County of San Mateo - Department of Housing

NOTICE OF FUNDING AVAILABILITY (NOFA) for the

COUNTY'S AFFORDABLE HOUSING FUND

This NOFA is available online, at:
http://housing.smcgov.org/AFH5-NOFA

NOFA Package:

- **AHF 5.0 NOFA Overview & Funding Requirements**
- **AHF 5.0 Application/ Checklist**

***** Applications Due by***
4:00 p.m. Thursday, August 31, 2017 **

Applications/Checklists to be submitted online through City Data Services
Link: www.citydataservices.net
(Login for new users is AHF2017 for ID & Password)

For technical assistance with the online application, contact Chris Davidson
citydataservices@yahoo.com or (415) 572-4572

7/25/2017

1. Table of Contents

Please note: the <u>AHF 5.0 Application and Checklist</u>, are available online at www.citydataservices.net. You MUST submit a completed Application and Checklist to be considered for funding.

2. NOFA OVERVIEW & FUNDING REQUIREMENTS

I. INTRODUCTION AND BACKGROUND

The County of San Mateo Department of Housing ("DOH") is made-up of two units, the Housing Authority of the County of San Mateo ("HACSM" or "Housing Authority") and the Housing and Community Development division ("HCD"). HACSM is a "Moving to Work" agency, providing Section 8 rental assistance and administering innovative programs that target vulnerable populations, promoting housing stability and family self-sufficiency. The HCD division manages County funds allocated for affordable housing purposes as well as federal grant programs funded through the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) and HOME Investment Partnership Programs. HCD also fosters strategic partnerships, policies and programs designed to catalyze the creation of affordable housing options. Together, HACSM and HCD provide millions of dollars yearly for housing assistance, housing development, and public services in support of housing programs in the county.

This NOFA is part of an ongoing allocation of funds from the County's Affordable Housing Fund ("AHF"). In April, 2013 the San Mateo County Board of Supervisors approved the allocation of approximately $13.4 million of unrestricted General Funds for affordable housing purposes. These funds were derived from a one-time distribution of Housing Trust Funds held by former redevelopment agencies in San Mateo County. These unrestricted general funds – which launched the County's Affordable Housing Fund– were set aside to provide financial assistance for the development of multifamily affordable rental housing and provision of emergency and transitional shelter in the County. The Board directed the County Department of Housing to develop allocation guidelines and recommend projects for funding. Approximately $13.2 million of these funds, now known as AHF 1.0, have been allocated, collectively, to six multifamily affordable rental housing developments and four emergency and transitional housing projects.

Between 2014 and 2016, three additional AHF funding rounds were authorized and carried out. On August 5, 2014, the Board of Supervisors, sitting as the Housing Authority's Board of Commissioners, authorized HACSM to publish another NOFA, known as AHF 2.0, using funds from the HACSM Housing Assistance Program (HAP) Reserves to create affordable housing options for low-, very low-and extremely low-income households. A total of $5 million was awarded to five projects, including three multifamily affordable housing rental developments, a homeownership project, and a farmworker housing program.

Previously, in November 2012, San Mateo County voters had approved Measure A, a countywide half-cent general sales tax, to maintain the quality of life for all County residents by providing essential County services and maintaining or replacing critical facilities. Then, in 2016, county voters approved Measure K, a 20-year extension of this half-cent sales tax (all proceeds from this sales tax are now referred to as Measure K funds). Beginning with AHF 3.0, Measure K funds became a major source of funding for the County's Affordable Housing Fund.

On April 15, 2015, DOH released AHF 3.0, sourced from $2.5 million from Measure K funds and $3.5 million from Housing Authority HAP reserves. A total of $4.4 million was awarded to five new construction affordable rental housing developments, while $1 million was allocated to a multifamily acquisition and rehabilitation demonstration program to preserve naturally affordable housing units. This preservation demonstration program was extended with an additional $2.92 million in Measure K funds, resulting in the preservation of two apartment complexes totaling 25 preservation units.

Most recently, AHF 4.0 released in 2016, which made available $9.24 million in funding and awarded over $8.65 million for six new construction affordable rental housing developments and the rehabilitation of one existing affordable rental development. Sources for AHF 4.0 included Measure K funds, former Redevelopment funds, and Housing Authority HAP Reserves. The Board of Supervisors also approved and additional $10 million in Measure K funds for priority preservation opportunities, resulting in the commitment of slightly more than $9 million to acquire and preserve two apartment complexes, one of which included a number of households receiving county supportive services.

To date, the Affordable Housing Fund, together with its Preservation sub-fund, has allocated over $45 million and committed over $44 million of that total to assist 1,016 units -- supporting development of 891 new affordable rental and homeownership units, rehabilitation of 38 affordable housing units, and acquisition and preservation as affordable housing of 87 multifamily rental units in San Mateo County.

II. PURPOSE

This NOFA ("AHF 5.0") reflects a combination of funding from the County Affordable Housing Fund and other sources, as detailed in Section III (A). This funding will be targeted to projects that provide or help preserve affordable rental housing opportunities for extremely low- and very low-income residents of San Mateo County through the development of new affordable multifamily rental housing units and through the re-syndication and rehabilitation of existing deed-restricted affordable multifamily rental housing stock.

DOH's strategic priorities for this funding assistance include the following:

- Create more housing through construction of new affordable multifamily rental units;
- Target AHF funds to very low- and extremely low-income affordable housing units;

- Maintain existing deed-restricted affordable rental housing by supporting essential repairs and rehabilitation, in conjunction with re-syndication of Low Income Housing Tax Credits (LIHTC), to support the project, for health and safety reasons and/or to extend the useful life of the improvements when such repairs are beyond the Project's capital improvement budget;
- Create more extremely low-income and/or supportive housing for homeless households and those at imminent risk of homelessness, including housing opportunities for at-risk former foster youth, persons with serious mental health challenges who are homeless or at-risk of homelessness, and other County clients in need of affordable housing;
- Encourage the creation of affordable multifamily projects containing larger units (2- and 3-bedroom);
- Create more housing within walking distance of services, amenities, and transit – particularly in locations qualifying for Affordable Housing & Sustainable Communities (AHSC) state funding;
- Build system capacity among affordable housing providers and supportive services providers

III. APPLICATION SUBMISSION, REVIEW AND APPROVAL PROCESS

A. Notice Of Funding Availability Overview

On July 25, 2017, the County of San Mateo Department of Housing released a Notice of Funding Availability (NOFA) for a total of $23,809,505 in Measure K, other General Fund and Mental Health Services Act (MHSA) funding. Sources for this AHF funding round ("AHF 5.0") consist of: $16,000,000 in FY 2017-19 Measure K funds; $586,467 in Measure K AHF 4.0 reserves; $2,600,000 in funds recycled from previous AHF awards; $2,250,000 in County General Funds which will be available for payment in the first quarter of calendar year 2018; $1,300,000 in Measure K funds designated for Former Foster Youth; and $1,073,038 in County MHSA funds designated for persons with serious mental illness who are homeless or at-risk-of homelessness. This NOFA is posted on the San Mateo County Department of Housing website, under "NOFAs, Bids & Proposals" at: http://housing.smcgov.org/AHF5-NOFA

B. Tentative Schedule of Events

EVENT	**TARGET DATE ***
NOFA Published & Posted on Dept. of Housing website	July 25, 2017
Technical Assistance Session for Applicants	August 8, 2017 (10:30a -noon)
Application Submission Due Date	**August 31, 2017 (by 4:00 p.m.)**
HCDC Public Hearing	October 10, 2017 (10:00-noon)
Board of Supervisors Meeting (for Funding Allocations)	***(est)*** November 2017

***Please check the DOH website to confirm all dates**

C. Technical Assistance Session

DOH will hold a technical assistance session for prospective applicants on **Tuesday, August 8, 2017, from 10:30 – noon**. The session will be held in the Jupiter Room at

264 Harbor Blvd, Building A, Belmont. Attendance by applicants is not mandatory but is strongly recommended. Instruction on the use of the City Data Services application process will be provided.

D. Application Submission

1**. Application Due Date.** ***Applications for this NOFA must be submitted to DOH through City Data Services online by no later than 4:00 p.m. on Thursday, August 31, 2017*** as stated in the NOFA***.*** Project applications must be complete by the deadline date to ensure consideration for funding eligibility. Applications that do not include all required information, or do not have complete answers to all applicable questions, may, at DOH's sole discretion, be deemed ineligible for funding.

2. **Application Includes All Materials**. Application submittals must include:
- Application form, completely filled in;
- Checklist at the end of the Application, indicating which materials are included in the submission;
- Any required Attachments and any additional Attachments as available or applicable;
- Any supplementary materials, if relevant and necessary

3. **Submission online**. All applicants must submit applications online through www.citydataservices.net with all attachments included. The AHF applications will be listed under "Affordable Housing Fund 2017/2018 Applications," and the login for new applicants is AHF2017 for ID and password. Instruction in the use of the online system will be provided at the technical assistance workshop scheduled for August 8, 2017. Applicants are encouraged to attend.

4. **No Material Changes**. Applications, including any attachments, may not be materially revised and/or submitted after the deadline date. In addition, once a proposal is awarded funding by DOH, it cannot be materially revised prior to execution of loan agreement and closing of escrow. DOH has sole discretion to determine what constitutes a material revision to an application.

5. **Application Becomes DOH Property.** All materials submitted in response to this NOFA, or in response to staff requests to an Applicant for clarification or additional information related to the Applicant's application, shall become property of DOH.

6. **Questions and Response Process**. Submit all questions relating to this NOFA by emailing Ray Hodges at rhodges@smchousing.org. Applicants will receive responses via email. All questions received and responses will also be posted periodically on the DOH website up until the application due date.

E. Review and Approval Process

1. DOH staff will review the application and forward a staff report and funding recommendation to the Applicant and the San Mateo County Housing and Community Development Committee ("HCDC"). During the review, staff may reach out to Applicants to clarify questions regarding the submissions.

2. The HCDC, appointed by the County Board of Supervisors, will assume responsibility for reviewing all applications after staff has assessed compliance with threshold eligibility criteria and summarized their analysis of each application and funding recommendations in a staff report intended to assist the HCDC in their review and recommendation process.

3. The HCDC will conduct a public hearing tentatively scheduled for October 10, 2017 to receive testimony regarding proposals submitted for AHF funding in response to this NOFA. The HCDC will formulate a funding recommendation to the Board of Supervisors, including a list of projects recommended for funding, the level of funding recommended, and conditions to be satisfied prior to funding, if any. <u>The HCDC is unlikely to recommend funding for any project unless a representative from the applicant is present at the hearing to answer questions about the proposed project.</u>

4. DOH reserves the right to make a funding recommendation that is more than, equal to, or less than the requested amount of funding for any Project, regardless of the point score received by the Project on the Project Evaluation Sheet.

5. Final approval of projects that will receive AHF funding, and funding amounts, will be made by the Board of Supervisors. The HCDC recommendations, together with DOH staff comments and recommendations, will be submitted to the Board of Supervisors for approval. The Board is the final decision-maker for determining AHF awards.

6. Selection of one or more Projects to receive AHF funding, and the funding amount for each Project, will be memorialized in the form of a Loan Agreement between the borrower and DOH, authorized by a resolution of the County Board of Supervisors, and signed by both parties.

IV. DEFINITIONS

A. "Applicant". An applicant is the entity submitting an application for this NOFA. Eligible applicants include non-profit and for-profit developers and other non-profit sponsoring agencies. Governmental bodies are <u>not</u> eligible applicants.

B. "AHF." AHF refers to the County's Affordable Housing Fund, created in 2013 with funds derived from a one-time distribution of Housing Trust Funds held by former redevelopment agencies in San Mateo County. The AHF may contain funds from a variety of sources including, but not limited to, County Measure K, Housing Authority of the County of San Mateo, and former redevelopment agency funds that have been reallocated to the County.

C. “AHF NOFA” or “AHF 5.0 NOFA” or “NOFA”. The current County Affordable Housing Fund NOFA providing $23,809,505 million in funding assistance, which is comprised of $16,000,000 in FY 2017-19 Measure K funds; $586,467 in Measure K AHF 4.0 reserves; $2,600,000 in funds recycled from previous AHF awards; $2,250,000 in County General Funds which will be available for payment in the first quarter of calendar year 2018; $1,300,000 in Measure K funds designated for Former Foster Youth; and $1,073,038 in County MHSA funds designated for persons with serious mental illness who are homeless or at-risk-of homelessness.

D. “AHF-Restricted Unit.” A residential unit that is subject to rent and occupancy restrictions as a result of the financial assistance provided by AHF funding, as specified in the loan agreement and described in this section.

<u>For New Construction Projects</u>:
The number of AHF-Restricted Units shall be the greater of [(1) + (2) + (3)] or (4), as described below, but shall not exceed 49% of the units. The number of units restricted by (1), (2) and (3) below shall not be permitted to overlap: i.e., a unit restricted to meet the requirements of Section VI (A) (1) (h) for 30% AMI tenants may not also be designated to meet the requirements of Section VI (A) (1) (i) for homeless tenants. However, any units restricted to meet requirements of (4) below may also be units restricted by (1), (2) or (3).

(1) Units subject to Section VI (A) (1) (h) requiring 10% of the units restricted to households with incomes at/below 60% of AMI be rented to tenants earning at or below 30% AMI;

(2) Units subject to Section VI (A) (1) (i) requiring the greater of 5% of the units restricted to households with incomes at/below 60% of AMI, or 2 units, whichever is greater, be set aside for homeless tenants;

(3) Units which generate additional competitive points under this NOFA as described in Section VI (A) (2) (e) for restricting additional units for tenants earning at or below 35% AMI, tenants who are homeless, at risk of homelessness, frail elders leaving nursing or long-term care facilities, or MHSA-eligible tenants;

(4) The number of units derived by dividing the AHF loan amount by $100,000.

<u>For Multifamily Re-Syndication-Rehabilitation Projects</u>:
The number of AHF-restricted units shall be the lesser of:

(1) The number of units derived by dividing the AHF loan amount by the maximum loan per unit of $50,000; or

(2) Forty-nine percent (49%) of the number of units in the Project.

E. “ELI Unit(s)”. For purposes of this NOFA, an ELI Unit is a unit targeted to a household earning an extremely low income defined as up to 30% of the Area Median Income (AMI).

An ELI Unit rented to a household earning up to 30% AMI shall always qualify as an ELI Unit unless the household renting a ELI Unit increases its income to more than 60% AMI.

When an ELI household increases its income to more than 60% AMI, the ELI Unit shall lose its ELI designation, and the next vacant unit with an equivalent bedroom count shall be rented to a household earning up to 30% AMI, and that unit shall become an ELI Unit.

F. "Homeless Unit(s)". For purposes of this NOFA, a Homeless Unit is a unit targeted to a household (one or more persons residing together) that meets one of the following criteria:

a. An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground; or
b. An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or
c. An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution; or
d. Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence; and
    i. Has no other residence; and
    ii. Lacks the resources or support networks, e.g. family, friends, and faith-based or other social networks, to obtain other permanent housing.
e. Is homeless or at-risk of homelessness, is a client receiving services from one or more County agencies including, but not limited to, the Human Services Agency (HSA), the County Health System including the Division of Behavioral Health and Recovery Services (BHRS), DOH, or HACSM, and who is referred by the HSA Office of Homelessness or HACSM. This definition shall also include FFY Units and MHSA Units described in Section V. (E) (2) and Exhibits A and B of this NOFA.

*In the case of veterans, DOH will accept the definition of homelessness used by the U.S. Department of Veterans Affairs' programs (for VA-funded programs) or definition of homelessness used by the State of California (for state-funded programs).

A Homeless Unit rented to a homeless household shall always qualify as a Homeless Unit unless the household renting a Homeless Unit increases its income to more than 60% AMI. When a homeless household increases its income to more than 60% AMI, the Homeless Unit shall lose its homeless designation, and the next vacant unit with an equivalent bedroom count shall be rented to a new homeless household, and that unit shall become a Homeless Unit.

G. "Multifamily New-Construction Affordable Rental Housing projects". For purposes of this NOFA, this refers to new-construction deed-restricted permanent multifamily rental housing projects in which at least 50% of the residential units (excluding the manager's unit) are targeted to households with incomes at or below 60% of Area Median Income, where the term of occupancy is not time-limited, and where any other residential units (excluding the manager's unit) are restricted to households with incomes not higher than 120% of Area Median Income.

H. "Multifamily Re-Syndication-Rehabilitation projects". For purposes of this NOFA, this refers to existing deed-restricted permanent multifamily rental housing serving households with incomes at or below 60% of Area Median Income, where the term of occupancy is not time-limited, and where the owner is proposing rehabilitation in conjunction with tax credit re-syndication.

I. "Project". This refers to a project that is the subject of an application for this NOFA.

J. "Project Developer" or "Developer". This refers to the entity listed in the application for this NOFA as the entity that will develop and build the Project.

K. "Rental unit." Residential dwelling units containing a kitchen and bathroom(s). A rental unit may include a studio/efficiency unit, but will not include Single Room Occupancy (SRO) units lacking a kitchen or bathroom. In all Rental Units, the resident is required to pay some or all of the unit rent.

L. "Site Control". Site control means that the Applicant (or project Developer, if Developer is not the applicant) has site control of the land and other real property necessary for the Project. Acceptable evidence of site control is a document that has a complete and accurate legal description and is one of the following: (a) a recorded deed or conveyance showing the Applicant has ownership; (b) a valid purchase and sale agreement; (c) a valid option to purchase; (d) a valid option for a long-term lease; or (e) other evidence satisfactory to DOH.

M. "Supportive Housing Units". For purposes of this NOFA, supportive housing units refers to units specifically targeted to persons needing supportive housing services in order to remain successfully housed, where the supportive services assist the person to stabilize, maintain their housing, and live as independently as possible. Persons needing supportive housing units may include homeless persons; persons with serious mental illness or other serious health conditions; persons with developmental or other disabilities; frail elderly; transition-age youth; victims of domestic violence; persons recovering from substance abuse; and persons recently released from jail or prison.

V. FUNDING AVAILABILITY; ELIGIBLE APPLICANTS; ELIGIBLE PROJECTS

A. Funding Availability Overview

DOH is inviting developers of deed-restricted affordable new-construction multifamily rental housing projects located within San Mateo County, and owners of existing deed-restricted affordable multifamily projects located within San Mateo County undergoing re-syndication and rehabilitation, to submit applications for funding assistance under this NOFA. A total of $23,809,505 of funding assistance is available under this NOFA for the types of affordable housing projects and specific special needs unit typologies described below.

B. Eligible Applicants

1. Non-profit and for-profit affordable housing developers or owners who meet the criteria defined in Sec. V (B) (2) below. Public agencies as defined in California Government Code Section 6500 are not eligible applicants.

2. Applicants must have affordable housing experience in the nine-county Bay Area (San Mateo, San Francisco, Marin, Sonoma, Napa, Solano, Contra Costa, Alameda, and Santa Clara) and a successful track record of at least two (2) years of ownership* and management** of at least two (2) affordable housing projects within the nine-county Bay Area in which 100% of the units, with the exception of the manager(s) unit(s), are targeted to those at or below 80% of the Area Median Income.
   *Ownership by an affiliated entity, limited partnership or limited liability corporation for tax credit purposes will qualify as ownership of the project, at the Department's discretion.

   **Management by an affiliated or contracted property management entity will qualify as management of the Project.

C. Eligible New Construction Multifamily Rental Projects

1. Eligible New Construction Multifamily Rental Projects must be affordable housing projects in which at least 50% of the units are restricted to households with incomes at or below 60% of the Area Median Income. Note that for underwriting purposes, scoring, and determining the need for AHF subsidy, <u>DOH requires review of the financial considerations (costs, sources, uses, income, expenses, cash flow, etc.) of all units to be developed by the Developer or an affiliate of the Developer within one master-planned development site, whether these are financed as one or more residential project(s).</u>

2. Eligible Projects must provide permanent affordable housing rather than transitional housing.

D. Eligible Multifamily Re-Syndication-Rehabilitation Projects

1. Eligible Multifamily Re-Syndication-Rehabilitation Projects must be affordable rental housing projects previously financed with LIHTC in which 100% of the units, with the exception of the manager(s) unit(s), are deed-restricted to households with incomes at or below 60% of the Area Median Income, and which are preparing to re-syndicate LIHTC in order to renovate and recapitalize the project.

2. Eligible projects must provide permanent affordable housing rather than transitional housing.

E. Funding Availability by Housing Category and Unit Type

The following funding amounts will be available for the two housing categories described above in Sec. V (C) and (D), and to support development of affordable units for two specific special needs populations – former foster youth, and persons with serious mental illness who meet the requirements of the Mental Health Services Act Housing Program. Targeted funds available to support housing for these special needs populations is limited to the amounts available in this NOFA and the applicable per-unit caps for these funds. However, these population-specific funds may be added to other AHF funding awarded to projects seeking funding under either housing category.

Please note that DOH and the HCDC reserve the right to reallocate funds between housing categories prior to sending final funding recommendations to the Board of Supervisors, which may increase or decrease the amount of funds in either category. Therefore, funds not awarded from one category may be applied to the other category as long as the total amount for both categories does not exceed the $23,809,505 million available in this NOFA. DOH and the HCDC may also recommend AHF 5.0 awards in an amount totaling less than $23,809,505 and reserve funding for a later AHF round or other affordable housing purposes.

1. <u>Housing Category</u>:

a) **Multifamily New-Construction Affordable Rental Housing Projects**. Up to **$19,436,467** in aggregate will be available for Projects in this category, not including AHF funds available for special needs populations described in Section V. (E) (2) below. [**Note**: such special needs funding may be awarded to Projects in addition to the funds available in this category]. While there is no maximum per-unit or per-Project loan cap, Applicants are directed to review the scoring criteria for Multifamily New Construction Affordable Rental Housing Projects in Section VI. (A) (2), with particular attention to those sections describing leverage considerations.

b). **Multifamily Re-Syndication-Rehabilitation Projects**: Up to a total of **$2 million** will be available for Projects in this category, not including AHF funds available for special needs populations described in Section V. (E) (2) below. [**Note**: such special needs funding may be awarded to Projects in addition to the funds available in this category.] The maximum award for such Projects will be $50,000 per unit, up to a maximum of $2 million for any Project.

2. <u>Units Serving Specific Special Needs Populations</u>:

a) **Former Foster Youth (FFY) Units**. An additional **$1.3 million** is available for units specifically targeted to former foster youths referred by San Mateo County's Human Services Agency (HSA). The units must be provided in Projects eligible for AHF 5.0 funding under either Housing Category listed above and described in Sections V. (C) and (D). Note: please see **Exhibit A**, attached, for a more detailed description of Former Foster Youth units and the Former Foster Youth housing program administered by HSA.

i. An award of FFY funds for FFY-restricted units may be made <u>in addition</u> to other AHF funds awarded to a Project.

ii. The maximum per-unit cap for FFY funds is $72,000, based on the number of FFY units in a Project. There is no per-Project cap for FFY funds aside from the $1.3 million available total.

b) **Mental Health Services Act (MHSA) Units**. An additional **$1,073,038** is available for units specifically targeted to persons eligible to occupy MHSA units. The units must be provided in Projects eligible for AHF 5.0 funding under either Housing Category listed above and described in Sections V. (C) and (D). Note: please see **Exhibit B**, attached, for a more detailed description of MHSA units and the MHSA housing program administered by the Behavioral Health and Recovery Services unit of the San Mateo County Health System.

i. An award of MHSA funds for MHSA-restricted units may be made <u>in addition</u> to other AHF funds awarded to a Project.

ii. The maximum per-unit cap for MHSA funds is $153,291, based on the number of MHSA units in a project. There is no per-Project cap for MHSA funds aside from the $1,073,038 available total.

c) FFY Units or MHSA Units provided in a Project will be counted toward meeting the Project's requirement for Homeless Units.

VI. QUALIFICATION AND PREFERENCE CRITERIA

Following are the qualification and preference criteria to be used when evaluating funding applications. For both qualification and preference criteria, the criteria must have been met by the application due date stated in this NOFA, to be considered to have been met.

Qualification criteria are the minimum or "threshold" qualifications that projects must meet to be eligible for funding, and <u>projects must meet all qualification criteria to receive AHF funds</u>. Projects meeting one or more preference criteria will have a competitive advantage over projects meeting only the qualification criteria. Other considerations affecting funding decisions may include availability of funds in a funding category, total amount of funding requests in that funding category, and the goal to assist a variety of worthy projects.

PLEASE NOTE: **Projects receiving funding commitments in this NOFA must comply with the terms and conditions of this NOFA**, whether or not such Projects have received funding commitments in previous AHF NOFA rounds that contained other terms and conditions. It should be noted that the homeless and 30% AMI (extremely-low income, or "ELI") unit targeting requirements of this NOFA are not cumulative with those from previous AHF NOFAs, but may represent a net increase over previous unit targeting requirements. For example, if a Project was required to provide two Homeless Units in connection with a previous AHF award, and the requirements of this AHF 5.0 NOFA equate to a requirement of five Homeless Units, the total Homeless Unit requirement for the Project would be five, rather than seven units.

A. Multifamily New-Construction Affordable Rental Housing Projects

1. Qualification Criteria ***(must meet all to be eligible for funding)***:

   a. Project Eligibility Criteria, as stated in Sec. V. (C.)

   b. Project Developer experience Criteria, as stated in Sec. V. (B.)

   c. The application must present a fully developed Project concept including use of the housing, parties responsible for project development and operations, and financial feasibility.

   d. The Applicant must have site control of the land and other real property necessary for the Project and have submitted acceptable evidence of that control (see Definition of Site Control in Sec. IV (L.)). The name on the evidence of site control must be exactly the same as the Applicant, or if not the same, the Applicant must provide a narrative description and supporting documentation satisfactory to DOH to clarify the relationship between the entities and process for obtaining ownership. The site control document must also specify exactly the same area as the Project site listed in the application and exactly the same cost for the land and/or existing buildings for the Project referenced in the development budget provided with the Application. If the site description or acquisition cost in the Application and the site control document do not match, the Applicant must provide a narrative description and supporting documentation satisfactory to DOH to clarify how the area and cost for the Project were established.

   e. The Project must be a new-construction project and not an acquisition, acquisition-rehab, or rehabilitation of an existing multifamily housing development.

   f. The Project must be ready for occupancy within 4 years from the due date for NOFA application submission. Readiness will be gauged by the status of land use entitlements as well as the degree to which other funding commitments have been secured.

   g. AHF funding must leverage other public and private sources to the greatest reasonable extent possible, as demonstrated in the project financial proforma.

   h. At least ten percent (10%) of the units in the Project that are restricted to households with incomes at/below 60% of AMI (excluding the manager's unit) must be ELI Units as defined in Section IV (E.) targeted to households with extremely-low incomes at or below 30% of Area Median Income (AMI).

Applicants shall round any fractions up when determining the targeted number of Homeless Units.

i. At least five percent (5%) (with a minimum of two units) of the units in the Project that are restricted to households with incomes at/below 60% of AMI (excluding the manager's unit) must be Homeless Units as defined in Section IV (F) targeted to homeless households. Applicants shall round any fractions up when determining the targeted number of Homeless Units. These targeted units shall be <u>in addition to</u> the ELI units described in Section VI (A) (1) (h) above. [See Section IX (A) (3) for additional information on recruitment and occupancy of targeted Homeless Units].

j. The Project's 30-year operating cash flow must include a Services budget of at least $500 per unit per annum (PUPA) and the application must include a services plan summary describing, at a minimum, the services to be offered to tenants on- and off-site, how tenants will be linked to and access necessary services not provided by the Developer or its affiliates or contracts, who will provide the services, and how they will be funded.

2. <u>Preference Criteria</u>:

a. The Project is ready for occupancy sooner than four (4) years from the due date for NOFA application submission. Projects that could otherwise close but for a small gap funding award provided under this NOFA will garner additional preference consideration. Readiness will be gauged by the status of planning and land use entitlements and permits, the degree to which other funding commitments have been secured, completion of architectural drawings, the anticipated date for 9% tax credit financing applications or 4% tax credit/tax-exempt bond applications (if applicable), and the anticipated development schedule submitted as part of the application.

b. The city (if the Project is located in an incorporated city or town) or County (if the Project is located in the unincorporated County) has provided a commitment to:

i. Provide city funds (if the Project is located in an incorporated city or town);

ii. Donate or provide city- or County-owned land at a below-market-rate; or

iii. Grant the Project one or more cost-saving incentives, such as fee reductions or waivers, by-right zoning, density bonus, parking requirement reduction, or other such cost-saving incentives. Note that the County seeks to leverage AHF funds to <u>create affordable housing</u> and is unlikely to fund applications that include large fees payable to local jurisdictions when the subsidy needed to pay such fees could otherwise be used to fund development of additional affordable housing.

c. The Developer uses all reasonable efforts to partner with a local jurisdiction or transit agency and submit an application for Affordable Housing and Sustainable Communities (AHSC) funds to support development of the Project, enhance walkability, increase access for biking, and improve linkages to public transportation. Note that DOH staff are aware that some sites may not be competitive for AHSC funds. If an Applicant does not plan to apply for AHSC funding, the Applicant must provide a statement describing its reasoning for not submitting an application. Those that do plan to apply will have the opportunity to describe the current status of discussions with their local jurisdiction/transit agency partner(s), the amenities planned for inclusion in the application, and the timeline and status of the application. Applicants who make a convincing case for why the Project is not applying for AHSC funds, but nonetheless seek to enhance area walkability, increase bicycle access or improve linkages to public transportation, will also receive scoring preference for such amenities.

d. The Project provides strong leverage for County funds and limits the amount of County subsidy required by attracting additional non-County funding sources, including donation or below-market-rate sale of land from other quasi- or nongovernmental entities, and by controlling costs.

e. A larger proportion (percentage) of Project units, <u>with a minimum of three additional units over and above the threshold number of targeted Homeless Units</u> described in Section VI (A) (1) (i) above, is targeted to *any* of the following: households with incomes at or below 35% of AMI, residents who are homeless or at imminent risk of homelessness (as defined by DOH in this NOFA or by HUD or VA definitions in the case of homeless Veterans), frail elderly leaving nursing or long-term care facilities or needing specialized services in order to remain in an independent living situation, Mental Health Services Act-eligible households, or FFY households.

f. Project is within easy walking distance of services, amenities, and transit.

g. While this AHF NOFA involves no federal funds, the County will give preference to applicants that comply with the Section 3 requirements of the Housing & Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) by having either: (a) Section 3 plan, or (b) a history of meeting Section 3 requirements. Section 3requires contractors, when hiring for projects using federal funds, to give preference to low- and very low-income persons residing in the community where the project is located.

h. The Project's 30-year operating cash flow indicates a Services budget greater than $500 per unit per annum (PUPA), and the Project provides high-quality services appropriate for the needs of the tenant population served, in connection with the more robust budget; physical space for service amenities is available within the development; and service amenities will be of a regular and ongoing nature and provided to tenants free of charge (except for day care services or any charges required by law).

i. The Project includes a greater proportion of units for larger families (two- and three bedroom units, or larger).

j. The Project will serve a greater number of households (greater unit count) and/or a greater number of persons (higher projected occupancy count based on typical occupancy standards for various unit sizes).

* In addition to the preference criteria listed above, DOH will prioritize funding for qualifying proposals based upon Projects' need for AHF funding over the next 12 months. Priority will be given to filling reasonable gaps that will allow Projects to close within the next year. Note however, that County resources are limited, and as result, DOH will not necessarily prioritize speed and ability to close through infusion of additional County gap funding when other highly-accessible sources could instead be obtained in the coming year. DOH will also look to fund development costs identified for payment in the following 12-month period and will look to fill remaining gaps as possible.

B. Multifamily Re-Syndication-Rehabilitation Projects

1. Qualification Criteria ***(must meet all to be eligible for funding)***:

a. Project Eligibility Criteria, as stated in Sec. V. (D)

b. Project Owner experience Criteria, as stated in Sec. V. (B.)

c. Application presents a fully developed Project concept including: a re-syndication financing proforma identifying all committed and projected sources and a reasonable timeline for obtaining anticipated but uncommitted sources; a preliminary scope of work and estimated cost break-down prepared by a qualified party, indicating which items are considered health and safety issues or will extend the useful life of the improvements, and; a project schedule or timeline showing all project milestones.

d. Applicant must own or otherwise have the authority to carry out the work on the multifamily property under consideration.

e. Project must involve LIHTC re-syndication with rehabilitation of an existing deed-restricted multifamily housing development, where the rehabilitation consists of essential repairs and rehabilitation needed for health and safety reasons and/or to extend the useful life of the improvements, and when such repairs and rehabilitation work are in excess of the Project's capital improvement budget.

f. Project repairs and/or rehabilitation work will be completed within three (3) years of the AHF funding commitment date.

2. Preference Criteria

Preference criteria used in evaluating Multifamily Re-Syndication-Rehabilitation Projects will be the same as those used to evaluate Multifamily New-Construction Affordable Rental Housing Projects, as described in Section VI. (A) (2), to the extent such criteria are reasonably applicable, aside from giving preference points to Projects with predevelopment periods shorter than three (3) years, rather than four (4) years.

VII. ELIGIBLE USES OF AHF LOAN FUNDS

A. The following eligible costs apply to Multifamily New Construction Affordable Rental Housing Projects:

1. Predevelopment

    a. Eligible predevelopment costs may include, but are not limited to, costs of local, state- and federally-mandated tenant and business relocation, site plan and other site design studies, architecture and engineering fees, soils testing and other environmental review costs, legal fees, costs of other eligible consultants, planning fees, and other project management expenses.

    b. DOH funds are not available to pay for Applicant's staffing, overhead and general costs of operation or site search costs.

    c. Eligible costs initially paid with Applicant's own or borrowed funds may be reimbursed with DOH loan proceeds without regard to the date on which they were incurred, within reason and at the Department's discretion.

2. Site Acquisition

    a. The Applicant may request funds to apply toward site acquisition costs such as appraisals, purchase agreement deposits, option payments, other site control costs, the purchase price of the site, repayment of the loan(s) that originally financed the purchase of the site (i.e., take- out financing), and other acquisition costs such as buyer's share of closing costs. DOH funds will not fund acquisition costs for the land and improvements in excess of the current appraised value of the property.

    b. Eligible site acquisition costs also include site clearance, environmental remediation costs associated with environmental hazards, and preliminary site grading in preparation for construction of the units.

    c. Eligible site acquisition costs may be reimbursed without regard to the date on which they were incurred, within reason and at the Department's discretion, as long as the costs were incurred by the Applicant or Project Developer as part of acquiring the property.

3. Construction

a) Eligible construction costs include demolition, on- and off-site improvements, construction of new residential units and non-commercial common areas that are an integral part of a residential development, and other direct construction costs.

b) Certain indirect or soft costs are also eligible, including architectural and engineering fees, local permit and impact fees, legal fees, eligible consultant and professional fees, and property taxes and insurance.

c) Costs of local-, state-, and federally-mandated tenant or business relocation, to the extent such relocation is required but not funded by other funding sources.

d) DOH loan proceeds may not be used to pay late or penalty fees or the Applicant's or Project Developer's staffing, overhead and general costs of operation.

e) Eligible costs may be reimbursed without regard to the date on which they were incurred, within reason and at the Department's discretion.

4. Operating Costs

a) Operating costs are NOT eligible costs in any form, except to pay for capitalized operating reserves where DOH determines such reserves necessary.

b) For FFY-targeted units and MHSA-targeted units, some or all of the awarded funds may be allocated to capitalized operating reserves, with DOH approval, in connection with rent or supportive service subsidies that may be necessary to support those units.

B. The following eligible costs apply to Re-Syndication-Rehabilitation Projects:

The eligible costs for Multifamily New Construction Affordable Rental Housing Projects described in Section VII. (A) above are also considered eligible costs for Multifamily Re-Syndication-Rehabilitation Projects, except for acquisition costs, which DOH will not finance for Projects in this category.

VIII. LOAN TERMS

A. DOH Loan Amount

DOH will provide low-interest loans to eligible projects. **The minimum loan amount for any Project will be $100,000**. The maximum loan amounts are as follows:

1. Multifamily New-Construction Affordable Rental Housing Projects

    a. The maximum number of units in a Project that can be restricted by DOH funding, including AHF funds, is 49% of the units.

    b. There is no maximum loan amount for the AHF funds available for Multifamily New-Construction Affordable Rental Housing Projects. Any AHF funds targeted to specific populations (FFY and MHSA) may be layered with general AHF funds awarded to the Project.

    c. Additionally, the maximum loan amount is not to exceed the lesser of: 100% of the then currently available AHF NOFA fund balance for the Multifamily New-Construction Affordable Rental Housing category from which the Project was funded, or the amount needed for project financial viability.

2. Multifamily Re-Syndication Rehabilitation Projects

    a. The maximum number of units in a Project that can be restricted by DOH funding, including AHF funds, is 49% of the units.

    b. Maximum loan amount is $50,000 per AHF-restricted unit, but not to exceed $2,000,000 per Project.

    c. Additionally, the maximum loan amount is not to exceed the lesser of: 100% of the then currently available AHF NOFA fund balance for the Multifamily Rehabilitation Program category, or the amount needed for project financial viability.

B. Interest Rate and Repayment

The interest rate and loan repayment terms for all AHF loans shall be subject to the Department of Housing loan policies. Typically, affordable rental housing loans for new construction projects are structured as non-recourse, 3% simple, residual-receipts loans. However, FFY and MHSA loans may be offered a modified loan interest rate, as described in Exhibits A and B, attached. For more detailed information on Department of Housing loan policies, please contact the staff member listed in the AHF NOFA announcement.

C. Term

The term of the AHF loans shall initially be four years. If satisfactory progress is being made toward the milestones listed in the loan contract, the term of the loan may be extended. Upon successful completion of site acquisition and predevelopment activities, at the close of construction financing, the AHF loans will convert to long-term permanent loans. Typically the term is 55 years from project completion in line with Low Income Housing Tax Credit project requirements.

D. Summary of Loan Terms

Loan Amount	(see (A.) above
Interest Rate and Repayment	(see (B.) above
Term	(see C.) above
Eligible Borrower	Multifamily Affordable New Construction Rental Housing: Nonprofit; For-Profit individuals & entities Multifamily Rehabilitation Program: Nonprofit; For-Profit individuals & entities
Housing Type	Multifamily Affordable New Construction Rental Housing: Permanent deed-restricted new construction multifamily rental housing. Multifamily Re-Syndication-Rehabilitation: Existing deed-restricted affordable multifamily rental housing undergoing re-syndication of LIHTC and rehabilitation.
Affordability/Unit Targeting	Multifamily Affordable New Construction Rental Housing Projects: a) All units receiving AHF funding, with the exception of a manager's unit, must be restricted to households with incomes at or below 60% of Area Median Income (AMI). b) Excluding the manager's unit, at least 10% of all units in the Project must be targeted to households at or below 30% of AMI. c) Excluding the manager's unit, at least 5% of all units in the Project, with a minimum of two units per Project, must be targeted to Homeless Households as defined in this NOFA. These units are in addition to units targeted in b) above. Multifamily Re-Syndication-Rehabilitation Projects: a) All units in the Project, with the exception of manager(s) unit(s) must be restricted to households with incomes at or below 60% of Area Median Income (AMI) or lower incomes as specified by existing LIHTCs or County loans.
Loan Review	All applications reviewed by DOH staff and the Housing & Community Development Committee (HCDC)
Loan Approval	All staff and HCDC recommendations for funding will be forwarded to the County Board of Supervisors. Board must approve all AHF loans.
Fee	1% of the loan amount. (No fee for loan extensions.)
Security/ Lien Position	Secured by a deed-of-trust interest in real property. Will subordinate AHF loans to private construction and perm lenders. Typically co-equal lien priority with loans from other local jurisdictions.
Loan to Value	Loan proceeds for Site Acquisition shall not exceed 100% of current appraised value.
Affordability Covenant	See details in Section (F.) below. Affordability covenant shall be required, recorded and shall extend for the same period as the permanent loan term, typically 55 years.
Non-Recourse	All AHF loans shall be "non-recourse" loans secured by real estate pursuant to the provisions of Dept. of Housing loan policies.

E. Proceeds from AHF Loans

Proceeds from the repayment of AHF loans shall be deposited in DOH accounts. DOH retains the discretion, subject to Board of Supervisors approval, to use such proceeds to assist with affordable housing provision in the future.

F. Loan Closing and Disbursement of Funds

1. DOH and borrower will close escrow on the AHF Affordability Covenant and the AHF loan in the same escrow, with the AHF Affordability Covenant in superior position to the AHF loan.

2. Upon receipt of satisfactory documentation from the applicant, DOH will disburse AHF loan proceeds either to escrow to pay site acquisition costs, or to the applicant to reimburse the applicant for site acquisition, predevelopment, and/or construction costs. In special cases warranting such action, and at DOH's discretion, DOH may, upon written instructions from borrower, pay borrower's vendors directly upon submission of invoices for completed work in excess of $5,000 for predevelopment and/or construction costs.

3. For construction costs, DOH will disburse AHF loan proceeds for construction progress payments that the borrower's appointed construction representative has approved as an accurate statement of work completed.

G. Affordability Covenant

1. Concurrent with executing the AHF loan agreement and recording the deed of trust, DOH will record an Affordability Covenant with the developer. The Covenant will memorialize the affordability restrictions and other requirements that accompany the AHF loan. For permanent affordable multifamily rental developments utilizing tax credits, the Covenant will remain in force for fifty-five (55) years from project completion.

2. Where DOH's Director determines, after consultation with County Counsel, that one or more federal, state and/or local financing programs available to a project will achieve results that are equivalent to, or more effective than, the affordability or other public purpose of DOH, and that such financing programs are otherwise compatible with the DOH and applicable County and Department policies and objectives, DOH's Director is authorized to modify AHF loan terms, policies and/ or the Affordable Housing Agreement, to the degree necessary for the project to utilize those financing sources.

IX. SPECIAL TERMS AND CONDITIONS

A. Multifamily Affordable New-Construction Rental Housing Projects

1. Determination of AHF-Assisted Rental Units

   a. "AHF-restricted unit" means a residential unit that is subject to rent and occupancy restrictions as a result of the financial assistance provided by DOH, as specified in this NOFA, the AHF loan agreement, and Affordability Covenant.

2. Affordability Requirements / Income Limits for Rental Units

   a. All AHF-restricted units in multifamily new-construction rental developments utilizing tax credits must remain affordable for a minimum of fifty-five (55) years. See also the definition of AHF-Restricted Units in Section IV. (D) for a description of how the number of AHF-Restricted Units is determined.

   b. At rent-up all AHF-restricted rental units must be restricted and affordable to households with incomes at or below 60% of Area Median Income (AMI) for no San Mateo County as published annually by the United States Department of Housing and Urban Development (HUD).

   c. Excluding the manager's unit, (a) at least 10% of the remaining units must be restricted to and affordable to households at or below 30% of AMI, and (b) in addition to the units restricted under (a), at least 5% of the remaining units, with a minimum of two units in the Project, must be targeted to homeless individuals or households, as defined in this NOFA. All of these units shall be considered AHF-restricted units.

   d. After initial qualification and upon recertification of household income, a household occupying an AHF-restricted unit may have its rent increased as a result of increases in household income, consistent with Project rules and requirements.

3. Recruitment and Occupancy of Targeted Homeless Units

   a. Background: HACSM maintains on-going wait lists for all of its subsidized housing programs, and through its partnership with the Center on Homelessness, is actively involved with the Homeless Outreach Teams, Emergency Shelters and Core Service Agencies as they reach out, connect with, and provide services to homeless households. Through the San Mateo County Continuum of Care (COC), HACSM handles all referrals to the subsidized housing programs and coordination with supportive service providers for each household. HACSM has contracts with each of the following supportive service agencies which provide services to individuals and families in HACSM's subsidized housing programs: County Behavioral Health and Recovery Services (BHRS), County Department of Alcohol and other Drug (AOD), Mental Health Association (MHA), Life Moves (formerly InnVision Shelter Network), and Samaritan House.

   b. Both during initial rent-up and when Homeless Units subsequently become available, HACSM will promptly provide a list of names of homeless households who are currently receiving supportive services from one of the supportive services providers, to the property owner. All of these households will have been pre-determined to be eligible for rental assistance programs administered by HACSM and will be referred to the Project with a tenant-based rental-assistance voucher from HACSM's Permanent Supportive Housing Program, Housing Readiness Program (a time-limited voucher program with case management services which help non-chronic homeless households obtain housing and increase their income over time to afford unsubsidized rent upon program graduation), or the Veteran's Affairs Supportive Housing (VASH) Program.

c. The owner will then have the opportunity to meet the referred households and determine whether or not they meet the property owner's eligibility criteria, for example criminal background and/or other occupancy standards, as they would with any pre-application process, with the following caveat: the property owner should keep in mind that these units are targeted to homeless individuals and families under a housing first model and therefore, they may have additional issues with their current credit score, no or extremely limited rental history, prior eviction, etc., and that <u>they will also be provided with supportive services to help with transitioning to and maintaining stable housing</u>. The owner may need to be willing to modify their pre-screening standards for these units, recognizing that these individuals and families will have supportive services already established and supporting them.

d. Once the property owner has met with all of the referred households, the property owner will return the list to HACSM, along with the households who were approved/denied for occupancy at their property.

4. <u>Physical Distribution of the Rental Units</u>

a. The AHF-restricted units should be distributed by unit size and amenity mix throughout the entire development.

b. AHF-restricted units in the development will be floating units: Upon recertification of household income, if a household no longer qualifies to occupy their AHF-restricted unit at the initially targeted affordability level for that unit, then the next available comparable AHF-restricted unit shall become designated to target households at the same initially targeted affordability level as the recertified household's unit. The objective is to ensure the development maintains the initial affordability-mix of the AHF-restricted units over time. Please also refer to the definitions of Homeless Unit and ELI Unit in Section IV.

5. <u>Rent Limit Compliance for Rental Units</u>

a. The Department will periodically monitor the development to ensure that the AHF-restricted units are in compliance with these affordability requirements, and that procedures used to calculate the maximum tenant-paid rent for AHF-restricted units are consistent with the project's policies and requirements.

X. COMPLIANCE MONITORING

A. Construction / Rehabilitation

1. The County reserves the right to undertake periodic monitoring of the Project during the rehabilitation period for AHF program compliance, including site visits. Borrower shall be given adequate notice of any monitoring.

2. Borrower shall submit quarterly progress reports from the close of construction financing until the completion of the rehabilitation work. The County shall supply the reporting form for such quarterly progress reports.

B. Operations

1. The County will undertake periodic monitoring of the Project for AHF program compliance. Such monitoring may consist of reviewing documents and records related to tenant income, occupancy of targeted units, and information relevant to the financial condition of the Project to ensure long-term viability. The submitted documentation must be sufficiently detailed for DOH to confirm whether the AHF-restricted development or units are in compliance with the AHF program requirements.

2. The annual compliance report that the borrower submits to DOH will include a tenant roster listing household size, income, and rent for each tenant in an AHF-restricted unit. DOH shall review reports for compliance with the AHF program requirements, shall require the developer to correct violations of those requirements, and may request additional documentation from the borrower, as the situation dictates.

3. DOH may conduct periodic site visits to AHF-restricted projects. During visits to rental housing projects, DOH representatives may interview the resident manager, review a sample of the on-site tenant files, inspect a sample of the units of varying size and affordability, and tour the common areas and grounds of the development.

XI. SECTION 8 PROJECT-BASED VOUCHERS

A. There will be <u>no commitment</u> of Section 8 Project-Based Vouchers ("PBV's") as part of this NOFA.

B. In cases where Applicants have previously received an award of PBVs for a Project, the Applicant should factor such PBV's into the Project financial proforma. However, if any Applicant indicates the use of one or more additional, uncommitted PBV's as part of the Project financing, the Applicant should do so only with the understanding that HACSM has made no commitment for such additional PBV's and cannot be held to such use of PBV's.

C. Applicants who submit a development financial proforma indicating the use of one or more uncommitted PBV's must ALSO submit a "no-PBV" or "no-additional-PBV" development financial proforma, whichever is applicable, as part of the required attachments.

D. Notwithstanding paragraph XI. (A), above, HACSM may undertake a competitive RFP process in the future. Such competitive RFP process is anticipated for either 2018 or 2019.

3. SCORING FACTORS / PROJECT EVALUATION

All Projects must meet the Qualification Criteria to be considered for funding. Further, all Projects will be evaluated for cost efficiency and success in leveraging other funding sources to limit the total County funding required. Applications will be compared to one another and to current development standards, and will also be evaluated in terms of the additional factors described below. DOH reserves the right to make awards in an amount less than requested by an Applicant, or reject applications altogether based upon cost and funding considerations or submission of grossly incomplete or inaccurate projections. Note that while DOH considers total development costs per unit and County funding per unit to be significant metrics, DOH also gives strong consideration to other aspects of the applications and budgets, including but not limited to the number of bedrooms in each unit, the number of persons to be housed, the amenities to be provided, etc., and will not consider costs independent of quality.

The following **preference** criteria, as stated in the Overview and Funding Requirements, will be used to help evaluate Project applications:

Scoring Factors and Points for Multifamily New-Construction Affordable Rental Housing Projects and Multifamily Re-Syndication-Rehabilitation Projects ***(See below for the maximum points for each factor; there is a maximum possible of 100 points)***

A. The Project is ready for occupancy sooner than four (4) years for Multifamily New-Construction Projects, and three (3) years for Multifamily Re-Syndication-Rehabilitation Projects, from the due date for NOFA application submission. Projects that could otherwise close but for a small gap funding award provided under this NOFA will garner additional preference consideration. Readiness will be gauged by the status of planning and land use entitlements and permits, the degree to which other funding commitments have been secured, completion of architectural drawings, the anticipated date for 9% tax credit financing applications or 4% tax credit/tax-exempt bond applications (if applicable), and the anticipated development schedule submitted as part of the application. [Note: Staff may refer to previous funding applications submitted to DOH for the Project to check for discrepancies between previous applications and this current application in information presented regarding readiness.] **(15 points)**

B. The City (if the Project is located in an incorporated city or town) or County (if the Project is located in the unincorporated County) has provided a commitment to:

i. Provide City funds (if the Project is located in an incorporated city or town);
ii. Donate or provide City- or County-owned land at a below market rate; or
iii. Grant the Project one or more cost-saving incentives, such as fee reductions or waivers, by-right zoning, density bonus, parking requirement reduction, or other such cost-saving incentives. Note that the County seeks to leverage AHF funds to <u>create affordable housing</u> and is unlikely to fund applications that include large fees payable to local jurisdictions when the subsidy needed to pay such fees could otherwise be used to fund development of additional affordable housing. **(15 points)**

C. The Developer uses all reasonable efforts to partner with a local jurisdiction or transit agency and submit an application for Affordable Housing and Sustainable Communities (AHSC) funds to support development of the Project, enhance walkability, increase access for biking, and improve linkages to public transportation. Note that DOH staff are aware that some sites may not be competitive for AHSC funds. If an Applicant does not plan to apply for AHSC funding, the Applicant must provide a statement describing its reasoning for not submitting an application. Those that do plan to apply will have the opportunity to describe the current status of discussions with their local jurisdiction/transit agency partner(s), the amenities planned for inclusion in the application, and the timeline and status of the application. Projects that do not compete for AHSC funds but nonetheless seek to enhance area walkability, increase bicycle access or improve linkages to public transportation will also receive scoring preference for such amenities. **(5 points)**

D. The Project provides strong leverage for County funds and limits the amount of County subsidy required by attracting additional non-County funding sources, including donation or below-market-rate sale of land from other quasi- or nongovernmental entities, and by controlling costs. **(15 points)**

E. A larger proportion (percentage) of Project units, <u>with a minimum of three additional units over and above the threshold number of targeted homeless units</u> described in Section VI (A) (1) (i) above, is targeted to any of the following: households with incomes at or below 35% of AMI, residents who are homeless or at imminent risk of homelessness (as defined by DOH in this NOFA or by HUD or VA definitions in the case of homeless Veterans), frail elderly leaving nursing or long-term care facilities or needing specialized services in order to remain in an independent living situation, Mental Health Services Act-eligible households, or FFY households. **(15 points)**

F. Project is within easy walking distance of services, amenities, and transit. **(15 points)**

G. While this AHF NOFA involves no federal funds, the County will give preference to applicants that comply with the Section 3 requirements of the Housing & Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) by having either: (a) Section 3 plan, or (b) a history of meeting Section 3 requirements. Section 3requires contractors, when hiring for projects using federal funds, to give preference to low- and very low-income persons residing in the community where the project is located. **(5 points)**

H. The Project's 30-year operating cash flow indicates a Services budget greater than $500 per unit per annum (PUPA), and the Project provides high-quality services appropriate for the needs of the tenant population served, in connection with the more robust budget; physical space for service amenities is available within the development; and service amenities will be of a regular and ongoing nature and provided to tenants free of charge (except for day care services or any charges required by law). **(5 points)**

I. The Project includes a greater proportion of units for larger families (two- and three bedroom units, or larger). **(5 points)**

J. The Project will serve a greater number of households (greater unit count) and/or a greater number of persons (higher projected occupancy count based on typical occupancy standards for various unit sizes). **(5 points)**

* In addition to the preference criteria listed above, DOH will prioritize funding for qualifying proposals based upon Projects' need for AHF funding over the next 12 months. Priority will be given to filling <u>reasonable</u> gaps that will allow Projects to close within the next year. Note however, that County resources are limited, and as result, DOH will not necessarily prioritize speed and ability to close through infusion of additional County gap funding when other highly-accessible sources could instead be obtained in the coming year. DOH will also look to fund development costs identified for payment in the following 12-month period and will look to fill remaining gaps as possible.

*** * * * * ***

EXHIBIT A

Former Foster Youth (FFY) Housing Units

<u>Overview</u>

The County of San Mateo Human Services Agency (HSA) and the County of San Mateo Department of Housing (DOH) have jointly agreed to collaborate in the creation of affordable housing units targeted to serve non-minor dependents and Former Foster Youth (collectively, "Former Foster Youth" or "FFY") in San Mateo County. HSA has agreed to contribute to the Affordable Housing Fund 5.0 (AHF 5.0) administered by DOH one million three hundred thousand dollars ($1,300,000) in previously-committed Measure K funds for this purpose. Such contributed funds are for the purpose of financing the acquisition, development, and/or rehabilitation of up to eighteen (18) units of permanent affordable housing for FFY in San Mateo County.

HSA has recently identified the County's need for permanent affordable housing for youth between 18 and 24 years old who are aging out of foster care, and has set aside $1,300,000 in previously committed Measure K funds ("FFY funds"). HSA wishes to contribute these funds to AHF 5.0 in order for DOH to lend the funds to one or more developers interested in and committed to the acquisition, development, and/or rehabilitation of affordable permanent housing for Former Foster Youth in the County.

<u>Conditions of FFY Funding</u>: A borrower must satisfy the following conditions in order to be awarded a loan comprised in whole or in part of HSA's FFY funds:

a. A demonstrated interest in and commitment to the acquisition, development, and/or rehabilitation of permanent affordable housing for Former Foster Youth in the County;

b. An understanding that a certain number of units must be designated as units for Former Foster Youth ("FFY units") for a minimum period of 55 years, but FFY units of all sizes will be acceptable;

c. An understanding that FFY units will be floating units in order to ensure that the development maintains the initial number of FFY units over time;

d. A willingness and ability to provide FFY units at locations in the County that are near or easily accessible to public transportation;

e. A willingness to impose an affordability restriction on the FFY units for a minimum period of 55 years from the date of construction completion for new construction and rehabilitation projects with FFY units restricted and affordable to households at or below 60% of Area Median Income (AMI) for San Mateo County as published annually by the United States Department of Housing and Urban Development (HUD);

f. An agreement to the following loan terms: 55-year term; 0%-3% simple interest, accrued and deferred; Annual payments will be equal to the lesser of: (a) 50% of residual receipts, or (b) equal annual payments amortized to pay the loan in full by Note maturity; subject to the affordability and occupancy restrictions identified above; and

g. An agreement to a cap the HSA funds to be used in the amount of $72,000 per FFY unit.

Use of FFY Funds: The following are eligible uses of FFY funds:

a. New Construction Projects
b. Preservation Projects
c. Capitalized Operating Reserves
d. Acquisition costs
e. Pre-development costs
f. Construction soft and hard costs

Other Terms and Conditions:

a. MOU with Developer: HSA will execute a separate memorandum of understanding with the selected borrower(s) regarding each party's role and responsibilities vis a vis services, tenant selection, tenant referrals, etc., including and/or subject to the following provisions:

   i. Timeline for Execution: HSA will ensure that in the case of new construction and rehabilitation projects that this memorandum of understanding is executed within six months following the commencement of construction/rehabilitation work.

   ii. Tenant Selection and Rental Assistance: HSA agrees that the borrower, the property manager for the development with FFY units, and the service provider will participate in the initial and ongoing resident screening and selection for FFY units. HSA understands and agrees that all potential FFY occupants of an FFY unit must hold a HUD Family Unification Program (FUP) rental assistance voucher in order to be considered eligible for placement into an FFY unit.

   iii. Unit Vacancy: HSA agrees that when an FFY occupant of an FFY unit notifies the borrower that he/she is moving out, the borrower will then notify HSA within seven days of that notification. HSA will then provide the name of another FFY occupant and a move –in date that is within two weeks of the unit's vacancy for the next FFY occupant for that FFY unit. However, HSA agrees that if an FFY unit becomes vacant and there is no viable FFY occupant on the waiting list for housing at that time, the borrower will be able to fill that FFY unit with a non-FFY occupant to enable the borrower to continue to collect rent for that FFY unit. HSA would be notified of the next unit vacancy so that it could be filled with the next FFY occupant on the waiting list.

   iv. Continuation of Services: HSA agrees to provide case management services to FFY occupants of FFY units from their move-in date until the FFY occupant turns 24 years old. Services are defined as:

      a. AB12 monthly stipend of $883.00;
      b. Transportation vouchers;
      c. Medical and dental services through Medi-Cal;
      d. Rental deposits;
      e. Housing vouchers;
      f. Initial funding for the purchase of college books;
      g. A monthly $900.00 supplement for participants with children (SILP);
      h. A monthly $200.00 supplement for participants with children who have a qualified mentor (SILP);

i. Monthly CalFresh benefits;
j. Resources for extracurricular activities when deemed appropriate; and
k. Chafee grant funding (federal and state) to help pay for college or career technical training. These funds do not need to be repaid and may be used for child care, rent and transportation while they are in school.

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EXHIBIT B

Mental Health Services Act Housing Program (MHSA) Housing Units

<u>Overview</u>

The San Mateo County Behavioral Health and Recovery Services (BHRS) and the County of San Mateo Department of Housing (DOH) have jointly agreed to collaborate in the creation of affordable housing units targeted to serve persons who are seriously mentally ill and homeless or at risk of homelessness. BHRS has agreed to contribute to the Affordable Housing Fund 5.0 (AHF 5.0) administered by DOH one million seventy-three thousand and thirty-eight dollars ($1,073,038) in unencumbered Mental Health Services Act Housing Program funds for this purpose ("MHSA funds"). Such contributed funds are for the purpose of financing the acquisition, development, and/or rehabilitation of up to seven (7) units of permanent affordable housing in the County for persons who are seriously mentally ill and homeless or at risk of homelessness.

Pursuant to California Welfare and Institutions ("W&I") Code section 5892.5(a), BHRS has $1,073,038 in unencumbered MHSA Housing Program funds that were released by the California Housing Finance Agency with concurrence from the California Department of Health Care Services and that must be expended for an authorized purpose within three years of receipt or is subject to reversion. For these MHSA funds, the expenditure deadline is June 30, 2018. BHRS wishes to contribute these funds to AHF 5.0 in order for DOH to lend the funds to one or more interested developers. The MHSA funds may be used as capital or operational funding to acquire, rehabilitate, and/or construct affordable rental housing in the County for persons who are seriously mentally ill and homeless or at risk of homelessness, which is an authorized purpose pursuant to W&I Code section 5892.5(a).

<u>Conditions of MHSA Funding</u>: A borrower must satisfy the following conditions in order to be awarded a loan comprised in whole or in part of MHSA funds:

a. A demonstrated interest in and commitment to the acquisition, rehabilitation and/or construction of housing in the County for persons who are seriously mentally ill and homeless or at risk of homelessness ("BHRS clients");
b. An understanding that a certain number of units must be restricted to persons who qualify under the MHSA Housing Program guidelines ("MHSA-restricted units") for a minimum period of 55 years, but MHSA-restricted units of all sizes will be acceptable;
c. An understanding that the MHSA-restricted units will be floating units in order to ensure that the development maintains the initial number of the MHSA-restricted units over time;
d. A willingness to impose an affordability restriction on the MHSA-restricted units for a minimum period of 55 years from the date of construction completion for new construction and rehabilitation projects with MHSA-restricted rental units restricted and affordable to households at or below 60% of Area Median Income (AMI) for San Mateo County as published annually by the United States Department of Housing and Urban Development (HUD);

e. An agreement to the following loan terms: 55-year term; 0%-3% simple interest, accrued and deferred; annual payments consisting of the lesser of: (a) 50% of residual receipts, or (b) equal annual payments amortized to pay the loan in full by Note maturity; subject to the affordability and occupancy restrictions identified above;

f. An agreement to a cap on acquisition, pre-development, and/or construction funding for each MHSA-restricted unit in the amount of $153,291; and

g. An agreement to expend and requisition the MHSA funds lent for the acquisition/ construction/rehabilitation project by April 30, 2018.

<u>Use of MHSA Funds</u>: The following are eligible uses of MHSA funds:

a. New construction projects
b. Preservation projects
c. Capitalized operating reserves
d. Acquisition costs
e. Pre-development costs
f. Construction soft and hard costs

<u>Other Terms and Conditions</u>:

a. <u>MOU with Developer:</u> BHRS will execute a separate memorandum of understanding with the selected borrower(s) regarding each party's role and responsibilities vis-a-vis support services, tenant selection, tenant referrals, etc. including and/or subject to the following provisions:

   i. <u>Timeline for Execution</u>: BHRS will ensure that in the case of new construction and rehabilitation projects that this memorandum of understanding is executed within six months following the commencement of construction/rehabilitation work.

   ii. <u>Tenant Selection:</u> BHRS has developed a universal tenant referral and certification process and maintains a referral wait list of eligible clients. Once a prospective tenant is referred by BHRS for an available unit, BHRS agrees that the borrower, the property manager for the development with MHSA-restricted units, and the primary service provider will conduct the resident screening and selection for the MHSA-restricted units.

   iii. <u>Unit Vacancy:</u> BHRS agrees that when a BHRS client occupying an MHSA-restricted unit notifies the borrower that he/she is moving out, the borrower will then notify BHRS within seven days of notification. BHRS will then provide the name of at least three BHRS clients from the referral wait list, and the housing provider will screen the applicant using their usual screening selection criteria and notify BHRS of the outcome. If there is no viable BHRS client from the initial referrals, the next three appropriate referrals off the wait list will be provided. BHRS agrees to recertify BHRS clients on the wait list periodically to ensure that the referral list is current, candidates for housing can be located and those on the referral list remain eligible to enable the borrower to fill a vacancy and continue to collect rent for that MHSA-restricted unit.

iv. Continuation of Services: BHRS agrees to provide mental health and substance use services and arrange with the selected borrower for the provision of additional housing-related support services (service coordination, transportation, development of skills to maintain housing, support on wellness, and recovery goals, etc.), to BHRS clients who are residents for a period of at least 20 years upon referral and acceptance of housing. BHRS further agrees that it will engage in good faith, reasonable efforts to continue providing services or arranging for the provision of services to BHRS clients who are residents through the remainder of the 55-year period of the Restrictive Covenant.

v. No Rental Assistance as Part of MHSA Funding: BHRS does not provide rental assistance for MHSA units. Developers interested in providing MHSA units may discuss with the Department of Housing various options for securing rental assistance for MHSA units.

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