

# Veterans Housing and Homelessness Prevention (VHHP) Program Program Guidelines

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## Section 100. **Purpose and Scope**

- (a) These guidelines (variously hereinafter Guidelines or guidelines) implement and interpret the Veterans Housing and Homelessness Prevention Program (VHHP) authorized pursuant to the Veterans Housing and Homeless Prevention Act (the “Act”) (as set forth in Military and Veteran’s Code Division 4 Chapter 6, Article 3.2, commencing with Section 987.001). The Guidelines interpret and make specific the following Military and Veteran’s Code Division 4, Article 3.2 Sections applicable to this Program (and programs thereunder): Sections 987.005, 987.007, 987.008. The Act relies on and references, provisions of the Veterans Housing and Homeless Prevention Bond Act of 2014 (the VHHP Bond Act) (as set forth in Military and Veteran’s Code Division 4 Chapter 6, Article 5y, commencing with Section 998.540). The Act, and the VHHP Bond Act were adopted pursuant to Stats. 2013, Ch. 727 (AB 639). The Act relies on and references provisions of Sections 4, 5, 6, 7, and 8 of AB 639, which amend the following sections of the Health and Safety Code: 50408, 50501, 50505, 50510, and 50512. The Guidelines should be interpreted in accord with all the forgoing references to provisions of AB 639 (even those that are not part of the Act itself) to the extent that the Act relies on those provisions.
- (b) These guidelines establish terms, conditions and procedures for funds awarded under the second round of the Veterans Housing and Homelessness Prevention Program (under the NOFA issued in October, 2015).

## Section 101. **Definitions**

All terms not defined below shall, unless their context suggests otherwise, be interpreted in accordance with the meanings of terms ascribed in Subchapter 19 of Chapter 7 of Division 1 of Title 25 of the California Code of Regulations (commencing with Section 8300).

- (a) “Affordable Rental Housing Development” means a structure or set of structures with rental housing units restricted by the Department in accordance with these guidelines, operated under landlord-tenant law, and with common financing, ownership, and management. This term includes Supportive Housing. No more than one of the dwelling units may be occupied as a primary residence by a person or household who is the owner of the structure or structures.
- (b) “Assisted Unit” means a housing unit that is subject to the rent, occupancy and other restrictions specified in these guidelines, as a result of the financial assistance provided under the Program.
- (c) “Case Manager” means a social worker or other individual who assists in individualized service planning and the assessment, coordination, monitoring, referral and advocacy of services to meet tenants’ comprehensive needs, including access to medical and mental health services, substance abuse services, vocational training, employment, and crisis management and

interventions. Resident service coordinators are not Case Managers.

- (d) “Chronically Homeless” means the same as defined under the federal Continuum of Care Program, at 24 CFR 578.3.
- (e) “CPI” means the Consumer Price Index for All Urban Consumers, West Region, All Items.
- (f) “Department” means the California Department of Housing and Community Development.
- (g) “Distributions” means the same as defined in the Uniform Multifamily Regulations, at 25 CCR 101.
- (h) “Extremely Low Income” means households with incomes not exceeding 30 percent of area median income, calculated in accordance with Health and Safety Code Section 50106 and published by HCD as part of the Official State Income Limits, at <http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>.
- (i) “Homeless” means the same as defined under the federal Continuum of Care Program, at 24 CFR 578.3, as may be amended and renumbered from time to time. “Homeless” includes “Chronically Homeless” and “Homeless with a Disability”.
- (j) “Homeless with a Disability” means the same as “Chronically Homeless”, excluding the requirement of having been homeless for a defined period of time.
- (k) “Lead Service Provider” means the organization that has overall responsibility for the provisions of supportive services and implementation of the supportive services plan in the Project. The Lead Service Provider may directly provide comprehensive case management (individualized services planning and the provision of connections to mental health, substance abuse, employment, health, housing retention and similar services) or coordinate with other agencies that do so. If not part of the owner entity, the Lead Service Provider will enter into a written agreement with the owner.
- (l) “Net Developer Fee” means developer fee paid less contributions to the project by the Sponsor or their affiliate of cash or real property.
- (m) “Operating Expenses” means the amount approved by the Department that is necessary to pay for the recurring expenses of the project, such as utilities, maintenance, management, taxes, licenses, and supportive services coordination, but not including debt service, required reserve account deposits, or other supportive services costs.

- (n) "Program" means the Veterans Housing and Homelessness Prevention Program, authorized by Proposition 41, the Veterans Housing and Homeless Prevention Bond Act of 2014.
- (o) "Rent" means the same as "gross rent," as defined in accordance with the Internal Revenue Code (26 USC 42(g)(2)(B)). It includes all mandatory charges, other than deposits paid by the tenant, for use and occupancy of an Assisted Unit, plus a utility allowance established in accordance with TCAC regulations, if applicable. For units assisted under the Housing Choice Voucher (HCV) or similar rental or operating subsidy program, Rent includes only the tenant contribution portion of the contract rent.
- (p) "Sponsor" is the entity relied upon for experience and capacity, and which controls the project during development and occupancy. In a project with multiple layers of ownership, the Sponsor cannot have more than one entity between itself and the borrowing entity. For example, if the borrowing entity is a limited partnership with a limited liability company as the general partner, the Sponsor must either be a member of the company or a non-member manager. Sponsors may be any of the following: a for-profit or nonprofit corporation, City, County, City and County, joint powers authority, any other special district or political subdivision of the State of California, limited liability company, limited partnership, general partnership, business trust or joint venture. If awarded funds, all joint applicants for a single project will be considered co-recipients and be held jointly and severally liable for the completion of the project.
- (q) "SSVF" means the Supportive Services for Veteran Families Program established pursuant to 38 CFR Part 62 and operated by the VA.
- (r) "Supportive Housing" means the same as that term is defined under Health and Safety Code Section 50675.14(b)(2), and refers to Assisted Units.
- (s) "TCAC" means the California Tax Credit Allocation Committee.
- (t) "Transitional Housing" means Assisted Units restricted under the Program in buildings configured as rental housing developments, but operated under program requirements that call for the termination of assistance and recirculation of the assisted unit to another eligible program recipient at some predetermined future point in time, which shall be no less than six months. Licensed residential care or treatment facilities do not qualify.
- (u) "VA" means the United States Department of Veterans Affairs.
- (v) "Veteran" means any person who served in the active military, naval, or air service of the United States, or as a member of the National Guard who was called to and released from active duty or active service, for a period of not less than 90 consecutive days or was discharged from the service due to a service-

connected disability within that 90-day period. This includes all Veterans regardless of discharge status.

## Section 102. **Threshold Requirements**

To be eligible to receive funding, projects must:

- (a) Involve the acquisition and/or construction or rehabilitation of an Affordable Rental Housing Development or Transitional Housing, or the conversion of an existing structure into one of these housing types.
- (b) Restrict occupancy for at least 45 percent of Assisted Units to Extremely Low Income Veterans, with rents not exceeding the 30 percent of 30 percent of Area Median Income (AMI), calculated in accordance with TCAC regulations and procedures.
- (c) For projects with Supportive Housing or Transitional Housing:
  - (1) Utilize a Lead Service Provider with at least four years of experience providing services to homeless people that includes comprehensive case management (individualized services planning and the provision of connections to mental health, substance abuse, employment, health, housing retention, and similar services).
    - (A) This experience must include two years' experience providing services that include comprehensive case management in affordable rental or transitional housing, which can include scattered site housing with multiple owners.
    - (B) Experience must be documented through contracts with public agencies, housing owners or foundations for services provided to at least ten households at any one time, either in housing projects subject to agreements with public agencies restricting rent and occupancy, or through tenant-based housing assistance programs.
  - (2) Certify adherence to Housing First property management and tenant selection practices, as described in Sections 112, 113 and 114.
  - (3) Satisfy the requirements of Section 115 regarding supportive services.
- (d) For projects with Assisted Units other than Supportive Housing and Transitional Housing, utilize an organization to provide resident services coordination that has at least 24 months' experience in providing this service in publically assisted affordable housing.

- (e) For new construction of Transitional Housing, projects shall have a physical configuration that allows for ready conversion of the Transitional Housing to permanent housing, at minimal cost.
- (f) Follow the requirements of the federal Uniform Relocation Act, if tenant relocation is necessary.
- (g) Not have commenced construction prior to the Program funding award date, excluding emergency repairs to existing structures, and with the exception of developments where construction has halted due to a major change in the development plan, such as the conversion of a market-rate development to affordable housing, or the cancellation of redevelopment agency funding commitments, or where limited work has been completed to meet the requirements of a project-based HUD commitment.
- (h) Involve a Sponsor with a long-term, controlling interest in the project that has successful prior experience developing and owning at least two affordable rental or transitional housing developments that are subject to agreements with public agencies restricting rent and occupancy. If at least 35 percent of the Assisted Units in the proposed project will be Supportive Housing and/or Transitional Housing, this requirement may be satisfied if the Sponsor has a developer partner with the required development experience, and if the Sponsor has owned or operated at least two affordable rental or transitional housing developments that are subject to agreements with public agencies restricting rent and occupancy.
- (i) Involve a development site that is reasonably accessible to services and amenities appropriate for the proposed tenant population, considering the hours that the services and amenities are available and the frequency, travel time, and cost of transportation to the tenants.
- (j) Involve a development site controlled by the Sponsor at the time of application, as detailed in 25 CCR 8303.
- (k) Demonstrate clear market demand for the proposed project and target population, through waiting lists and low vacancy rates for comparable projects serving similar tenants, statistical information from the Veteran's Administration, the local Continuum of Care, or other similar information.
- (l) Have reasonable development costs (not counting capitalized reserves), as compared to other similar projects in the area of the project site, and adequate development sources to cover these costs.
- (m) Ensure compliance with the Disabled Veteran Business Enterprise (DVBE) and veteran hiring requirements set forth in Section 109.

- (n) Meet the occupancy requirements set forth in Section 104, the underwriting standards set forth in Section 106, the fee limitations in Section 107, and otherwise comply with these guidelines.

### Section 103. **Uses and Terms of Program Assistance**

- (a) Program funds shall be used for the development cost categories listed in 25 CCR Section 7304 (a) and (b), and to refinance loans used to cover such costs, except that the limitation on developer fee specified in Section 107 shall apply, instead of the limitation in Section 7304(b)(9).
- (b) The total amount of Program assistance shall not exceed development costs associated with Assisted Units. In determining these costs, the cost allocation rules described in 25 CCR Section 7304(c) shall apply (substituting Assisted Units for Restricted Units).
- (c) Program assistance shall be provided as post-construction, permanent loans. Program loans shall have an initial term of 55 years or longer to match the period of affordability restrictions under the tax credit program, commencing on the date of recordation of the Program loan documents.
- (d) Program loans shall be secured by the project's real property and improvements, and subject only to liens, encumbrances and other matters of record approved by the Department, consistent with 25 CCR Section 8315. Projects with ground leases shall be subject to 25 CCR Section 8316.
- (e) Program loans may have two tranches, a base tranche and an operating reserve offset tranche.
  - (1) The base tranche covers development budget gaps, excluding reserves that cover scheduled long-term operating deficits or supportive services.
  - (2) The operating reserve offset tranche covers development budget gaps which result from utilizing funds other than Program funds to capitalize a long-term operating reserve used solely to defray scheduled operating deficits for Assisted Supportive Housing Units restricted to Chronically Homeless Veterans or Veterans who are Homeless with a Disability (and not deficits in supportive services funding, beyond services coordination). It is available only if the project includes such an operating reserve.
- (f) The base tranche shall have the following terms:
  - (1) It shall bear simple interest at the rate of three percent per annum on the unpaid principal balance, unless the Department reduces this rate pursuant to Health and Safety Code section 50406.7. Interest shall accrue from the date funds are disbursed to or on behalf of the borrower.

- (2) For the first 30 years of the loan term, annual payments in the amount of 0.42 percent of the outstanding principal loan balance attributable to the base tranche shall be payable to the Department. After 30 years, the Department may reset the required payment amount to cover its monitoring costs.
  - (3) Except for the required 0.42 percent loan payment, and if the borrower is not in default, the Department shall permit the deferral of accrued interest for the term of the loan, except for the payments described in Section 108.
  - (4) Maximum per-unit loan amounts for the base tranche shall be the same as the maximum loan amounts established for the Multifamily Housing Program (MHP) in accordance with 25 CCR 7307, substituting Assisted Units for Restricted Units, and with initial base amounts set at:
    - (A) \$65,000 for nine-percent tax credit projects.
    - (B) \$80,000 for projects that do not use nine-percent tax credits.
  - (5) The maximum amount of a Program Loan for a single project under the 2015 Notice of Funding Availability (NOFA) shall be \$10,000,000. This amount may be adjusted in future NOFAs.
- (g) The operating reserve offset tranche shall have the following terms:
- (1) It shall not bear interest and not require repayment until the end of the term, unless the borrower defaults.
  - (2) The amount shall not exceed the amount from other sources deposited into an operating reserve to cover scheduled deficits, as set forth in Subsection (h) below.
  - (3) The amount shall also not exceed \$140,000 per Supportive Housing Unit restricted to Chronically Homeless Veterans or Veterans who are Homeless with a Disability.
- (h) Operating reserves capitalized as the result of operating reserve offset tranches shall be:
- (1) Governed by an agreement between the borrower and/or Sponsor, the Department, and the reserve holder requiring Department approval of any withdrawals.
  - (2) Used only to defray operating deficits for Assisted Supportive Housing Units restricted to Chronically Homeless Veterans or Veterans who are Homeless with a Disability.



- (3) Be sized to last for a period of not less than 17 years and not more than 20 years, based on projections approved by the Department, and with Rents limited to 30 percent of actual household income.
- (4) Subject to unexpended funds being recaptured by the Department if other rental or operating subsidies are obtained, or if some other event occurs that reduces the need for funds in the capitalized operating reserve.
- (5) Not used to cover:
  - (A) Loan payments (except for loans from the Department),
  - (B) Ground lease payments.
  - (C) Sponsor distributions.
  - (D) Costs associated with units other than Assisted Units restricted to Chronically Homeless Veterans or Veterans who are Homeless with a Disability, except for a proportionate share of the resident manager's unit.
  - (E) Costs for units with rent or operating subsidies from another source.
  - (F) Deferred developer fees, asset management fees or partnership management fees beyond those allowed under these guidelines and in proportion to the ratio of Assisted Units benefitting from the operating reserve to total units in the project.
  - (G) Deposits to contingent operating reserves beyond those required by these guidelines.
  - (H) Vacancy loss, beyond three months for a tenant who has left their unit.

#### **Section 104. Occupancy Requirements**

- (a) Occupancy of all Assisted Units shall be restricted to households including one or more Veterans with incomes at time of move-in not exceeding the limits approved by the Department and specified in the Program regulatory agreement. The maximum income limit at move-in shall be 60 percent of Area Median Income.
- (b) If the Veteran who qualified a household for occupancy moves out, and household members remain, the unit shall still be considered an Assisted Unit,

unless the qualifying Veteran's occupancy was for less than three months, or there is evidence that the Veteran's occupancy was intended to be for a short duration.

- (c) Occupancy of units designated as Supportive Housing or Transitional Housing shall be further restricted to households that include Veterans who are Homeless, Homeless with a Disability, or Chronically Homeless, as approved by the Department and specified in the Program regulatory agreement. Sponsor shall maintain documentation of eligibility consistent with federal regulations implementing the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009.
- (d) Any occupancy restrictions based on conditions of separation from military service are subject to Department approval.
  - (1) Projects may only restrict occupancy to Veterans who separated from military service under certain conditions (e.g. under other than dishonorable conditions), or who qualify for VA health care, when required by a public agency funding source.
  - (2) In any case, a minimum of ten percent of Assisted Units shall be prioritized for occupancy by Veterans who are ineligible for VA health care and/or HUD-VASH.
- (e) Occupancy requirements shall apply for the full term of the Program loan. In the event the Department determines, and the California Department of Veterans Affairs concurs that there are no longer sufficient Veterans eligible for one or more categories of households eligible for Supportive Housing or Transitional Housing, based on evidence from the local Continuum of Care, the VA, the local Point-in-Time count of persons experiencing homelessness, and similar sources, the Department may adjust the occupancy requirements for these units, but only to the minimum extent required for project feasibility, and not sooner than five years from the date of Program loan closing. The Department shall periodically evaluate the need for continuing any adjustments made to the original occupancy requirements, and may modify these adjustments over time or reinstate the original requirements.

#### Section 105. **Rent Limits**

Assisted Unit Rent limits shall be the same as specified in 25 CCR Section 7312, except that:

- (a) Rent limits for units restricted to Extremely Low Income Households shall not exceed TCAC's 30 percent AMI Rent limit.
- (b) The minimum amount of the transition reserve for renewable project-based rental assistance described in subdivision 25 CCR 7312(f) shall be the amount

sufficient to prevent Rent increases for one year following the loss of the rental assistance, instead of two years. The minimum amount of the transition reserve for non-renewable project-based rental assistance or operating subsidies shall be the amount sufficient to prevent Rent increases for two years following the loss of the rental assistance.

#### Section 106. **Underwriting Standards**

(a) In analyzing feasibility for Affordable Rental Housing Developments, the following assumptions and criteria shall be used:

- (1) Residential vacancy rates shall be assumed to be 5 percent, unless a different figure is required by another funding source (including TCAC), or supported by compelling market evidence.
- (2) Commercial vacancy rates shall be assumed to be 50 percent.
- (3) All operating expenses, including property management fees, shall be within the normal market range for the area, as determined based on comparison with similar affordable housing projects.
- (4) Supportive services coordination costs paid out of operating income as a project operating expense shall not exceed the limits specified in Section 108(d).
- (5) Asset and partnership management fees paid to the Sponsor prior to Sponsor distributions shall not exceed the limits specified in Section 107(c).
- (6) First year debt service coverage ratio shall not be:
  - (A) less than 1.10:1, unless the project is receiving an operating subsidy; or
  - (B) greater than 1.20:1, except where projected cash flow after debt service and projected reserve deposits is equal to or less than 12 percent of operating expenses, or where a higher amount is necessary to project a positive cash flow over 20 years, using the assumptions specified in this section.
  - (C) In applying these requirements, payments on the Program loan shall be considered debt service, and, for purposes of Subsection (B) above, operating income required by the Department to be deposited into a reserve account to defray scheduled operating deficits shall be excluded.
- (7) The project must demonstrate a positive cash flow for 15 years, using the income and expense increase assumptions specified in TCAC's

regulations, at 4 CCR Section 10327. If projected operating income includes rental assistance or operating subsidy payments under a renewable contract, the Department may assume renewal of the contract.

- (8) Loans with balloon payments are prohibited unless the Sponsor demonstrates, to the Department's satisfaction, that the project will generate sufficient operating income, and income obtained through refinancing, to be able to pay the balloon payment when due, or if the loan with a balloon payment is recorded junior to the Program regulatory agreement.
  - (9) Variable interest rate debt shall be underwritten at the ceiling interest rate.
  - (10) The Department may modify the requirements of this section to conform to the requirements of other funding sources, if the Program loan does not exceed the lesser of \$1,500,000 or 15 percent of total project development costs.
- (b) In analyzing the feasibility of Transitional Housing, factors to be considered shall include:
- (1) The experience of the Sponsor and its partners with similar projects, and the current financial viability of these projects.
  - (2) The experience of the Sponsor and its partners with obtaining government contracts to cover operations and services costs for similar projects, and with the specific government funding sources identified for the proposed project.
  - (3) The likelihood the identified sources of funds to cover operating costs and services, and particularly government contracts, will continue to be available for the proposed project over time.
  - (4) The financial condition of the Sponsor as measured by indicators such as amounts and trends in organizational net income, net assets, unrestricted net assets, and current ratio.
  - (5) The reliability of project operating projections, including the adequacy of projected operating expenses, as compared to other similar projects, and whether they show at least breakeven operation over time.

#### Section 107. **Fee Limits**

- (a) For projects utilizing low income housing tax credits, Net Developer Fee shall not exceed the amount that may be included in basis under TCAC's rules for nine percent low-income housing tax credits, plus any amount allowed by TCAC for

non-residential space.

- (b) For projects not utilizing low-income housing tax credits, Net Developer Fee shall not exceed the amount allowed under 25 CCR 8312.
- (c) Asset management, partnership management and similar fees paid to the Sponsor or an affiliate on a priority basis, pursuant to Section 108(a), shall not exceed a combined total of \$20,000 for 2015. This limit shall be increased each year at the rate of two percent per year. If there is insufficient cash flow in a given year to pay the maximum allowable amount, the unpaid portion may accrue, without interest, and be paid in subsequent years. Fees paid to investor partners do not count towards this limit.
- (d) The Department may modify the requirements of Subsection (a) to conform to the requirements of other funding sources, if the Program loan does not exceed the lesser of \$1,500,000 or 15 percent of total project development costs.

#### Section 108. **Use of Operating Cash Flow**

- (a) Operating Income remaining after payment of approved operating expenses, reserve deposits and mandatory debt service shall be applied in the following priority order:
  - (1) First, towards payment of any:
    - (A) deferred portion of the approved Net Developer Fee, pursuant to 25 CCR Section 8312 (a) and (b); and
    - (B) asset management, partner management and similar fees, pursuant to 25 CCR Section 8312(c).
  - (2) Second, 50 percent to the Sponsor as distributions, and 50 percent to the Department as payment on the Program loan.
    - (A) If the terms of other public agencies' financing also require payments from remaining cash flow, the Department may agree to share what would otherwise be its 50 percent share of available cash flow with the public agencies in amounts proportional to the agencies' respective loan amounts.
    - (B) To be consistent with the terms of other public agency loans, the Department may agree to set the percentage payable to the Sponsor at an amount less than 50 percent.
    - (C) For projects with income from project-based Section 8 or similar project-based rental assistance that is not underwritten by other project lenders, the Department may reduce the Sponsor's share to an amount equivalent to the amount they would receive

if one of the other lender's loan amount was based on an income stream that included the income from the rental assistance.

- (b) A Sponsor may not accumulate Distributions from year to year. A Sponsor may deposit all or a portion of permitted Distributions into a project account for distribution in subsequent years. These future Distributions shall not reduce the otherwise permitted Distribution in those subsequent years.
- (c) Payment of Distributions, deferred Developer Fees, asset management fees, partnership management and similar fees shall be permitted only after the Sponsor submits a complete annual report, operating budget and other reports required pursuant to Section 116, and the Department determines that the reports and budget demonstrate compliance with all Program requirements for the applicable year. Circumstances under which no Distributions, deferred Developer Fees, asset management fees or partnership management and similar fees shall be paid include:
  - (1) when written notice of default has been issued by any entity with an equitable or beneficial interest in the project;
  - (2) when the Department determines that the Sponsor has failed to comply with the Department's written notice of any reasonable requirement for proper maintenance or operation of the Rental Housing Development, including occupancy and rent requirements, or use of project income;
  - (3) if all currently required debt service, including mandatory payments on the Program loan, and Operating Expenses have not been paid;
  - (4) if the replacement reserve account, operating reserve account, or any other reserve accounts are not fully funded as required under the Program regulatory agreement.
- (d) For 2015, supportive service coordination and case management costs paid as a project operating expense shall not exceed the following amounts:
  - (1) \$4,000 per unit per year for Supportive Housing units restricted to Veterans who are Chronically Homeless.
  - (2) \$3,000 per unit per year for Supportive Housing units restricted to Veterans with a Disability Experiencing Homelessness.
  - (3) \$1,300 per unit per year for units restricted to Extremely Low Income households, but not to Veterans who are Chronically Homeless or Veterans with a Disability Experiencing Homelessness.
  - (4) \$750 per unit per year for other units.

These maximum amounts shall be increased each year after 2015 at the rate of two percent per year.

**Section 109. Miscellaneous Requirements.**

(a) Entities certified by the California Department of General Services as Disabled Veteran Business Enterprises (DVBEs) shall receive an amount at least equal to 5 percent of total construction costs for work performed or supplies provided for each project.

- (1) As part of the application for program funds, applicants shall submit a utilization plan describing how this requirement will be satisfied, including:
  - (A) Identification of a plan administrator responsible for implementing the plan and ensuring achievement of the 5 percent requirement; and
  - (B) Description of outreach methods to be used to recruit DVBEs.

Applicants are encouraged to contact the California Department of Veterans Affairs Small Business / DVBE advocate for assistance in locating DVBEs.

- (2) Prior to the commencement of construction, the Sponsor shall submit a report to the Department and the California Department of Veterans Affairs on DVBE plan implementation. This report will include:
  - (A) The total amount budgeted for construction costs;
  - (B) The names and addresses of DVBE contractors, subcontractors and suppliers that have received or are scheduled to receive payment, together with the amount paid or scheduled to be paid to each; and
  - (C) If the report does not show achievement of the 5 percent requirement, documentation that the Sponsor has requested assistance with recruiting DVBEs from the California Department of Veterans Affairs, and of its recruitment efforts.
- (3) Upon completion of construction, and prior to the Program loan closing, the Sponsor shall submit a report similar to the one described in the preceding subsection, detailing actual payments to DVBEs. If the 5 percent requirement has not been met, the Sponsor must provide documentation of its requests for assistance with recruiting DVBEs from the California Department of Veterans Affairs, and of its recruitment

efforts.

- (4) If the Sponsor fails to achieve the 5 percent minimum requirement, the Department may award negative points for subsequent applications.
- (b) Sponsors shall make good faith efforts to hire veterans for development, construction, and related jobs associated with the Project.
- (1) As part of the application for program funds, applicants shall submit a plan describing how this requirement will be satisfied. The plan may include registering with Helmets to Hardhats, working with local Homeless Veteran Reintegration Programs, entering into First Source Hiring Agreements with local America's Job Centers of California Agencies (formerly One Stop Centers), and/or subcontracting with DVBEs and other entities that hire veterans.
  - (2) Upon completion of construction, and prior to the Program loan closing, the Sponsor shall submit a report on plan implementation, including the number of veterans hired.
- (c) Labor Code Section 1720 et seq. requires payment of prevailing wages for certain developments paid for in whole or in part from any public funding source, and exempts other developments from this requirement. All funds provided under this Program are public funds within the meaning of these Labor Code sections. Program funding of a portion of a project shall not necessarily, in and of itself, be considered public funding of the entire project. Each applicant shall be responsible for determining on a case-by-case basis the extent of applicability of State prevailing wage law to its individual project.
- (d) The unit standards set forth in 25 CCR 8304 shall apply.
- (e) Projects must meet the accessibility requirements specified in the TCAC regulations, as may be amended and renumbered from time to time, including those of Section 10325(f)(7)(M) and, for senior projects, those of Section 10325(g)(2)(B) and (C). Exemption requests, as provided for in the TCAC regulations, must be approved by the Department. Projects must also provide a preference for accessible units to persons with disabilities requiring the features of the accessible units in accordance with Section 10337(b)(2) of the TCAC regulations.
- (f) Sponsors must establish and maintain a contingent operating reserve meeting the requirements of 25 CCR 8308, and a replacement reserve meeting the requirements of 25 CCR 8309.

## Section 110. **Application Process**



- (a) The Department shall offer funds through a competitive application process, as detailed in a Notice of Funding Availability.
- (b) Applications shall be on forms made available by the Department.
- (c) Applications shall be evaluated for compliance with the threshold and eligibility requirements of these guidelines and the statutes applicable to the Program and scored based on the application selection criteria listed in Section 111. The applications with the highest number of points shall be selected for funding, provided that they meet all threshold and eligibility requirements and achieve specified minimum scores.
- (d) Each project must achieve the minimum overall application (total) score for the applicable project type, as well as minimum scores in the Supportive Service Plan and Readiness to Proceed scoring categories, as follows:
  - (1) Overall application:
    - a. 100 for projects with Supportive Housing;
    - b. 80 for projects with Transitional Housing but not Supportive Housing; and
    - c. 65 for all other projects.
  - (2) Supportive Services Plan (Section 111(c)):
    - a. 10 for projects that include Supportive Housing or Transitional Housing; and
    - b. 7 for projects that do not include Supportive Housing or Transitional Housing.
  - (3) Readiness to Proceed (Section 111(f)): 5.
- (e) Applications selected for funding shall be approved subject to conditions specified by the Department.
- (f) The Department may adjust this procedure as follows:
  - (1) It may elect to not evaluate compliance with some or all eligibility requirements for applications that are not within a fundable range, as indicated by a preliminary point scoring.

- (2) It may adjust awards to meet the following geographic distribution objectives, to the extent there are applications from the identified regions that meet all Program eligibility requirements and score above the minimum required score:
- (A) Awarding not less than 14 percent of the total amount awarded to projects located in Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Santa Cruz or Sonoma Counties.
  - (B) Awarding not less than 31 percent of the total amount awarded to projects located in Los Angeles County.
  - (C) Awarding not less than 8 percent of the total amount awarded to projects located in Orange, Riverside or San Bernardino Counties.
  - (D) Awarding not less than 7 percent of the total amount awarded to projects located in San Diego County.
  - (E) Awarding not less than 16 percent of the total amount awarded to projects located outside any of the counties named in (A) through (D) above.
- (3) Funds remaining after satisfying the geographic distribution objectives set forth in the previous Subsection shall be awarded without regard to project location.

**Section 111. Application Selection Criteria**

The criteria detailed below and summarized in the following table shall be used to rate applications.

Scoring Categories	With Supportive or Transitional Housing		Without Supportive or Transitional Housing	
	Applicable Points		Applicable Points	
Development Team Experience				
· Developer Experience	5		5	
· Sponsor Ownership	5		5	
· Property Management	5		5	
· Lead Service Provider	18		0	
Total Development Team Experience		33		15

Performance Issues	-30		-30	
Supportive Housing Units		25		
Supportive Services Plan		20		10
Leverage of Development \$		15		15
Leverage of Rent/Op Subsidies		20		20
Readiness to Proceed		15		15
Local Need		5		5
<b>TOTAL APPLICABLE POINTS:</b>		<b>133</b>		<b>80</b>

(a) Development Team Experience – 33 points maximum for projects with Supportive Housing or Transitional Housing, 15 points maximum for other projects

Unless specifically noted, rental housing developments and transitional housing projects counted under this Subsection (a) must have at least 10 units, unless the application is for a project with fewer than 15 units, and be subject to an agreement with a public agency restricting rent and occupancy.

(1) Developer Experience – 5 points maximum

(A) Applications will be scored based on the number of rental housing developments and transitional housing projects completed by the project developer over the past 10 years.

(B) One point will be awarded for each completed development, up to a maximum of 5 points.

(2) Sponsor Ownership and Operations Experience -- 5 points maximum

(A) Applications will be scored based on the experience of the Sponsor in owning or operating (under a long-term master lease or similar arrangement) rental housing developments or transitional housing as follows:

(i) If the project includes Supportive Housing or Transitional Housing, points will be awarded for developments that have been in operation for at least two years with units restricted to the homeless (defined in a manner substantially similar to the Program’s definition) and that include substantial supportive services.

(ii) If the project does not include Supportive Housing or Transitional Housing, points will be awarded for developments that have been in operation for at least two years.

(B) Two points will be awarded for each project, up to a maximum of 5 points.

(C) The Sponsor's experience includes the experience of its affiliated entities or principals (including management-level staff), but not the experience of board members. If there are multiple entities that comprise the ownership entity of the proposed project, the score will be based on the experience of the entity with a controlling interest in the ownership entity and a substantial and continued role in the project's operations, as evidenced in the ownership entity's legal documents. Any future dissolution of the ownership entity or withdrawal of the entity on which the score was based shall require prior Department approval.

(3) Developer / Sponsor / Lead Service Provider Performance Issues – Negative 30 points maximum

5 points will be deducted for each occurrence or event in the following categories, with a maximum deduction of 10 points per category and a maximum total deduction of 30 points:

(A) removal or withdrawal under threat of removal as general partner;

(B) failure to submit, when due, compliance documentation required under the Department program;

(C) use of reserve funds for Department-assisted projects in a manner contrary to program requirements, or failure to deposit reserve funds as required by the Department;

(D) failure to provide promised supportive services to a Special Needs Population or other tenants of a publicly funded project;

(E) other significant violations of the requirements of Department programs or of the programs of other public agencies, such as the failure to adequately maintain a project or the books and records thereof.

Events occurring in connection with projects under the control of the developer or the Sponsor shall be used as the basis for point deductions. Such events shall have had a detrimental effect on the project or the Department's ability to monitor the project, as determined by the Department. Events shall not result in the deduction of points if they have been fully resolved as determined

by, or to the satisfaction of, the Department as of the application due date.

(4) Property Manager Experience – 5 points maximum

Applications will be scored based on the number of housing developments managed by the designated property management agent at the time of application. One-half point will be awarded for each development, up to a maximum of 5 points.

(A) If the project includes Supportive Housing or Transitional Housing, points will be awarded for developments that have been in operation for at least two years with units restricted to the homeless (defined in a manner substantially similar to the Program's definition) and that include substantial supportive services.

(B) If the project does not include Supportive Housing or Transitional Housing, points will be awarded for developments that have been in operation for at least two years.

(5) Lead Service Provider Experience – 18 points maximum; applies only to projects with Supportive Housing or Transitional Housing.

For projects including Supportive Housing or Transitional Housing, points will be awarded for experience in the last ten years providing comprehensive case management (individualized services planning and the provision of connections to mental health, substance abuse, employment, health, housing retention, and similar services) to homeless populations (defined in a manner substantially similar to the Program's definition) in supportive or transitional housing, and for demonstrated expertise working with homeless veterans.

Experience must be documented through contracts with public agencies, housing owners or foundations for services in housing projects with at least ten units subject to agreements with public agencies restricting rent or occupancy to homeless persons or households, or in publically-funded tenant-based housing assistance programs serving at least 10 homeless veterans or veteran households.

Points will be awarded for the following:

(A) Meeting the 2 year threshold experience (per Section 102(c)(1)) in permanent supportive housing instead of transitional housing – 2 points

(B) Years of experience in permanent supportive housing or transitional housing – 4 points maximum

3 years to 4 years – 2 points

Over 4 years but less than 5 years – 3 points

5 years or more – 4 points

(C) Number of projects or contracts in permanent supportive or transitional housing – 4 points maximum

2 projects – 2 points

3 projects – 3 points

4 projects or more – 4 points

(D) Years of experience serving homeless veterans in permanent supportive or transitional housing – 6 points maximum

2 years to 3 years – 2 points

More than 3 years but less than 4 years – 4 points

4 years or more – 6 points

Points will be awarded for any of the following:

(i) Experience providing comprehensive case management, where veterans were at least 20 percent of the Lead Service Provider's clients during the years for which points are sought in any of the following:

(a) Permanent supportive or transitional housing restricted to homeless veterans;

(b) A tenant-based federally-funded housing assistance program specifically for homeless veterans, such as SSVF or HUD-VASH; or

(c) Permanent supportive or transitional housing not restricted to veterans, with documented experience providing veteran-specific services to homeless veterans, and staff with expertise in this area.

To receive points under Subsection (b) or (c), the provider must have current staff expertise and organizational experience with all of the following:

- (1) Serving veterans with Traumatic Brain Injury and Post Traumatic Stress Disorder;
- (2) Connecting veterans to VA services and veteran-specific community services;
- (3) Assisting veterans to obtain veteran benefits and/or upgrade discharges;
- (4) Veteran peer support programs; and
- (5) Veteran outreach.

Staff expertise and experience must be documented through resumes, job descriptions, contracts, staff training descriptions, materials used in peer support programs, letters from veteran service organizations, evidence of active participation in veteran organizations, meetings and convenings, and similar items.

(ii) Experience of a partner agency meeting the requirements of Subsection (i) if the following conditions are satisfied:

(a) An executed agreement between the two agencies must be submitted with the application for Program assistance; and

(b) The agreement must have a term of at least five years, and detail the veteran cultural competency services to be provided by the partner agency. These services must include:

- (1) Technical assistance with program development;
- (2) Training and mentoring of lead service provider leadership and staff for the proposed Project;
- (3) Assistance with hiring project staff;
- (4) Assistance with developing veteran-specific community linkages;

- (5) Other technical assistance as needed; and
- (6) An agreement to provide services to veterans residing in the project that are referred by the Lead Service Provider.

(E) Documented success in meeting or exceeding specified outcome measures for housing stability under a government contract for at least 2 years as a Lead Service Provider in permanent supportive or transitional housing serving persons experiencing homelessness – 2 points maximum

(b) Supportive Housing – 25 points maximum

- (1) Applications will be scored based on the percentage of Assisted Units restricted as Supportive Housing, and the specific population targeted, in accordance with the table in Subsection (4) below.
- (2) To receive any points in this category, a minimum of 25 percent of Assisted Units must be restricted as Supportive Housing.
- (3) Scores will be computed by adding the points indicated for each percentage and target population.

For example, a project targeting 20 percent of Assisted Units to the Chronically Homeless and 25 percent to Homeless with a Disability would receive 25 points, 14 for the units targeting the Chronically Homeless plus 11 for the units targeting the Homeless with a Disability.

Percentage of Assisted Units	Chronically Homeless	Homeless with a Disability	Other Homeless
20%	14	--	--
25%	--	11	--
Total Points = 14 + 11 = 25			

- (4) The scoring table is as follows:

Percentage of Assisted Units	Chronically Homeless	Homeless with a Disability	Other Homeless
5%	4	2	1
10%	7	4	3



15%	11	6	4
20%	14	9	6
25%	18	11	7
30%	21	13	9
35%	25	15	10
40%	25	17	11
45%	25	19	13
50% or more	25	21	14

(c) Supportive Services Plan -- 20 points maximum for projects that include Supportive Housing or Transitional Housing, and 10 points maximum for other projects.

(1) Applications for projects that include Supportive Housing or Transitional Housing (which may also include other units) will be scored based on the following:

(A) Quality and Quantity of Services (12 points maximum).

(i) The quality and quantity of the services provided are veteran centric and appropriate for the target population. (1 point)

(ii) Staff experience, credentials, and job duties include appropriate requirements in veteran cultural competency. (2 points)

(iii) The service delivery model, tailored to veterans, includes the use of:

a. Peer Support (1 point)

b. SSI/SSDI Outreach, Access, and Recovery (SOAR) and at least 3 of these evidence-based practices: (2 points)

i. Critical Time Intervention,

ii. Trauma-Informed Care,

iii. Motivational Interviewing, and

iv. Voluntary moving-on strategies.

(iv) The accessibility of VA and other services, whether they are on-site or in close proximity to the project, including the hours they are available, and the frequency, travel time and cost of transportation required to access them, including both public transportation and private transportation services (e.g. van owned by the provider),

and how the service provider will assist in the expense of public transportation (e.g. provide tokens, negotiate discounts, provide their own shuttle service, etc.). (1 point)

(v) Adherence to Housing First principles in provision of services, including provision of flexible services that facilitate permanent housing access and housing stability. (1 point)

(vi) The degree to which the physical building space:

- a. supports social interaction; (0.5 point)
- b. supports the provision of services; (0.5 point) and
- c. Ensures the safety of all residents, especially those more vulnerable, such as persons with a history of trauma, children, elderly, etc. (1 point)

(vii) The levels of linkages with local systems for ending homelessness and serving veterans, including: (2 points)

(a) Participation, verified by the local Continuum of Care, in a local coordinated access system that is fully established.

(b) The degree of coordination with VA Medical Centers, VA Homeless Program Coordinators, SSVF, Homeless Veterans' Reintegration Program and other VA programs.

(c) The degree of coordination on benefit education and advocacy, discharge upgrade advocacy and other advocacy efforts on behalf of veteran tenants with County Veteran Services Offices (CVSOs), legal services and others, and participation in local Continuum of Care, Veterans Stand Down, and other community ending homelessness efforts.

(B) Resident Involvement – 2 points maximum

Points will be awarded based on the quality of:

- (i) Strategies to engage residents in building community and operations; (0.5 point)
- (ii) Strategies to engage residents in services planning and operations; (0.5 point)

- (iii) Tenant satisfaction surveys, to inform and improve services, building operations and property management. (1 point)

(C) The adequacy of the services budget and the reliability over time of services funding -- 6 points maximum

Points will be awarded based on:

- (i) The adequacy of budgeted amounts and the consistency of these amounts with other sections of the services plan. (1 point)
- (ii) The completeness, accuracy and clarity of the budget document. (1 point)
- (iii) The extent to which the major services funding sources have been accessed by the designated service providers or Sponsor in the past. (1 point)
- (iv) The track record of the Sponsor and providers in filling gaps in services funding left by the loss of major funding sources. (2 points)
- (v) The percentage of the total services budget that is committed at time of application. (1 point)

- (2) Applications for projects not including Supportive Housing or Transitional Housing will be scored based on their resident services coordination plans, as follows:

The appropriateness of the service delivery model, the quality and quantity of services provided, and the degree to which they are specific to veterans.

(A) Quantity and Quality of Services -- 4 points maximum

- (i) The quality and quantity of the services provided are veteran centric and appropriate for the target population. (2 points)
- (ii) Staff experience, credentials, and job duties include appropriate requirements in veteran cultural competency. (1 point)

(iii) The level of linkages with local systems for serving veterans, including: (1 point)

(a) The degree of coordination with VA Medical Centers and other VA programs.

(b) The degree of coordination on benefit education and advocacy, discharge upgrade advocacy and other advocacy efforts on behalf of veteran tenants with CVSO's, legal services and others.

(B) Resident Involvement – 2 points maximum

Points will be awarded based on the quality of:

(i) Strategies to engage residents in building community and operations; (0.5 point)

(ii) Strategies to engage residents in services planning and delivery; (0.5 point)

(iii) Tenant satisfaction surveys, to inform and improve services, building operations and property management. (1 point)

(C) The adequacy of the resident services coordination budget and the reliability over time of identified services coordination funding -- 4 points maximum

Points will be awarded based on:

(i) The adequacy of budgeted amounts and the consistency of these amounts with other sections of the services plan. (2 points)

(ii) The completeness, accuracy and clarity of the budget document. (1 point)

(iii) The percentage of the total services budget that is committed at time of application. (1 point)

(d) Leverage of Development Funding –15 points maximum

(1) Applications will be scored based on the ratio of permanent development funding attributable to Assisted Units from sources other than the Program to the requested Program loan amount (excluding the operating reserve offset tranche), up to a maximum of 15 points. Deferred developer fee and funds deposited in a reserve to defray scheduled operating deficits

will not be counted in this computation. Land donations will be counted, where the value is established by a current appraisal.

- (2) For projects utilizing nine percent competitive low-income housing tax credits, 0.375 points will be awarded for each full five-percentage point increment above 50 percent. For example, an application proposing other funds equal to 100 percent of Program funds, will receive 3.75 points. An application where other funds equal 250 percent of Program funds will receive 15 points.
- (3) For other projects, 0.75 points will be awarded for each five-percentage point increment above 50 percent. For example, an application proposing other funds equal to Program funds will receive 7.5 points, and an application where other funds equal 150 percent of Program funds will receive 15 points.

(e) Leverage of Rental or Operating Subsidies – 20 points maximum

- (1) Applications for projects including Supportive Housing or Transitional Housing will be scored based on the percentage of Assisted Units qualifying as Supportive Housing or Transitional Housing that either:
  - (A) have committed project-based rental or operating subsidies substantially similar in terms to project-based housing choice vouchers, or, for Transitional Housing, a documented long-term history of securing funding for the operation of similar projects sufficient, as determined by the Department, to indicate a high likelihood of receiving similar funding for the proposed project; or
  - (B) are restricted to Rents not exceeding 30 percent of household income, with project feasibility determined based on the assumption that Rents will be affordable to tenants of existing projects targeting homeless populations, as specified in the program application and without use of an operating reserve offset tranche loan, as described in Section 103(e) and (f).
- (2) Applications for other projects not including Supportive Housing or Transitional Housing will be scored based on the percentage of Assisted Units restricted to Extremely Low Income households (or under the Mental Health Services Act Housing (MHSA) Program or similar public agency special needs housing program) that either:

- (A) have committed project-based rental or operating subsidies substantially similar in terms to project-based HCVs; or
  - (B) are restricted to Rents not exceeding 30 percent of household income, with project feasibility determined based on the assumption that Rent will not exceed 30 percent of Supplemental Social Security payment amounts, as specified in the program application and without use of an operating reserve offset tranche loan, as described in Section 103(e) and (f).
  - (3) Project-based housing choice vouchers will be deemed committed if they have been allocated to the project subject to HUD approval, or if the Department approves other evidence that they will reliably be available.
  - (4) One point will be awarded for each five percentage point increment, up to a maximum of 20 points.
- (f) Readiness to Proceed – 15 points maximum
- 2.5 points will be awarded to projects for each of the following circumstances as documented in the application. Any application demonstrating that a particular category is not applicable to project readiness for the subject project shall be awarded points in that category:
- (1) obtaining enforceable commitments for all construction financing, not including tax-exempt bonds, low-income housing tax credits, and funding to be provided by another Department program. Other Department funds must be awarded prior to the final rating and ranking of the Program application;
  - (2) completion of all necessary environmental clearances (California Environmental Quality Act and National Environmental Policy Act) and of a Phase I Environmental Site Assessment;
  - (3) obtaining all necessary and discretionary public land use approvals except building permits and other ministerial approvals;
  - (4) either:
    - (A) the Sponsor has fee title ownership to the site or a long-term leasehold securing the site meeting the criteria for Program site control; or
    - (B) the Sponsor can demonstrate that the working drawings are at least 50% complete, as certified by the project architect;
  - (5) obtaining local design review approval to the extent such approval is required;

- (6) obtaining commitments for all deferred-payment financing, grants and subsidies, in accordance with TCAC requirements and with the same exceptions as allowed by TCAC. Deferred payment financing, grant funds and subsidies from other Department programs must be awarded prior to the final rating and ranking of the Program application.

(g) Confirmation of Local Need – 5 points maximum

2.5 points will be awarded to projects for each of the following:

- (1) A letter from the local Veteran's Administration office (Network Homeless Coordinator or similar official) describing the population to be served by the project, the type of housing to be provided (transitional, permanent supportive, or affordable), and why it will meet a high priority local need.
- (2) A letter from the local Continuum of Care addressing the same points described in the preceding subsection.

## Section 112. **Housing First Practices**

- (a) Projects shall employ Housing First practices that are documented in the application, property management plan and supportive services plan. Adherence to Housing First practices shall be subject to periodic compliance monitoring.
- (b) For Supportive Housing units, Housing First property management and service delivery practices shall be followed. Housing First practices include the following:
  - (1) Tenant selection practices that promote the acceptance of applicants regardless of their sobriety or use of substances, completion of treatment, or agreement to participate in services;
  - (2) Applicants are seldom rejected on the basis of poor credit or financial history, poor or lack of rental history, or minor criminal convictions;
  - (3) Applicants are assisted in making application for tenancy and reasonable accommodation requests;
  - (4) Supportive services are flexible and voluntary and focus on housing stability, engagement, and problem-solving over therapeutic goals; and
- (c) Management and services practices emphasize tenant retention and offer flexibility and services to prevent and resolve lease violations and evictions.

Transitional Housing units shall follow Housing First property management and services practices described in subsection (b) above or implement modified Housing First practices that, at a minimum, incorporate:

- (1) Tenant selection practices that promote the acceptance of applicants regardless of their sobriety or use of substances, completion of treatment, or agreement to participate in services;
- (2) Applicants are seldom rejected on the basis of poor credit or financial history, poor or lack of rental history, or minor criminal convictions;
- (3) Applicants are assisted in making application for tenancy and reasonable accommodation requests;
- (4) Assistance shall be provided in obtaining permanent housing as rapidly as possible and without preconditions, such as participation in services length of stay, or successful completion of Transitional Housing program. Upon exit to permanent housing, follow up services shall be provided for no less than six months to ensure that tenants retain permanent housing; and
- (5) Services are voluntary unless required by a public agency funding source.

### Section 113. **Tenant Selection**

- (a) Sponsors shall select tenants in accordance with the provisions of 25 CCR Section 8305, the Uniform Multifamily Regulations.
  - (1) Reasonable selection criteria, as referred to in Section 8305(a)(1), shall include priority status under a local coordinated access (a.k.a. coordinated assessment) system developed pursuant to 24 CFR 578.7(a)(8);
  - (2) Potential tenants shall not be rejected based on the type of their military service discharge, unless specifically required by a public agency funding source for the project.
- (b) For Supportive Housing, tenants shall be selected using the local coordinated access system.
  - (1) For units restricted to the Chronically Homeless or Homeless with a Disability, projects shall prioritize highly vulnerable households referred for permanent supportive housing by the local coordinated access system.
  - (2) Where the local coordinated access system is not yet operational, projects shall coordinate directly and accept referrals from VA programs for homeless veterans, emergency shelters, safe havens, drop-in centers, and street



outreach programs frequented by vulnerable persons experiencing homelessness.

- (c) For Transitional Housing, occupants shall be selected using the local coordinated access system.
  - (1) For units restricted to the Chronically Homeless or Homeless with a Disability, projects shall accept referrals and prioritize highly vulnerable households as referred by the local coordinated access system.
  - (2) Where the local coordinated access system is not yet operational, projects shall coordinate directly and accept referrals from VA programs for homeless veterans, emergency shelters, safe havens, drop-in centers, and street outreach programs frequented by vulnerable people experiencing homelessness.
- (d) For projects without Supportive Housing or Transitional Housing, projects shall coordinate directly and accept referrals from SSVF and other programs that serve high need veterans.

#### **Section 114. Rental Agreements and Grievance Procedures**

Rental or occupancy agreements for Assisted Units shall comply with 25 CCR Section 8307, the Uniform Multifamily Regulations. Tenants shall not be required to maintain sobriety, be tested for substances, or participate in services or treatment.

#### **Section 115. Supportive Services**

- (a) Projects limited to Supportive Housing and/or Transitional Housing must comply with requirements of Subsection (b) below. Projects without Supportive Housing or Transitional Housing must comply with the requirements of Subsection (c) below. Projects combining Supportive Housing and Transitional housing with other unit types must comply with both (b) and (c).
- (b) Projects including Supportive Housing and/or Transitional Housing must:
  - (1) Utilize a Lead Service Provider meeting the experience requirements described in Section 102(c)(1). If this Lead Service Provider is not the same as the Sponsor, there must be a formal agreement between the provider and the Sponsor or project owner.
  - (2) Provide services that are flexible and responsive to individual resident needs, culturally specific, and linguistically appropriate. Culturally specific includes the culture shared by veterans.

- (3) Provide case management services on site with appropriate ratios of full-time Case Managers directly providing services to residents, as indicated below or as otherwise approved by the Department based on justification provided by the Sponsor.

Population	Minimum Ratio
Chronically Homeless	1:20
Homeless with Disability	1:25
Other Homeless	1:40

For each project, at least one Case Manager directly providing services shall possess a master's degree in appropriate disciplines. Supervisory staff does not count for this purpose, or for the purpose of satisfying the minimum Case Manager to resident ratios set forth above.

- (4) Provide appropriate transportation so residents can access off-site services.
- (5) Provide training to services staff on the specific culture, needs and issues of veterans, and on the resources available to address their needs.
- (6) Employ strategies to engage residents in services, building operations, and services planning and operations.
- (7) Have written policies and procedures covering:
- (A) Retention of tenants regardless of their use of substances and steps to assist relapsing residents to ensure their ability to remain in housing.
  - (B) Payment of rent by residents during periods of hospitalization.
  - (C) Privacy and confidentiality of residents, while ensuring appropriate communication between property management and service providers to preserve tenancies. Communications between the resident and service provider must be kept confidential absent consent of the tenant to disclose information.
  - (D) Ensuring the safety and security of staff and residents.
  - (E) Grievance procedures, including assistance provided to tenants in making a grievance.
  - (F) Initial and periodic staff training in all of the above, in appropriate responses to tenant crises, and in the operator's program philosophy, values, and principles.

(8) Provide the following minimum services, either directly or through commitment letters or formal agreements with other agencies. The letters and agreements documenting the availability of these services must be included in the application for Program funds:

(A) Intensive case management to engage with each Veteran and jointly develop an individual service plan.

(B) Benefits counseling and advocacy, including assistance in enrolling in Medi-Cal and obtaining other mainstream services, as well as VA system navigation, and assistance in obtaining discharge upgrade and veterans benefits.

(C) Mental health care, such as assessment, crisis counseling, individual and group therapy, and support groups.

(D) Physical health care, including access to routine and preventative health and dental care.

(E) Substance use services, such as treatment, relapse prevention, and support groups.

(F) For transitional projects, permanent housing location and placement assessment services to move households to permanent housing as quickly as possible, and linkages to HUD-VASH and SSVF.

(9) Provide the following enhanced services to residents, either directly or through commitment letters or formal agreements, unless the Department approves justification from the Sponsor as to why these services are not needed. The letters and agreements documenting the availability of these services must be provided before occupancy and release of Program funds, but are encouraged to be included with the application.

(A) Educational services, including assessment, GED, school enrollment, assistance accessing higher education and GI bill benefits and grants, and assistance in obtaining reasonable accommodations in the education process.

(B) Employment services, such as job skills training, job readiness, job placement, and job retention services.

(C) Linkage to potential out-placements should they become appropriate alternatives for current residents, either because they require a higher level of care (i.e., residential treatment facilities and hospitals) or because they no longer require permanent supportive housing (i.e. other affordable housing or

market rate housing).

(D) Life skills training, such as financial literacy, household maintenance, nutrition, cooking, and laundry.

(E) Representative payee.

(F) Peer support and advocacy.

(G) Legal assistance.

(H) On-site medication management.

(I) Attendant care.

(J) Adult day care.

(K) Parenting education (for family projects).

(L) Social and recreational activities.

(10) Prepare a Supportive Services Plan that is appropriate for the target population(s), and consistent with the Property Management Plan. This plan shall be included in the application for Program funds, and updated prior to Program loan funding. It shall include:

(A) A narrative description of target population needs, services provision (what, who, where provided), staffing, resident engagement, and outcomes with supporting documents including:

(i) Services Staffing Chart.

(ii) Services Delivery Chart listing each service, its provider, location, and type of commitment.

(B) Budget to show funding is adequate, including:

(i) Line Item Budget.

(ii) Services Staffing Chart.

(C) Documentation supporting the Line Item Budget, including the agreement with the Lead Service Provider and agreements or commitment letters from other service providers included in this budget, with details about the scope, value and duration of the services they will provide.

- (D) A description of Lead Service Provider responsibilities with regard to tenant selection, tenant retention and eviction prevention, reasonable accommodation procedures, and coordination with property management.
  - (E) Identification of the parties responsible for Homeless Management Information System (HMIS) and other reporting, which must also be reflected in the required agreements and commitment letters.
- (c) Projects including Assisted Units other than Supportive Housing and Transitional Housing must provide resident service coordination services. At a minimum, these projects must:
- (1) Utilize an organization to provide resident services coordination that has at least 24 months experience in providing this service in publically assisted affordable housing. If this service is provided by a third party, there must be a formal agreement between the Sponsor or project owner and this third party.
  - (2) Provide services that are flexible and responsive to individual resident needs, culturally specific, and linguistically appropriate. Culturally specific includes the culture shared by veterans.
  - (3) Provide services coordination on-site with at least one full-time services coordinator per 80 residents, unless otherwise approved by the Department based on justification provided by the Sponsor. The services coordinator must have a bachelor's degree or equivalent work experience.
  - (4) Provide peer support and advocacy services.
  - (5) Provide for appropriate transportation so residents can access off-site services.
  - (6) Provide training to services staff on the specific culture, needs and issues of veterans, and on the resources available to address their needs.
  - (7) Employ strategies to engage residents in services, building operations, and services planning and operations.
  - (8) Have written policies and procedures covering:
    - (A) Drug and/or alcohol use on-site and off, including steps to deal with relapsing residents to ensure their ability to remain in housing.
    - (B) Payment of rent by residents during periods of hospitalization.

- (C) Privacy and confidentiality of residents, while ensuring appropriate communication between property management and service providers to preserve tenancies.
  - (D) Ensuring the safety and security of staff and residents.
  - (E) Grievance procedures.
  - (F) Initial and periodic staff training in all of the above, in the appropriate response to tenant crises, and in the operator's program philosophy, values and principles.
- (9) Prepare a resident services coordination plan that is appropriate for affordable housing residents and consistent with the property management plan. Projects with mixed tenant populations must address the services needs of all tenants, including any differences in service delivery or staffing ratios between the different populations. The Supportive Services Plan must include:
- (A) A narrative description of affordable housing population need, services provision (what, who, where provided), staffing, resident engagement, and outcomes with supporting documents including:
    - (i) Services Staffing Chart.
    - (ii) Services Delivery Chart listing each service, its provider, location, and type of commitment.
    - (iii) Budget to show funding is adequate, including:
      - (a) Line Item Budget.
      - (b) Services Staffing Chart.
  - (B) Documentation supporting the Line Item Budget, including the agreement with the resident services coordinator agency and agreements or commitment letters from other service providers impacting this budget, with details about the scope, value and duration of the services they will provide.
  - (C) A description of Resident Service Coordinator responsibilities with regard to tenant selection, tenant retention, eviction prevention, reasonable accommodation procedures, and coordination with Property Management, all consistent with the property management plan.

## Section 116. Vulnerable Populations Best Practices

The following best practices should be incorporated in the construction of projects that receive funding from this program as much as possible. These best practices work to further the safety and physical and mental well-being of residents within a project. Veterans experiencing low income or homelessness are already vulnerable and within this population there are those still more vulnerable than others, such as children, elderly, and/or persons with a history of trauma (e.g. military sexual trauma, domestic violence).

### (a) General Best Practices for all developments:

#### (1) Safety Features:

- (A) Site selection and development of the project should consider the safety concerns of the prospective veteran tenants.
- (B) Building entrance and exit points should only allow admittance to residents or guests that residents admit.
- (C) Common areas within the project should be oriented so as to have:
  - i. two ways to enter or exit the area;
  - ii. visibility to the area from outside of it, i.e. windows in walls or doors; and
  - iii. a centralized location, to the extent possible.
- (D) Safety lighting that reduces or eliminates blind or dark spaces where people can hide.

#### (2) Property Management:

- (A) Policies to support an on-call staff member or 24-hour availability of staff from the property management company.
- (B) Post in common areas and annually review with tenants the project's Grievance Policy. The Policy should include procedures for grievances with management staff or contractors and the process by which the tenant may elevate the complaint.

### (b) Most Vulnerable Population Best Practices – this is for those populations that have a history of trauma or are more easily taken advantage of such as, children, elderly, and domestic violence and military sexual trauma survivors.

#### (1) Safety Features incorporate all of the General Best Practices and include the following

- (A) The project is designed in such a way as to provide separate and secure floors, wings, or buildings for this tenant population. These

separate and secure areas should restrict access to only the residents in the secured area.

- (B) For mixed-gender projects that will also be serving women with a history of domestic violence or sexual trauma:
  - i. Designate at least 25 percent of the units will be for women with a history of domestic violence or sexual trauma and or women with children, thereby ensuring women are not a small minority of the tenancy.
  - ii. Designed to provide separate and secure floors, wings, or buildings for women with a history of domestic violence or sexual trauma and or women with children. These separate and secure areas should restrict access to only the residents in the secured area.
- (C) Security cameras:
  - i. At entrances, exits and common areas (including hallways, elevators, and stair wells);
  - ii. Written policy on the use of the cameras to include who has access to see the videos, who monitors the surveillance, and under what conditions would the footage be released to the authorities; and
  - iii. Camera recordings should be maintained for at least **30 days**.
- (D) Visitor policy that clearly defines the policies for visitors, to include the hours visitors are allowed on the property and physical spaces visitors may access. This policy is to be posted in public areas for resident awareness and reviewed with resident at the time the lease is signed.

(2) Property Management:

- (A) Policies to support an on-call staff member or 24-hour availability of staff from the property management company.
- (B) Post in common areas and annually review with tenants the project's Grievance Policy. The Policy should include procedures for grievances with management staff or contractors and the process by which the tenant may elevate the complaint.
- (C) The project should have 24-hour security and, for projects serving female veterans, female security guards to the extent possible.

## Section 117. Reporting Requirements



- (a) Not later than 90 days after the end of each project's fiscal year, the Sponsor shall submit an independent audit of the development prepared by a certified public accountant and in accordance with the Department's current audit requirements.
- (b) For Supportive Housing and Transitional Housing:
  - (1) Sponsors shall report client data on local Homeless Management Information Systems (HMIS), if the systems are available in the jurisdiction of the project, and must comply with local Continuum of Care HMIS requirements.
  - (2) Sponsors shall report annually on the sources of tenant referrals for the project, and submit both client data and performance outcome data to the California Department of Veterans Affairs and/or the Department. Client data may include demographic characteristics of the veteran and their family, educational and employment status, and veteran-specific information such as disability ratings, type of discharge, branch and era of service, and VA health care eligibility. Performance outcome data may include information on housing stability, housing exit information, tenant satisfaction as measured in a survey, and changes in income, benefits and education.
- (c) For all Assisted Units, Sponsors will be required to submit annual compliance reports similar to reports annually submitted to the Department under the Multifamily Housing Program, with additional veteran-specific data.

#### Section 118. **Operating Budgets**

The Sponsor shall submit proposed operating budgets to the Department prior to occupancy and annually thereafter. These budgets shall be subject to Department approval, and comply with the requirements of the MHP Program, described in 25 CCR 7326.

#### Section 119. **Legal Documents**

After a Sponsor is sent a letter providing notice of award pursuant to a Notice of Funding Availability, and prior to actual disbursement of funds pursuant to that award, the Department and Sponsor shall enter into a State "Standard Agreement," which shall constitute a conditional commitment of said funds. The Standard Agreement shall require the Sponsor to comply with the requirements and provisions of the Act, these Guidelines, and generally applicable State contracting rules and requirements. The Standard Agreement shall encumber State monies in an amount no more than as established in the NOFA, and said amount shall be consistent with the application and corresponding award letter. The Standard Agreement shall contain the terms necessary to ensure the Sponsor complies with all VHHP Program requirements, including but not limited to, the following:

- (a) Requirements for the execution of a promissory note, operating reserve agreement, or other project-specific contracts as may be applicable;
- (b) Requirements, where appropriate, for the execution and recordation of covenants, regulatory agreements, or other instruments restricting the use and occupancy of and appurtenant to the project and the property thereunder;
- (c) Requirements for the execution of a Deed of Trust or other security instrument securing the debt owed by the borrower to the Department for the amount of the award. The Deed of Trust must be recorded against the fee estate underlying the property; leasehold security will not be accepted unless such security strictly meets the requirements set forth in 25 CCR 8316;
- (d) The Sponsor's responsibilities for timing and completion of the Affordable Rental Housing Development, as well as any and all reporting requirements;
- (e) Remedies available to the Department in the event of a violation, breach or default of the Standard Agreement; and
- (f) Any and all other provisions necessary to ensure compliance with the requirements of the VHHP Program and applicable State and Federal law.

#### Section 120. **Defaults and Loan Cancellations**

- (a) In the event of a breach or violation by the Sponsor of any of the provisions of the Regulatory Agreement, the promissory note, or the deed of trust, or any other agreement pertaining to the project, the Department may give written notice to the Sponsor to cure the breach or violation within a period of not less than 15 days. If the breach or violation is not cured to the satisfaction of the Department within the specified time period, the Department, at its option, may declare a default under the relevant document(s) and may seek legal remedies for the default including the following:
  - (1) The Department may accelerate all amounts, including outstanding principal and interest, due under the loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amounts in full, the Department may proceed with a foreclosure in accordance with the provisions of the deed of trust and State law regarding foreclosures.
  - (2) The Department may seek, in a court of competent jurisdiction, an order for specific performance of the defaulted obligation or the appointment of a receiver to operate the Rental Housing Development in accordance with Program requirements.
  - (3) The Department may seek such other remedies as may be available under the relevant agreement or any law.

(b) If the breach or violation involves charging tenants Rent or other charges in excess of those permitted under the Regulatory Agreement, the Department may demand the return of such excess Rents or other charges to the respective households. In any action to enforce the provisions of the Regulatory Agreement, the Department may seek, as an additional remedy, the repayment of such overcharges.

(c) The Department may cancel Loan commitments under any of the following conditions:

- (1) the objectives and requirements of the Program cannot be met;
- (2) implementation of the project cannot proceed in a timely fashion in accordance with the approved plans and schedules;
- (3) special conditions have not been fulfilled within required time periods; or
- (4) there has been a material change, not approved by the Department, in the principals or management of the Sponsor or project.

The Department, in writing and upon demonstration by the Sponsor of good cause, may extend the date for compliance with any of the conditions in this Subsection.

(d) Upon receipt of a notice from the Department of intent to cancel the loan, the Sponsor shall have the right to appeal to the Director.

(e) The Department may use any funds available to it to cure or avoid a Sponsor's default on the terms of any loan or other obligation that jeopardizes the fiscal integrity of a project or the Department's security in the project. Such defaults may include defaults or impending defaults in payments on mortgages, failures to pay taxes, or failures to maintain insurance or required reserves. The payment or advance of funds by the Department pursuant to this Subsection shall be solely within the discretion of the Department and no Sponsor shall be entitled to or have any right to payment of these funds. All funds advanced pursuant to this Subsection shall be part of the Program loan and, upon demand, due and payable to the Department. Where it becomes necessary to use state funds to assist a project to avoid threatened defaults or foreclosures, the Department shall take those actions necessary, including, but not limited to, foreclosure or forced sale of the project property, to prevent further, similar occurrences and ensure compliance with the terms of the applicable agreements.