


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

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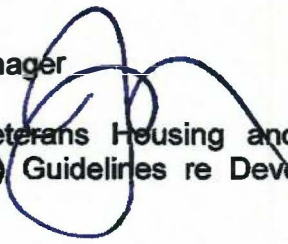


MEMORANDUM – Action Request

TO: Mark Stivers, acting Deputy Director

THROUGH:  Kim Losoya, Section Chief

FROM: John Nunn, Jr., Program Manager

SUBJECT: Request to amend the Veterans Housing and Homelessness Prevention Program (VHHP) Guidelines re Developer Fees and Asset Management Fees 

DATE: March 8, 2019

Action Requested

Requesting Department approval to amend the VHHP Guidelines so that the Guidelines' treatment of Developer Fees and Asset Management Fees mirrors the Uniform Multifamily Regulations' treatment of those Fees.

Background

The VHHP Program provides funding for the acquisition, construction, rehabilitation, and preservation of affordable multifamily housing for veterans and their families to allow veterans to access and maintain housing stability. (<http://www.hcd.ca.gov/grants-funding/active-funding/vhnp.shtml>.) The VHHP Program is governed by the Veterans Housing and Homeless Prevention Act of 2014 located at Military & Veterans Code § 987.001, *et seq.* and the VHHP Guidelines.

Recommendation

Staff recommends that the Legal Affairs Division be authorized to amend the VHHP Guidelines as follows:

Round 1:

- Section 101(i) (i.e. definition of "Net Developer Fee") is deleted.
- Section 101 is amended to add the following definition: "Developer Fee' means the same as the definition of that term in California Code of Regulations, Title 4, Section 10302."
- Section 101 is amended to re-number the defined terms following the deletion of "Net Developer Fee" and the addition of "Developer Fee."
- Section 103(a) is amended by striking the only sentence in that section and replacing it with the following: "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 subject to the limitations on the Developer Fee specified in Section 107(a) and (b)."
- Section 107(a) is amended by striking the only sentence in that section and replacing it with the following: "For projects utilizing low income housing tax credits, Developer Fee shall not exceed the amounts allowed under 25 CCR Section 8312."
- Section 107(b) is amended by striking the only sentence in that section and replacing it with the following: "For projects not utilizing low income housing tax credits, Developer Fee shall not exceed the amount allowed under 25 CCR Section 8312."
- Section 107(c) is amended by striking the four sentences in that section and replacing them with the following: "Asset management, partnership management and similar fees paid to the Sponsor or an affiliate on a priority basis shall be in accordance with 25 CCR Section 8314."
- Section 108 is amended by striking subdivisions (a), (b) and (c) in their entirety and replacing them with the following new subdivision (a): "Regarding allowable uses of operating cash flow, the Department shall follow 25 CCR Section 8314 (a) through (d)." The current Section 108, subdivision (d) will be re-numbered as Section 108, subdivision (b).
- Section 111(d)(1) is amended by striking the second sentence in that section and replacing it with the following: "Deferred Developer Fee and funds deposited in a reserve to defray scheduled operating deficits will not be counted in this computation."

Round 2:

- Section 101(l) (i.e. definition of "Net Developer Fee") is deleted.
- Section 101 is amended to add the following definition: "Developer Fee' means the same as the definition of that term in California Code of Regulations, Title 4, Section 10302."
- Section 101 is amended to re-number the defined terms following the deletion of "Net Developer Fee" and the addition of "Developer Fee."
- Section 103(a) is amended by striking the only sentence in that section and replacing it with the following: "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 subject to the limitations on the Developer Fee specified in Section 107(a) and (b)."
- Section 107(a) is amended by striking the only sentence in that section and replacing it with the following: "For projects utilizing low income housing tax credits, Developer Fee shall not exceed the amounts allowed under 25 CCR Section 8312."
- Section 107(b) is amended by striking the only sentence in that section and replacing it with the following: "For projects not utilizing low income housing tax credits, Developer Fee shall not exceed the amount allowed under 25 CCR Section 8312."
- Section 107(c) is amended by striking the four sentences in that section and replacing them with the following: "Asset management, partnership management and similar fees paid to the Sponsor or an affiliate on a priority basis shall be in accordance with 25 CCR Section 8314."
- Section 108 is amended by striking subdivisions (a), (b) and (c) in their entirety and replacing them with the following new subdivision (a): "Regarding allowable uses of operating cash flow, the Department shall follow 25 CCR Section 8314 (a) through (d)." The current Section 108, subdivision (d) will be re-numbered as Section 108, subdivision (b).
- Section 111(d)(1) is amended by striking the second sentence in that section and replacing it with the following: "Deferred Developer Fee and funds deposited in a reserve to defray scheduled operating deficits will not be counted in this computation."

Round 3:

- Section 101(l) (i.e. definition of "Net Developer Fee") is deleted.
- Section 101 is amended to add the following definition: "Developer Fee' means the same as the definition of that term in California Code of Regulations, Title 4, Section

10302.”

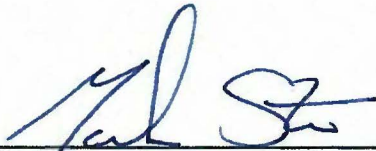
- Section 101 is amended to re-number the defined terms following the deletion of “Net Developer Fee” and the addition of “Developer Fee.”
- Section 103(a) is amended by striking the first sentence in that section and replacing it with the following: “Program funds shall be used for the development cost categories listed in 25 CCR Section 7304 (a) and (b), and to refinance loans used to cover such costs subject to the limitations on the Developer Fee specified in Section 107(a) and (b).”
- Section 107(a) is amended by striking the only sentence in that section and replacing it with the following: “For projects utilizing low income housing tax credits, Developer Fee shall not exceed the amounts allowed under 25 CCR Section 8312.”
- Section 107(b) is amended by striking the only sentence in that section and replacing it with the following: “For projects not utilizing low income housing tax credits, Developer Fee shall not exceed the amount allowed under 25 CCR Section 8312.”
- Section 107(c) is amended by striking the four sentences in that section and replacing them with the following: “Asset management, partnership management and similar fees paid to the Sponsor or an affiliate on a priority basis shall be in accordance with 25 CCR Section 8314.”
- Section 108 is amended by striking subdivisions (a), (b) and (c) in their entirety and replacing them with the following new subdivision (a): “Regarding allowable uses of operating cash flow, the Department shall follow 25 CCR Section 8314 (a) through (d).” The current Section 108, subdivision (d) will be re-numbered as Section 108, subdivision (b).
- Section 111(d)(1) is amended by striking the second sentence in that section and replacing it with the following: “Deferred Developer Fee and funds deposited in a reserve to defray scheduled operating deficits will not be counted in this computation.”

Round 4:

- Section 101(n) (i.e. definition of “Net Developer Fee”) is deleted.
- Section 101 is amended to add the following definition: “‘Developer Fee’ means the same as the definition of that term in California Code of Regulations, Title 4, Section 10302.”
- Section 101 is amended to re-number the defined terms following the deletion of “Net Developer Fee” and the addition of “Developer Fee.”
- Section 103(a) is amended by striking the first sentence in that section and replacing it

with the following: "VHHP 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 subject to the limitations on the Developer Fee specified in Section 107(a) and (b)."

- Section 107(a) is amended by striking the only sentence in that section and replacing it with the following: "For projects utilizing low income housing tax credits, Developer Fee shall not exceed the amounts allowed under 25 CCR Section 8312."
- Section 107(b) is amended by striking the only sentence in that section and replacing it with the following: "For projects not utilizing low income housing tax credits, Developer Fee shall not exceed the amount allowed under 25 CCR Section 8312."
- Section 107(c) is amended by striking the only sentence in that section and replacing it with the following: "Asset management, partnership management and similar fees paid to the Sponsor or an affiliate on a priority basis shall be in accordance with 25 CCR Section 8314."
- Section 108(a) is amended by striking the only sentence in that section and replacing it with the following: "Regarding allowable uses of operating cash flow, the Department shall follow 25 CCR Section 8314 (a) through (d)."
- Section 111(d)(1) is amended by striking the second sentence in that section and replacing it with the following: "Deferred Developer Fee and funds deposited in a reserve to defray scheduled operating deficits will not be counted in this computation."



Mark Stivers, acting Deputy Director

3-25-19

Date