affordable homes, requests \$2,300,000 in County Housing Trust/PLHA funds to support the rehabilitation existing buildings to 53 residential units at the former Coast Guard site in Point Reyes Station. The request would be applied to predevelopment, general development, and construction expenses. To better support project completion, staff recommend providing larger funding amounts to fewer projects and do not recommend funding for this project at this time.

Educational Housing Partners – Oak Hill Educator/County Employee Housing

Education Housing Partners, Inc., a nonprofit public benefit corporation committed to developing affordable workforce housing, requests \$2,358,000 in County Housing Trust/PLHA funds to support the development of 135 apartments for teachers/staff of local school districts and County employees on State-owned surplus land near San Quentin in unincorporated Larkspur. The request would go toward general development and construction expenses. To better support project completion, staff recommend providing larger funding amounts to fewer projects and do not recommend funding for this project at this time.

Habitat for Humanity Greater San Francisco – Habitat Redwood Blvd

Habitat for Humanity Greater San Francisco, a nonprofit affordable housing developer committed to building quality homes for homeownership, requests \$2,000,000 in County Housing Trust/PLHA funds to support development of 80 affordable single-family homes on a surplus land site in Northern Novato. The request would go directly toward general development and construction expenses. To better support project completion, staff recommend providing larger funding amounts to fewer projects and do not recommend funding for this project at this time.

Homeward Bound of Marin – Novato Workforce Housing

Homeward Bound of Marin, a nonprofit homeless housing and service provider committed to ending homelessness, requests \$2,358,000 in County Housing Trust/PLHA funds to support construction and site improvements for 26 workforce rental housing units in Novato. The request would go directly toward general development and construction expenses. To better support project completion, staff recommend providing larger funding amounts to fewer projects and do not recommend funding for this project at this time.

Permanent Local Housing Allocation Final Guidelines



**Gavin Newsom, Governor
State of California**

**Alexis Podesta, Secretary
Business, Consumer Services and Housing Agency**

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

2020 West El Camino Avenue, Suite 150
Sacramento, CA 95833

October 2019

The matters set forth herein are regulatory mandates, and are adopted in accordance with the authorities set forth below:

Quasi-legislative regulations ... have the dignity of statutes ... [and]... delegation of legislative authority includes the power to elaborate the meaning of key statutory terms...

Ramirez v. Yosemite Water Co., 20 Cal. 4th 785, 800 (1999)

In consultation with stakeholders, the California Department of Housing and Community Development (Department) may adopt Guidelines to implement this Section, including determining allocation methodologies. Any guideline, rule, policy, or standard of general application employed by the Department in implementing this chapter shall not be subject to the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Title 2 Government Code, Part 1 of Division 3).

NOTE: Authority Cited: Health and Safety Code Section 50470, subdivision (d).

The Department reserves the right, at its sole discretion, to suspend or amend the provisions of these Guidelines, including, but not limited to, grant award amounts.

INTRODUCTION

Chapter 364, Statutes of 2017 (SB 2, Atkins) was part of a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. Specifically, it establishes a permanent source of funding intended to increase the affordable housing stock in California. The revenue from SB 2 will vary from year to year, as revenue is dependent on real estate transactions with fluctuating activity. The legislation directs the California Department of Housing and Community Development (Department) to use 70 percent of the revenue collected, beginning in calendar year 2019, to provide financial assistance to local governments for eligible housing-related projects and programs to assist in addressing the unmet housing needs of their local communities. This program is hereafter referred to as the Permanent Local Housing Allocation (PLHA) program.

Guidelines for the PLHA program are organized into five Articles as follows:

Article I. General provisions: This article includes information on the purpose of the Guidelines, program objectives, and definitions used throughout the document.

Article II. Program funding: This article describes allocation formulas and methodologies, and award amounts.

Article III. Formula allocation component: This article describes the requirements for Applicants to apply for funds under the formula allocation of the PLHA program.

Article IV. Competitive allocation component: This article describes requirements and uses for PLHA competitive allocation funds.

Article V. Administration: This article describes administrative functions such as terms, non-performance remedies, and reporting and monitoring requirements.

Permanent Local Housing Allocation (PLHA) Program: 2019 Guidelines

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ARTICLE I. GENERAL PROVISIONS

Section 100. Purpose and Scope

- (a) These Guidelines (hereinafter “Guidelines”) implement, interpret, and make specific Chapter 364, Statutes of 2017 (SB 2, Atkins - hereinafter “SB 2”) as authorized by Health and Safety Code (HSC) Section 50470, which created the Building Homes and Jobs Trust Fund and the PLHA program. The principal goal of this program is to make funding available to eligible local governments in California for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities. Twenty percent of the funding in the Building Homes and Jobs Trust Fund is required to be expended for Affordable Owner-Occupied Workforce Housing, and the program prioritizes investments that increase the supply of housing to households that are at or below 60 percent of the Area Median Income (AMI), adjusted for household size.
- (b) These Guidelines establish terms, conditions, and procedures for local governments to submit applications to the Department for funds from the PLHA program’s three components, as listed below:
 - (1) Entitlement formula component per HSC 50470(b)(2)(B)(i)(I)
 - (2) Non-entitlement formula component per HSC 50470(b)(2)(B)(i)(II)
 - (3) Non-entitlement competitive grant program component per HSC 50470(b)(2)(B)(i)(I) (eligible Applicants are the same as for component 2 above)
- (c) The non-entitlement competitive grant program component prioritizes assistance to persons experiencing or At risk of homelessness.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(A), subdivision (b)(2)(B)(i) and subdivision (b)(2)(B)(ii)(I-V).

Section 101. Definitions

All terms not defined below shall, unless their context suggests otherwise, be interpreted in accordance with the meanings of terms described in HSC Section 50470.

- (a) “Accessory dwelling unit” (ADU) means a dwelling unit which is attached, detached or located within the living area of the existing dwelling or residential dwelling unit and which provides complete independent living facilities for one or more persons pursuant to Government Code (GC) Section 65852.2 and 65852.22. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family dwelling. An Accessory dwelling unit also includes the following: an efficiency unit, as defined in Section 17958.1 of the HSC, or a manufactured home, as

defined in Section 18007 of the HSC.

(b) "Activity" means any single eligible undertaking carried out as part of an Applicant's allocation(s) under the Program.

(c) "Affordable" means a housing unit that satisfies at least one of the following criteria:

1. If the unit is being rented to low-income, Very low-income or Extremely low-income households, it complies with the Multifamily Housing Program guidelines Section 7312 and the Section 7301 definition of "Affordable Rent"; or
2. If the unit is being sold, it is offered at an "Affordable housing cost", as published in the Fannie Mae Selling Guide, Part B, Debt to Income Ratios, as updated annually (<https://www.fanniemae.com/content/guide/selling/b3/6/02.html#DTI.20Ratios>), and it complies with the income limits stated in the definitions of Moderate-Income and Lower-Income in this section; or
3. If the unit is being rented to Moderate-Income households, it is available at a gross rent, including a utility allowance, that does not exceed 30 percent of the applicable income eligibility level, and complies with the definition of Moderate-Income in these guidelines

(d) "Affordable Owner-Occupied Workforce Housing" (AOWH) means owner-occupied housing per HSC Section 50092.1 that is affordable to persons and families of low or moderate income, as that term is defined in HSC Section 50093, except in High-cost areas where Moderate-income shall include households earning up to 150 percent of AMI.

(e) "Annual Progress Report" (APR) means the Housing Element APR required by GC Section 65400 on the prior year's activities and due to the Department April 1 of each year.

(f) "Annual Report" means a form issued by the Department and completed by a Local government awarded PLHA funds on which the Local government documents the uses and expenditures of any allocated funds and outcomes achieved.

(g) "Applicant" means an eligible Local government applying for the program to administer one or more eligible activities. Applicant also means a Local or Regional Housing Trust Fund delegated by an eligible Local government to apply for the program and administer its allocation in accordance with all program rules.

- (h) “Area Median Income” or “AMI” means the most recent applicable county median family income published by the Department, available at the following link:
<http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>
- (i) “At risk of homelessness” means the same as defined in Title 24 Section 578.3 of the Code of Federal Regulations and also includes any household receiving rental assistance funded by the California Emergency Solutions and Housing (CESH) program or the California Homeless Emergency Aid Program (HEAP).
- (j) “Capitalized Reserve for Services” means the reserve funded by the Local government pursuant to Section 301(a)(5) to address project supportive service budget deficits attributable to shortfalls in service funding sources.
- (k) “Comprehensive Housing Affordability Strategy” or “CHAS” means annual data compiled by the United States Census Bureau for the U.S. Department of Housing and Urban Development (HUD) to document the extent of housing problems and housing needs, particularly for low-income households.
- (l) “Community Development Block Grant” or “CDBG” means the program created pursuant to Title I of the Housing and Community Development Act of 1974, 42 U.S.C. 5301 et seq., as amended.
- (m) “Department” means the California Department of Housing and Community Development.
- (n) “Extremely Low Income” has the meaning set forth in HSC Section 50106, which is a maximum of 30 percent of AMI. Grantees shall utilize income limits issued by the Department at the following link:
<http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>.
- (o) “Fund” means the Building Homes and Jobs Trust Fund pursuant to HSC Section 50470.
- (p) “High-cost area” means those counties defined as high cost by the Federal Housing Finance Agency (at: <https://www.fhfa.gov/DataTools/>) and those counties for which HUD adjusted the Very low income and low-income rents due to high costs (at: https://www.huduser.gov/portal/pdrdatas_landing.html), as published by the Department in the annual PLHA Notice of Funding Availability.
- (q) “Local government” means any city, including a charter city, any county, including a charter county, or a city and county, including a charter city and county.

- (r) "Local Housing Trust Fund" or "Regional Housing Trust Fund" means a public, joint public and private fund or charitable nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code, which was established by legislation, ordinance, resolution (including nonprofit articles of incorporation), or a public-private partnership organized to receive specific revenue to address local or regional housing needs.
- (s) "Low or Lower Income" has the meaning set forth in HSC Section 50079.5, which is a maximum of 80 percent of AMI. Grantees shall utilize income limits issued by the Department at the following link:
<http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>.
- (t) "Moderate-Income" has the meaning set forth in HSC Section 50093, which is a maximum of 120 percent AMI, or in High-cost areas, 150 percent of AMI. Grantees shall utilize income limits issued by the Department at the following link:
<http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>.
- (u) "Non-entitlement local government" means a Local government in an area which is not a metropolitan city or part of an urban county, a Local government that, as of September 1, 2017, was an incorporated city with a population of less than 50,000 or a county with an unincorporated area population of less than 200,000 persons which had not entered into a three-year Urban County Cooperation Agreement, or a Local government that was not otherwise entitled to receive CDBG funds directly from HUD.
- (v) "Operating subsidies" means payments to owners of affordable housing developments that make the housing more affordable by covering a portion of the ongoing costs of operating the development. Such payments would have the same effect as rental assistance.
- (w) "Owner-occupied" means a dwelling which is occupied by the owner and includes a single family dwelling or a dwelling unit in a stock cooperative, as defined by Business and Professions Code (BPC), Section 11003.2, a community apartment project, as defined by BPC Section 11004, or a condominium project, as defined by subdivision (c) of BPC Section 11004. 5.
- (x) "Plan" means the document submitted by the Applicant to the Department as part of a complete application in which the Applicant proposes to use allocated funds for at least one eligible Activity. The Plan shall have a term of five years. In succeeding years, the Local government is required to obtain the approval of the Department for any amendments made to the Plan, as set forth in Section 302(c)(5).
- (y) "Permanent Local Housing Allocation Program", "Program", or "PLHA" means the program developed to annually allocate 70 percent of the moneys deposited into the Fund pursuant to HSC Section 50470(b)(2)(B)(i).

(z) "Permanent supportive housing" has the same meaning as in HSC Section 50675.14, that is, housing with no limit on the length of stay, that is occupied by the target population, and that is linked to onsite or offsite services that assist the supportive housing residents in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community. Permanent supportive housing may include associated facilities if used to provide services to housing residents. Permanent supportive housing does not include "health facility" as defined by HSC Section 1250 or any "alcoholism or drug abuse recovery or treatment facility" as defined by HSC Section 11834.02 or "Community care facility" as defined in HSC Section 1502, "Mental health rehabilitation centers" as defined in Section 5675 of the Welfare and Institutions Code (WIC), or other residential treatment programs.

(aa) "Regional Housing Needs Allocation" or "RHNA" means the share of the regional housing need represented by persons at all income levels within the area significantly affected by the general plan of the city or county allocated to an Applicant Local government pursuant to GC Section 65584(b).

(bb) "Sponsor" means the legal entity or combination of legal entities with continuing control of a 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 rental housing Project, unless the seller will retain control of the Project for the period necessary to ensure Project feasibility as determined by the Department.

(cc) "Very Low Income" has the meaning set forth in HSC Section 50105, which is a maximum of 50 percent of AMI. Grantees shall utilize income limits issued by the Department at the following link:
<http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470.5 and 50470, subdivision (b)(2).

ARTICLE II. PROGRAM FUNDING

Section 200. Allocations

(a) SB 2 created a dedicated revenue source for affordable housing and directed the Department to make available 70 percent of the moneys in the Building Homes and Jobs Trust Fund, collected on and after January 1, 2019, to Local governments through the following allocations:

(1) Ninety percent of the moneys available shall be allocated based on the formula used under Federal law to allocate CDBG funds within California. This is the formula specified in Title 42 United States Code (USC), Section 5306.

(A) The amount of funds awarded to each Local government eligible for the entitlement formula component shall be determined by the 90 percent of PLHA funds available pursuant to this paragraph (1) and the percentage of funds received by the entitlement Local government in the CDBG federal fiscal year 2017 allocation process performed by HUD.

(B) Through the formula specified in paragraph (1), the percentage of funds allocated to Non-entitlement local governments shall be distributed to Non-entitlement local governments through a competitive grant program.

(2) Ten percent of the moneys available shall be allocated equitably among Non-entitlement local governments. The equitable allocation awarded to each Local government eligible for the Non-entitlement formula component shall be based on the sum of: (1) 50 percent of the funding available for the Non-entitlement formula component divided by the number of local governments eligible for the Non-entitlement formula component and (2) 50 percent of the funding allocated in proportion to each Non-entitlement local government's share of the total most severe housing need in California's Non-entitlement local governments, based upon the most recent HUD Comprehensive Housing Affordability Strategy.

(b) After funds are appropriated by the Legislature as part of the budget act, the Department will issue one or more Notices of Funding Availability (NOFA). Local governments shall submit an application under the NOFA pertaining to the specific allocation for which the Local government is eligible.

(c) It is recommended that Local governments that were urban counties in accordance with the distribution of funds pursuant to the formula specified in 42 USC, Section 5306 for the federal fiscal year 2017 provide a proportional share of their allocations to Local governments within their county with which they had a three-year Urban County Cooperation Agreement as of September 1, 2017, provided that these Local governments meet the threshold requirements of the PLHA and expend sub-allocated funds for eligible activities within the deadlines of the Standard Agreement governing the sub-allocation.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B).

Section 201. Award Amounts

(a) The formula allocation amounts derived pursuant to the formulas in Section 200 will be announced in the NOFA.

- (b) The maximum application amount and the minimum application amount for the competitive allocation will be stated in the NOFA.
- (c) An Applicant may apply for its formula allocation from the current and two prior NOFAs for which it did not receive an award, provided that the award meets the requirements of Section 304(a).

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B).

ARTICLE III. FORMULA ALLOCATION COMPONENT

Section 300. Eligible Applicants

- (a) Eligible Applicants for the entitlement formula component described in Section 100(b)(1) are limited to the metropolitan cities and urban counties allocated a grant for the federal fiscal year 2017 pursuant to the federal CDBG formula specified in 42 USC, Section 5306.
- (b) Eligible Applicants for the non-entitlement formula component described in Section 100(b)(2) and the competitive grant program component described in Section 100(b)(3) are limited to the Non-entitlement local governments.
- (c) A Local government may delegate another Local government to submit an application and administer on its behalf its formula allocation of Program funds, provided that the Local governments enter into a legally binding agreement and the funds are expended for eligible Activities and consistent with Program requirements. The delegating Local government shall be identified in the application. The administering Local government shall be responsible for all Program requirements.
- (d) A Local government may delegate a Local or Regional Housing Trust Fund to submit an application and administer on its behalf its formula allocation of Program funds, provided that the Local government enters into a legally binding agreement with the Local or Regional Housing Trust Fund and the funds are expended for eligible Activities and consistent with Program requirements. The delegating Local government shall be identified in the application. The Local or Regional Housing Trust Fund shall be responsible for all Program requirements.
- (e) An Applicant shall not be eligible to receive a new allocation of PLHA funds if it has an uncommitted amount of formula PLHA funds greater than the following:
 - (1) Four times the pending annual allocation if the pending annual allocation is \$125,000 or less;
 - (2) \$500,000 if the pending annual allocation is greater than \$125,000 and less than \$500,000;

- (3) The amount of the pending annual allocation if the pending allocation is \$500,000 or more.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B).

Section 301. Eligible Activities

(a) Eligible Activities are limited to one or more of the following:

- (1) The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is Affordable to Extremely low-, Very low-, Low-, or Moderate-income households, including necessary Operating subsidies.
- (2) The predevelopment, development, acquisition, rehabilitation, and preservation of Affordable rental and ownership housing, including Accessory dwelling units (ADUs), that meets the needs of a growing workforce earning up to 120 percent of AMI, or 150 percent of AMI in high-cost areas. ADUs shall be available for occupancy for a term of no less than 30 days.
- (3) Matching portions of funds placed into Local or Regional Housing Trust Funds.
- (4) Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of HSC Section 34176.
- (5) Capitalized Reserves for Services connected to the preservation and creation of new Permanent supportive housing.
- (6) Assisting persons who are experiencing or At risk of homelessness, including, but not limited to, providing rapid rehousing, rental assistance, supportive/case management services that allow people to obtain and retain housing, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.
 - (A) This Activity may include subawards to Administrative Entities as defined in HSC Section 50490(a)(1-3) that were awarded CESH program or HEAP funds for rental assistance to continue assistance to these households.
 - (B) Applicants must provide rapid rehousing, rental assistance, navigation centers, emergency shelter, and transitional housing activities in a manner consistent with the Housing First practices described in 25 CCR, Section 8409, subdivision (b)(1)-(6) and in compliance with WIC Section 8255(b)(8). An Applicant allocated funds for the new construction, rehabilitation, and preservation of Permanent supportive housing shall incorporate the core

components of Housing First, as provided in WIC Section 8255, subdivision (b).

- (7) Accessibility modifications in Lower-income Owner-occupied housing.
 - (8) Efforts to acquire and rehabilitate foreclosed or vacant homes and apartments.
 - (9) Homeownership opportunities, including, but not limited to, down payment assistance.
 - (10) Fiscal incentives made by a county to a city within the county to incentivize approval of one or more Affordable housing Projects, or matching funds invested by a county in an Affordable housing development Project in a city within the county, provided that the city has made an equal or greater investment in the Project. The county fiscal incentives shall be in the form of a grant or low-interest loan to an Affordable housing Project. Matching funds investments by both the county and the city also shall be a grant or low-interest deferred loan to the Affordable housing Project.
- (b) A Local government that receives an allocation shall use no more than 5 percent of the allocation for costs related to the administration of the Activity(ies) for which the allocation was made. Staff and overhead costs directly related to carrying out the eligible activities described in Section 301 are “activity costs” and not subject to the cap on “administrative costs.” A Local government may share any funds available for administrative costs with entities that are administering its allocation.
 - (c) Two or more Local governments that receive PLHA allocations may expend those moneys on an eligible jointly funded project as provided for in Section 50470 (b)(2)(B)(ii)(IV). An eligible jointly funded project must be an eligible Activity pursuant to Section 301(a) and be located within the boundaries of one of the Local governments.
 - (d) Entitlement Local governments may use the flow of PLHA funds to incentivize private lender loans and to guarantee payments for some or all public agency bond financings for activities consistent with the uses identified in Section 301 “Eligible Activities”. This loan guarantee Activity must be identified and fully explained in the Applicant’s “Plan”.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivisions (b)(2)(B)(ii)(IV), (b)(2)(D)(i-x), and (b)(3).

Section 302. Threshold Requirements

Applicants must meet all the following threshold requirements for participation in the formula allocation:

- (a) **Housing Element compliance:** The Applicant and any delegating Local government, if applicable, must have a Housing Element that has been adopted by the Local

government's governing body by the application deadline and subsequently determined to be in substantial compliance with state Housing Element Law pursuant to GC Section 65585. A Local government's current Housing Element compliance status can be obtained by referencing the Department's website at <http://www.hcd.ca.gov/community-development/housing-element>.

- (b) **APR on the Housing Element submitted to the Department:** The Applicant and any delegating Local government, if applicable, must submit to the Department the APR required by GC Section 65400 for the current or prior year by the application deadline date.
 - (1) Please be advised that the Department will not accept other reports in lieu of the APR. Housing Authority Financial Reports, Redevelopment Reports, and other similar reports will not be accepted as meeting this requirement. If uncertain of the status of the report submittal for a Local government, please contact the Department for more information.
- (c) Submit, by the deadline specified in the NOFA, on a form made available by the Department, a complete application which shall meet the following minimum requirements:
 - (1) Application requests an allocation pursuant to Section 200 in order to carry out one or more of the eligible activities described in Section 301. Except for a jointly funded project as described in Section 301(c), any activities must be carried out within the jurisdiction of the Applicant Local government.
 - (2) Submission of the application is authorized by the governing boards of the Applicant.
 - (3) Certification in the resolution that, if the Local government proposes allocation of funds for any Activity to another entity, the Local government's selection process shall avoid conflicts of interest and shall be accessible to the public. For the purposes of this paragraph, "entity" means a housing developer or program operator; "entity" does not mean an administering Local government to whom a Local government delegates its PLHA formula allocation, pursuant to Section 300(d).
 - (4) A Plan detailing:
 - (A) The manner in which allocated funds will be used for eligible Activities.
 - (B) A description of the way the Local government will prioritize investments that increase the supply of housing for households with incomes at or below 60 percent of AMI. Programs targeted at households at or below 60 percent of AMI will be deemed to meet this requirement.

- (C) A description of how the Plan is consistent with the programs set forth in the Local government's Housing Element.
- (D) Evidence that the Plan was authorized and adopted by resolution by the Local government and that the public had an adequate opportunity to review and comment on its content.
- (E) The following for each proposed Activity:
 - (i) A description of each proposed Activity, pursuant to Section 301, and the percentage of funding allocated to it. The description shall specifically include the percentage of funds, if any, directed to AOWH.
 - (ii) The projected number of households to be served at each income level and a comparison to the unmet share of the RHNA at each income level.
 - (iii) A description of major steps/actions and a proposed schedule required for the implementation and completion of the Activity.
 - (iv) The period of affordability and level of affordability for each Activity. Rental Projects are required to have affordability periods of at least 55 years.
- (5) The Plan submitted in response to the NOFA shall be for a term of five years. Local governments shall obtain approval of the Department for amendments made to the Plan in each succeeding year of the term of the Plan. Reallocations of more than 10 percent of funds among Activities require amendment of the Plan, with approval granted by the governing body at a publicly noticed public meeting.
- (6) A certification that, if funds are used for the acquisition, construction, or rehabilitation of for-sale housing projects or units within for-sale housing projects, the grantee shall record a deed restriction against the property that will ensure compliance with one of the following requirements if the property is no longer the primary residence of the homeowner due to sale, transfer or lease, unless it is in conflict with the requirements of another public funding source or law:
 - (A) The PLHA loan and any interest thereon shall be repaid to the Local government's PLHA account. The Local government shall reuse the repayments consistent with Section 301; or
 - (B) The initial owner and any subsequent owner shall sell the home at an Affordable housing cost to a qualified Lower-Income or Moderate-Income household; or
 - (C) The homeowner and the Local government shall share the equity in the unit pursuant to an equity-sharing agreement. The grantee shall reuse the proceeds

of the equity-sharing agreement consistent with this section.

- (7) A certification that, if funds are used for the development of an Affordable Rental Housing Development, the Local government shall make the PLHA assistance in the form of a low-interest, deferred loan to the Sponsor of the Project. The loan shall be evidenced through a Promissory Note secured by a Deed of Trust, and a Regulatory Agreement shall restrict occupancy and rents in accordance with the Local government-approved underwriting of the Project for a term of at least 55 years.
- (8) A Program income reuse plan describing how repaid loans will be reused for eligible activities specified in Section 301.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii).

Section 303. Application Review

- (a) Applicants must submit a complete application by the deadline stated in the NOFA in order to be eligible for funding. Application forms provided by the Department will be available upon release of the NOFA and will require Applicants to submit the forms and other documents to demonstrate that the Local government has met threshold requirements.
- (b) The Department may request additional information to complete its review.
- (c) Applications recommended for funding are subject to conditions specified by the Department. Applicants will receive an official letter of award after the Department approves funding recommendations.
- (d) The Department may issue an Over-the-Counter formula allocation NOFA after completing the NOFA process so that Local governments who were not able to submit formula allocation applications by the application deadline will have another opportunity to do so.
- (e) If funding proposed in Local government Plans for AOWH activities is lower than 20 percent of the moneys available in the Fund, the Department may require Local governments to use a specific percentage of their annual formula allocations in some future year for AOWH activities as part of the annual funding process.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(A).

Section 304. Deadlines and Funding Requirements

- (a) The initial PLHA application, including the Plan, must be submitted within 48 months of the budget appropriation (for example, the budget appropriation for 2019 is July 1, 2019, so the application deadline is June 30, 2023).
- (b) Funds allocated to Local governments that do not submit a complete application by the deadline stated in subsection (a) will revert to the Housing Rehabilitation Loan Fund for the Multifamily Housing Program or for Department-administered technical assistance to Local governments.
- (c) A Local government may petition the Department to return any funds allocated to it to be used for the Multifamily Housing Program.
- (d) Except for predevelopment expenses for construction projects funded by PLHA and costs to develop and prepare the Plan and the PLHA application, no costs incurred more than one year prior to commitment by the Local government may be paid from PLHA funds. Reimbursement of expenses to prepare the Plan and the PLHA application are subject to the cap on administrative fees.
- (e) After the Standard Agreement and attachments have been finalized, the Local government will follow provided instructions for signing all required documents. The Local government must submit all supporting materials and a signed Standard Agreement within the timeline provided in the instruction.
- (f) After the Standard Agreement has been executed by the state, the Local government may submit a request for 100 percent of the funds allocated to be used for eligible expenditures for the Activity(ies) that received the award, and subject to the terms and conditions of the Standard Agreement.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(i) and subdivision (b)(2)(B)(ii)(VI).

ARTICLE IV. COMPETITIVE ALLOCATION COMPONENT

Section 400. Eligible Applicants

- (a) Eligible Applicants for the non-entitlement competitive allocation described in Section 100(b)(3) are limited to Non-entitlement local governments. For development of Rental Housing Projects, the Sponsor must be a co-Applicant.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(i)(I).

Section 401. Eligible Activities

- (a) Eligible Activities are limited to the following and must take place within the jurisdiction of the Applicant Local government:
- (1) Development of new multifamily rental housing that is Affordable to households at or below 60 percent of AMI or substantial rehabilitation of multifamily rental housing that will be Affordable to households at or below 60 percent of AMI, but which is not currently restricted as Affordable housing; or
 - (2) Assistance to persons who are experiencing or At risk of homelessness, including, but not limited to, through rapid rehousing, or rental assistance, supportive services and case management services that allow people to obtain and retain housing, operating and capital costs for navigation centers, or new construction, rehabilitation, or preservation of permanent or transitional rental housing.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(i)(I)(ia), (b)(2)(B)(i)(I)(ib) and subdivision (b)(2)(B)(ii)(V).

Section 402. Threshold Requirements

Applicants must meet all the following threshold requirements for participation in the competitive allocation:

- (a) **Housing Element compliance:** The Applicant must have a Housing Element that has been adopted by the jurisdiction's governing body by the application deadline date and subsequently determined to be in substantial compliance with state Housing Element Law pursuant to GC Section 65585. A Local government's current Housing Element compliance status can be obtained by referencing the Department's website at <http://www.hcd.ca.gov/community-development/housing-element>.
- (b) **APR on the Housing Element submitted to the Department:** The Applicant must submit to the Department the APR required by GC Section 65400 for the current or prior year by the application deadline date.
- (1) Please be advised that the Department will not accept other reports in lieu of the APR. Housing Authority Financial Reports, Redevelopment Reports, and other similar reports will not be accepted as meeting this requirement. If uncertain of the status of the report submittal for a Local government, please contact the Department for more information.
- (c) Submit by the deadline specified in the NOFA, on a form made available by the Department, a complete application which shall meet the following minimum requirements:
- (1) Application requests a grant pursuant to Section 100(b)(3) in order to carry out one

or both of the eligible Activities set forth in Section 401.

- (2) Submission of the application is authorized by the governing board of the Applicant and by the developer co-applicant, if any.
- (3) Certification in the resolution that, if the Local government proposes allocation of funds for any Activity to another entity, the selection process shall avoid conflicts of interest, and shall be accessible to the public.
- (4) Demonstration of readiness, including site control for development Projects, land use entitlements, environmental review and commitments of other funding and resources required, as further set forth in the NOFA;
- (5) Underwriting requirements:
 - (A) Uniform Multifamily Regulations Subchapter 19 of Title 25, Division 1, Chapter 7 (commencing with Section 8300), as amended from time to time, and the Multifamily Housing Program Guidelines (commencing with Section 7300), as amended from time to time, are hereby incorporated by reference into this subchapter and shall apply to Rental Housing Developments receiving assistance under the PLHA competitive allocation. In the event of a conflict between the provisions of Subchapter 19 and these Guidelines, the provisions of these Guidelines shall prevail.
 - (i) Section 8312(c) of the Uniform Multifamily Regulations is hereby amended to read:
 - (c) For Projects utilizing 4 percent tax credits, Developer Fee payments shall not exceed the amount that may be included in Project costs pursuant to 4 CCR, Section 10327. In addition, the Developer Fee paid from development funding sources shall not exceed the following:
 - (1) For acquisition and/or rehabilitation Projects, or adaptive reuse Projects, the lesser of the amount of Developer Fee in Project costs or \$2,000,000.
 - (2) For new construction Projects, the base limit shall be the lesser of the amount that may be included in Project costs or \$2,200,000. To arrive at the final limit on Developer Fee paid from development funding sources, the base limit shall then be multiplied by a ratio that is the average of (i) the difference between 2 and the Project's high-cost ratio, as calculated pursuant to 4 CCR, Section 10317(i)(6) or successor language and (ii) 100 percent.
 - (ii) Section 8312(d) of the Uniform Multifamily Regulations shall not apply.
 - (iii) Section 8314(a)(1)(A) of the Uniform Multifamily Regulations is amended to read:
 - (A) Approved deferred Developer Fee, pursuant to Section 8312, provided that the aggregate of the Developer Fee paid from sources and paid as deferred shall not exceed \$3,500,000.

(B) Period of affordability: All assisted rental units shall be restricted for not less than 55 years.

(C) All development Projects shall demonstrate fiscal integrity.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii).

Section 403. Selection Criteria

(a) Applications submitted within a competitive funding round shall be evaluated using the following criteria. Total available points shall equal 100.

1. Priority Points – 25 points

A. Population - 5 points

(i) If the Applicant is a county that has a population of 200,000 or less within the unincorporated areas of the county, the Applicant shall receive all points.

B. Prior Award – 5 points

(i) If the Applicant did not receive an award based on the formula specified in 42 USC, Section 5306 in 2016, the Applicant shall receive all points.

And either C (i) or C (ii) or C (iii) below:

C. Activity

(i) Assistance for Homeless Persons through Program Activities – 15 points

(a) Applications to assist persons experiencing or At risk of homelessness, including, but not limited to, through programs providing rapid rehousing, or rental assistance, or operating assistance to navigation centers shall receive all points.

Or

(ii) Assistance to Homeless Persons through Development of Navigation Centers– 15 points

(a) Applications for construction of navigation centers shall receive all points.

Or

(iii) Assistance for Homeless Persons through Rental Projects – 15 points

(a) Applications for the new construction, rehabilitation, or preservation of permanent or transitional rental housing in which all or at least 10 percent of the units are restricted to occupancy by tenants who are homeless or At risk of homelessness shall receive all points.

2. Evaluation Criteria – 75 points

Precise scoring for these factors will be set forth in the NOFA.

A. Community Need – 30 points

(i) Applicants will receive up to a maximum of 30 points based on the rate of households experiencing the most severe housing need according to the most recent HUD CHAS dataset in the Applicant Local government. Applicants will receive points in proportion to this percentage.

B. Applicant Administrative Experience – 15 points

(i) Applicants with prior experience administering local, state or federal affordable housing or community development programs or who have entered into a contract with an entity with prior experience in the implementation of local, state or federal affordable housing or community development programs will receive up to 15 points.

C. Demonstrated Capacity – 30 points

(i) Capacity points will be based on:

(a) Sponsor experience in Affordable Rental Housing Development and ownership (Up to 30 points) or

(b) Navigation center development experience (for development of these facilities) (Up to 30 points) or

(c) Program Operator experience (for non-development Activities) (Up to 30 points)

(b) Where applications requesting funds for more than one eligible Activity pursuant to Section 401 are permitted by the NOFA, each Activity will receive a separate score for each rating factor, and have an individual Activity total. It is possible that one Activity may score highly enough to receive an award, and the other Activity does not.

(c) In the event of tied point scores and insufficient funding for both applications, the Department shall rank the tied applications as follows:

(1) If one of the tied applications is for an Affordable Rental Housing Development and the other is for a program Activity or development of a navigation center, the

- Affordable Rental Housing Development application will be selected for funding;
- (2) If one of the tied applications is for a navigation center and the other is for a program Activity, the navigation center will be selected for funding;
 - (3) If both of the tied applications are for Affordable Rental Housing Developments, the Project with the lowest weighted average affordability of Restricted Units will be selected;
 - (4) If both of the tied applications are for navigation centers, the facility that provides overnight shelter to the greatest number of people will be selected;
 - (5) If both of the tied applications are for programs, the Local government with the highest rate of households experiencing the most severe housing need according to the most recent HUD CHAS dataset will be selected.
- (d) In the event there are insufficient funds to fulfill the entire funding request for the next highest scored application (Application A), the Department will determine whether Application A is feasible without the full funding request. If Application A is not feasible without full funding, the Department may offer the remaining funds to the application whose score is immediately below Application A. If the remaining funds are insufficient to fulfill the funding request for that application (Application B), the Department will again determine whether this application is feasible without the full funding request. If Application B is not feasible without the full funding request, the Department will perform the same analysis for the application whose score is immediately below Application B.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(i)(I)(ia) and subdivision (b)(2)(B)(ii)(V).

Section 404. Application Review

- (a) Applicants must submit a complete application by the deadline stated in the NOFA in order to be eligible for funding. Application forms provided by the Department will be available upon release of the NOFA and will require Applicants to submit the forms and other documents to demonstrate that the Local government has met threshold requirements. The application will require submission of documentation adequate to demonstrate that the application has earned the appropriate number of points.
- (b) The Department may request additional information to complete its review, provided that the new information would not affect scoring.
- (c) Applications recommended for funding are subject to conditions specified by the Department. Applicants will receive an official letter of award after the Department approves funding recommendations.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii).

Section 405. Deadlines and Funding Requirements

- (a) Applicants will be required to enter into a state Standard Agreement (Standard Agreement) that will set forth conditions for funding and milestones that are required to be met.
- (b) After the Standard Agreement and attachments have been finalized, the Local government will follow provided instructions for signing all required documents. The Local government must submit all supporting materials and a signed Standard Agreement within the timeline provided in the instructions or risk forfeiting the grant award.
- (c) Except for predevelopment expenses for construction projects funded by PLHA and the costs to develop and prepare the PLHA application, no costs incurred more than one year prior to commitment by the Local government may be paid from PLHA funds. Reimbursement of expenses to prepare the PLHA application is subject to the cap on administrative fees.
- (d) Grant funds shall not be disbursed until:
 - (1) the Department authorizes loan closing, in the case of development projects; or
 - (2) all general and special conditions have been complied with, in the case of other Activities.
- (e) If funds are used for the development of an Affordable Rental Housing Development, the Local government shall make the PLHA assistance in the form of a low-interest, deferred loan to the Sponsor of the project. The loan shall be evidenced through a Promissory Note secured by a Deed of Trust, and a Regulatory Agreement shall restrict occupancy and rents in accordance with the Department-approved underwriting of the project for at least 55 years.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii)(VI).

ARTICLE V. ADMINISTRATION

Section 500. Accounting Records

- (a) The grantee shall establish a separate ledger account for receipts and expenditures of grant funds and maintain expenditure details in accordance with the approved work plan, budget, and schedule. Separate bank accounts are not required.
- (b) The grantee shall maintain documentation of its financial records for expenditures incurred during the course of the PLHA Activity in accordance with generally accepted accounting principles. Such records shall be kept for at least five years after the close-out report is submitted to the Department.

- (c) The Department or its designated representative shall have the right to review and copy any records and supporting documentation pertaining to the PLHA grant.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii)(III) and subdivision (b)(2)(B)(IV) and subdivision (b)(3).

Section 501. Audits/Monitoring of Project Files

- (a) Grantee shall maintain PLHA files which, at a minimum, should include the following information and reports:
 - 1) Project/Activity description
 - 2) Land/site Information
 - 3) Planning & zoning history (as appropriate)
 - 4) Records of public hearings and public comments
 - 5) Relocation needs (as appropriate)
 - 6) Contracts, loan and grant agreements, Standard Agreement
 - 7) Environmental records & reports/findings (as appropriate)
 - 8) Design/engineering reports & plans (as appropriate)
 - 9) Description of targeted beneficiaries, services to be provided, household incomes, special needs
 - 10) PLHA Activity costs, invoices, purchase orders, sources and uses of funds for PLHA Activities, terms & conditions of financings, draws and all supporting documentation, change orders (as appropriate)
 - 11) Activity schedule and amendments
 - 12) History of Plan amendments
 - 13) Procurement policy used for PLHA Activity(ies)
- (b) The grantee shall maintain such records for possible audit for a minimum of three years after the close-out report is submitted, unless a longer period of records retention is stipulated in the Standard Agreement.
- (c) The grantee shall be responsible for monitoring Rental Housing Developments that received PLHA funds for the term of the loan, including, but not limited to, the Projects' compliance with the occupancy and rent requirements set forth in the Regulatory Agreement, compliance with reserve requirements, and the compliance with habitability standards.
- (d) The grantee shall be responsible for monitoring AOWH loans to assure that the homes remain Owner-occupied.
- (e) If requested by the Department, the grantee shall obtain a report from a qualified,

licensed third party that certifies to the amounts of disbursement and identifies the specific Activities for which the disbursements were made. Such a report is permitted to be a component of the A-133 audit.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii)(IV) and subdivision (b)(3).

Section 502. Cancellation and Termination

- (a) In the event that it is determined, at the sole discretion of the Department, that the grantee is not meeting the terms and conditions of the Standard Agreement, the Department shall issue a notice to stop work. Immediately upon receiving the written notice to stop work, the grantee shall cease all work under the Standard Agreement. The Department has the sole discretion to determine the grantee's compliance with the terms and conditions after issuance of a stop work order, and to deliver a written notice to the grantee to resume work under this Standard Agreement.
- (b) The Department shall terminate the Standard Agreement if the grantee is not in compliance with the Guidelines or the terms and conditions of the Standard Agreement. At least 30 days prior to the effective date of the termination of the Standard Agreement, the Department shall provide written notice to the grantee of its intent to cancel the funding allocation. The notice shall specify the reason for early termination and may permit the grantee or the Department to cure any deficiency(ies) prior to the early termination date. The grantee will submit requested documents to the Department within 30 days of the early termination notice.
- (c) Failure to meet reporting requirements will result in notice to the grantee that it must satisfactorily cure any deficiencies within three months of the notice or it will forfeit the following year's PLHA formula allocation and be ineligible for a competitive award. The Local government will forfeit subsequent PLHA formula allocations and be ineligible for a competitive award until the Department determines that the Local government has met reporting requirements.
- (d) The Department may, as it deems appropriate or necessary, request the repayment of funds from a Local government or offset future years' funds, or pursue any other remedies available to it by law for failure to comply with the Guidelines and/or the terms and conditions of the Standard Agreement.
- (e) Co-Applicants may be adversely impacted by a notice to stop work and/or termination if one grantee is deemed by the Department to not meet the terms and conditions of the Standard Agreement, or fails to meet the reporting requirements outlined in Section 503.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii)(IV) and subdivision (b)(3).

Section 503. Reporting

- (a) The Department shall provide grantees with reporting formats and instructions.
- (b) Annual Reports are required from all grantees pursuant to HSC Section 50470(b)(2)(B)(ii)(III) each year by July 31 for the term of the Standard Agreement. The Annual Report shall document the uses and expenditures of all awarded allocations and outcomes achieved. This report must be signed by both the Local government's PLHA administrator and the Local government's City Manager (or his/her designee), or Chief Executive Officer (or his/her designee) or Chief Financial Officer (or his/her designee). The Annual Report must describe any proposed amendment(s) to the approved Activity and schedule.
- (c) Upon expenditure of all allocated funds and completion of the Activities funded by PLHA, the grantee shall submit a close-out report, which will be part of the Annual Report.
- (d) The Department may request additional information as needed to meet other applicable reporting or audit requirements.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii)(III) and subdivision (b)(2)(B)(ii)(IV).