County of San Mateo - Department of Housing

NOTICE OF FUNDING AVAILABILITY (NOFA)

AFFORDABLE HOUSING FUND 6.0

NOFA Package:

- **AHF 6.0 NOFA Overview & Funding Requirements**
- **AHF 6.0 Application**

Applications Due by
4:00 p.m. Thursday, August 10, 2017

This NOFA is available online, at:
http://housing.smcgov.org/AHF6-NOFA

Applications must be submitted online through City Data Services
Link: www.citydataservices.net
Login for new users: AHF2018 for ID & Password

Questions regarding the content of the online application or NOFA content must be emailed to housing@smchousing.org.

For technical assistance with the online application, contact Steve Crounse
citydataservices@yahoo.com or 650-533-5933

July 13, 2018

1. TABLE OF CONTENTS

Please note: the <u>AHF 6.0 Application</u> is available online at www.citydataservices.net. You MUST submit a completed Application to be considered for funding.

NOTICE OF FUNDING AVAILABILITY (NOFA) FOR THE COUNTY'S AFFORDABLE HOUSING FUND 6.0

2. NOFA OVERVIEW & FUNDING REQUIREMENTS

I. INTRODUCTION AND BACKGROUND

The County of San Mateo Department of Housing ("DOH" or "Department") 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 ("HUD") 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") which began in April 2013 with the allocation by the San Mateo County Board of Supervisors 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. The County has continued to distribute funds annually for affordable housing purposes through the Affordable Housing Fund, awarding $67.5 million across the first five AHF NOFA rounds. Nearly $40 million of this funding came from Measure A, the ½ cent sales tax approved by San Mateo County voters in 2012, and Measure K, which extended the tax for 20 years in 2016.

Most recently, in July 2017, DOH released a Notice of Funding Availability (NOFA) for its fifth AHF ("AHF 5.0"). A combined total of $23,809,505 in Measure K Funds, other General Funds, and Mental Health Services Act (MHSA) funds was awarded for eight new-construction affordable rental housing developments and the rehabilitation of two existing affordable rental developments. Sources for AHF 5.0 included: $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; $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.

To date, the Affordable Housing Fund, together with its Preservation sub-fund, has allocated approximately $67.5 million to assist 1,555 units in San Mateo County—supporting development of 1,300 new affordable rental and homeownership units, and preservation as affordable housing of 255 multifamily rental units.

II. PURPOSE

The County's sixth Affordable Housing Fund NOFA ("AHF 6.0 NOFA," or "NOFA") includes a combination of funding from the County and HACSM, detailed in Section III(A). This funding will be targeted to projects that provide or help preserve affordable rental housing opportunities for extremely low-, very low-, and low-income San Mateo County residents, and projects that provide affordable homeownership opportunities for low-income San Mateo County residents, through the development of new affordable multifamily rental housing and homeownership 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:

- Expand housing opportunities through construction of new affordable multifamily housing developments;
- Target AHF funds to very low- and extremely low-income affordable housing units;
- Maintain existing deed-restricted affordable rental housing 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 clients of County services 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 where doing so leverages Affordable Housing & Sustainable Communities (AHSC) funding;
- Build system capacity among affordable housing providers and supportive services providers

DOH's strategic priorities for the AHF 6.0 funding assistance serve to further San Mateo County's ("County") Fair Housing Goals set forth in the San Mateo County Regional Assessment of Fair Housing, approved by HUD in November 2017. The 2017 Assessment of Fair Housing, including its goals, metrics, and milestones, can be found at https://housing.smcgov.org/assessment-fair-housing.

III. APPLICATION SUBMISSION, REVIEW AND APPROVAL PROCESS

A. Notice of Funding Availability Overview

On July 13, 2018, the County of San Mateo Department of Housing released this AHF 6.0 NOFA in the combined amount of $19,879,719 in Measure K Funds, other County and HACSM Funds, and reprogrammed HUD funds previously allocated to DOH. Sources for this AHF 6.0 NOFA, consist of the following:

- Measure K and other County and HACSM funds, including
  - $16,532,030 in FY 2018-19 Measure K Funds; and
  - $420,562 in Affordable Housing Fund loan repayments; and
  - $1,000,000 in County General Funds; and
  - $482,842 of Measure K funds designated for Former Foster Youth.
  - $500,000 of MTW reserves, administered by HACSM; and
- HUD Funds, including
  - $582,023 in HOME Investment Partnership funds, designated for Community Housing Development Organization ("CHDO")-owned, -sponsored, or -developed housing projects; and
  - $362,262 of reprogrammed CDBG funds, designated for rehabilitation projects.

This NOFA distinguishes County and HACSM funds from HUD funds. Differences in their respective requirements are underscored throughout this NOFA, when applicable, and are detailed in **Exhibit A**. The AHF 6.0 application will ask Applicants to indicate the funds, if any, for which the proposed project is ineligible.

This NOFA is posted on the DOH website, under "NOFAs, Bids & Proposals" at: http://housing.smcgov.org/AHF6-NOFA

B. Tentative Schedule of Events

EVENT	**TARGET DATE ***
NOFA Published & Posted on Dept. of Housing website	July 13, 2018
Technical Assistance Session for Applicants	July 26, 2018 2:30p.m. to 4:00p.m.
Final Day for Emailed Questions	**August 3, 2018**
Application Submission Due Date	**August 10, 2018 (by 4:00 p.m.)**
HCDC Public Hearing	September 19, 2018 2:00p.m.-4:00p.m. *(est)*
Board of Supervisors Meeting (for Funding Allocations)	***(est)*** October 2, 2018 2018

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

C. Technical Assistance Session

DOH will hold a technical assistance session for prospective applicants on **July 26, 2018 from 2:30 to 4:00**. 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 Friday, August 10, 2018*** 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. **Pre-Application Meeting**. Prior to submitting an application under AHF 6.0, Applicants must meet with DOH staff to introduce and discuss the project, its fit with County affordable housing goals, any possible challenges, any projected need for County subsidy, and other topics as necessary. For this AHF 6.0 NOFA, any meetings that cannot be scheduled in person prior to the NOFA submission deadline can be held over the phone. Please contact Ray Hodges (rhodges@smchousing.org) if you expect to submit a funding application under AHF 6.0 but have not yet introduced the project to DOH staff.

2. **Application Includes All Materials**. Application submittals must include:
   - Application form, completely filled in, completed online in CDS;
   - 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 ("CDS") with all attachments included. The AHF applications will be listed under "Affordable Housing Fund 2018/19 Applications," and the login for new applicants is AHF2018 for ID and password. Instruction in the use of the online system will be provided at the technical assistance workshop scheduled for July 26, 2018 from 2:30 to 4:00 at the DOH offices. 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**. Please do not call DOH with questions regarding this NOFA or the CDS application. Submit all questions relating to this NOFA or content of the application by emailing housing@smchousing.org. Applicants will receive responses via email. All questions and responses from the Department will also be posted periodically on the DOH website until shortly before the application due date. The final day to email questions to the Department is August 3, 2018. Questions regarding functionality of the application in CDS should be directed to Steve Crounse at CDS - citydataservices@yahoo.com or 650-533-5933. Applicants will receive responses via email.

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 September 18, 2018 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. 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.

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. The following definitions are provided with respect to this Affordable Housing Fund 6.0 NOFA and refer to terms referenced both prior to and subsequent to this Section IV.

1. Affordability Covenant: The recorded regulatory agreement executed by Borrower in favor of DOH as a condition of an AHF 6.0 award by which Borrower agrees to be bound by certain affordability requirements.

2. AHF: 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. Since that time, the AHF has been annually funded by the County's Board of Supervisors using a variety of sources including, but not limited to, County Measure K, Housing Authority Moving to Work Reserves, and former redevelopment agency funds reallocated to the County.

3. "AHF NOFA" or "AHF 6.0 NOFA" or "NOFA:" The current County Affordable Housing Fund NOFA offering $19,879,719 in funding assistance, which is comprised of:
   - Measure K and other County and HACSM funds, including
     - $16,532,030 in FY 2018-19 Measure K Funds; and
     - $420,562 in Affordable Housing Fund loan repayments; and
     - $1,000,000 in County General Funds; and
     - $482,842 Measure K funds designated for Former Foster Youth.
     - $500,000 of MTW reserves, administered by HACSM; and
   - HUD Funds, including
     - $582,023 in HOME Investment Partnership funds, designated for CHDO-owned, -sponsored, or -developed housing projects; and
     - $362,262 of reprogrammed CDBG funds, designated for rehabilitation projects.

4. AHF-Restricted Unit: A residential unit that is subject to income and occupancy restrictions as a condition of the financial assistance provided by AHF funding, as specified in the Loan Agreement and described in this section.

   Rental Projects:
   The number of AHF-Restricted Units shall be the greater of [(a) + (b) + (c)] or (d), as described below, but shall not exceed 49% of the units. The number of units restricted by (a), (b) and (c) 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 (d) below may also be units restricted by (a), (b) or (c).

   (a) ELI Units subject to Section VI(A)(1)(h) requiring 10% of the units restricted to households with incomes at/below 80% of AMI be rented to tenants earning at or below 30% AMI;

(b) Homeless Units subject to Section VI(A)(1)(i) requiring the greater of 5% of the units restricted to households with incomes at/below 80% of AMI, or 2 units, whichever is greater, be set aside for homeless tenants;

(c) Units which generate additional competitive points under this NOFA as described in Section VI(A)(2)(f) 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, MHSA-eligible tenants or other clients of County service agencies;

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

<u>For New Construction Affordable Homeownership Projects</u>:
The number of AHF-restricted units shall be the number of units derived by dividing the AHF loan amount by $100,000.

5. Applicant: The entity submitting an application for this NOFA. Eligible applicants include non-profit and mission-driven for-profit developers and other non-profit sponsoring agencies. Governmental bodies are <u>not</u> eligible applicants.

6. Borrower: A Borrower is the entity which shall execute the Loan Agreement, Deed of Trust, and Note memorializing the funding awarded through this NOFA. Borrower may be different from Applicant.

7. "CDBG Reprogrammed Funds" or "CDBG Funds:" Reprogramed HUD Community Development Block Grant funds are designated for rehabilitation projects. This NOFA includes $362,262 of CDBG funds.

8. "Community Housing Development Organization" or "CHDO:" CHDO requirements are enumerated in Section 92.2 of the HOME Investment Partnerships Program regulations (24 CFR Part 92). CHDOs are required to re-qualify upon each application for HOME funds. New and existing CHDOs must submit the CHDO Certification Form (see **Exhibit C** for form). Under this NOFA, HOME funds are available only to those Applicants which are CHDOs.

9. Coordinated Entry System: CES is San Mateo County's Coordinated Entry System. HSA's Center on Homelessness is the lead agency for establishment of the CES.

10. Deed of Trust: The recorded deed of trust executed by Borrower in favor of DOH which describes the property interest against which an AHF 6.0 loan is secured and DOH's remedies in the case of Borrower's breach of the Loan Agreement and/or Note.

11. "DOH" or the "Department:" The County of San Mateo Department of Housing. DOH seeks to increase access to affordable housing, increase the supply of housing for all household types in the County, and support related community development.

12. "Developer" or "Project Developer:" The entity listed in the application for this NOFA as the entity responsible for completing the Project.

13. ELI Unit: 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 an ELI Unit increases its income to 50% AMI. Should an ELI household reach an income of 50% AMI or higher, 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.

14. FFY Unit: For the purposes of this NOFA, FFY Units are units designated for Former Foster Youth for a minimum period of 55 years, as long as the County can continue to refer Former Foster Youth with a HUD Family Unification Program ("FUP") voucher, as described below, in Section IX (H), and in Exhibit B. FFY Units are floating units restricted and affordable to households at or below 80% of AMI for San Mateo County as published annually by HUD. HSA shall participate in the initial and ongoing resident screening and tenant selection for FFY Units, along with the Borrower, property manager, and resident services provider. HACSM will provide all occupants of an FFY Unit with a FUP voucher, which is necessary in order to be considered eligible for placement into an FFY Unit. FUP vouchers are limited to a term of 36 or 60 months, depending upon the FFY's participation in HACSM's family self-sufficiency program. See Section IX (H) and **Exhibit B** for details.

15. HSA: The County of San Mateo Human Services Agency. HSA coordinates the County's safety net programs. HSA's Center on Homelessness coordinates homeless services through San Mateo County, heads the County's Continuum of Care and is the lead agency for establishment of the County's CES.

16. "HOME Investment Partnership Funds" or "HOME Funds:" HOME Funds refer to San Mateo County's allocation of the federal Home Investment Partnership Program funds. HOME Funds in this NOFA are designated for CHDO-owned, -sponsored, or -developed housing projects. Please see **Exhibit A** and HOME Investment Partnerships Program regulations (24 CFR Section 92.2) for details regarding HOME Program compliance requirements.

17. "HOME-Restricted Unit" or "HOME Unit": HOME-Restricted Units are residential units that are subject to rent and occupancy restrictions because of the financial assistance provided by HOME funding. In accordance with HOME Program requirements, all Projects receiving HOME funds must record an Affordability Covenant that restricts household incomes and rents of HOME-Restricted Units such that these units remain continuously affordable to very low- and low- income tenants for a period of fifteen (15) years for Multifamily Re-syndication-Rehabilitation projects and twenty (20) years for Multifamily New-Construction

Affordable Rental Housing projects. HOME-Restricted Units may also be designated as AHF-Restricted Units. See **Exhibit A** for more details on HOME Units.

18. Homeless Unit: 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 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(D)(2)(a) and **Exhibit 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 50% AMI. When a homeless household increases its income to more than 50% 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.

19. Loan Agreement or Loan Contract: The contract between Borrower and DOH, executed by both parties, describing the duties, conditions, and obligations of each party in connection with an AHF 6.0 loan.

20. 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 80% 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. Note that AHF awards will be based only upon the portion of a Project with units restricted to 80% AMI or below.

21. Multifamily Re-Syndication-Rehabilitation projects: For purposes of this NOFA, this refers to existing deed-restricted permanent multifamily rental housing previously financed with LIHTC, serving households with incomes at or below 80% 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.

22. Multifamily New Construction Affordable First-Time Homeownership projects: For purposes of this NOFA, this refers to multifamily new-construction deed-restricted permanent homeownership housing projects in which all residential units are targeted to first-time homebuyers with household incomes at or below 80% AMI, where the term of occupancy is not time-limited and where the affordability of each unit is maintained through homebuyer's execution of a restrictive covenant.

23. Note: The promissory note executed by Borrower in favor of DOH describing the terms and repayment provisions of an AHF loan.

24. Project: A multifamily affordable housing project that is the subject of an application for this AHF 6.0 NOFA.

25. Rental Project(s): Project(s) funded under this AHF 6.0 NOFA with rental occupancy standards. Two project categories are considered Rental Projects: Multifamily New-Construction Affordable Rental Housing projects, and Multifamily Resyndication-Rehabilitation projects.

26. Site Control: The Applicant (or project Developer, if Developer is not the Applicant) has legally-defensible 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 fee or leasehold 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.

27. Supportive Housing Units: For purposes of this NOFA, Supportive Housing Units are specifically targeted to persons needing supportive housing services in order to remain successfully housed, where the supportive services assist the person to stabilize, maintain 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 elders; former foster youth; victims of domestic violence; persons recovering from substance abuse; and persons recently released from incarceration.

28. Unit: A residential dwelling unit containing a kitchen and bathroom(s). Units may be studio/efficiency units but will not include Single Room Occupancy (SRO) units lacking a kitchen or bathroom. In all Units, the resident is required to pay some or all of the unit rent or purchase price.

V. FUNDING AVAILABILITY; ELIGIBLE APPLICANTS; ELIGIBLE PROJECTS

A. Funding Availability Overview

DOH is inviting developers of deed-restricted affordable new-construction multifamily rental and homeownership housing projects located within San Mateo County, and owners of existing deed-restricted affordable multifamily projects located within San Mateo County undergoing resyndication of Low Income Housing Tax Credits and rehabilitation, to submit applications for funding assistance under this NOFA. A total of $19,879,719 of funding assistance is available under this NOFA for the types of affordable housing projects and specific Supportive Housing Unit typologies described below.

B. Eligible Applicants

1. Non-profit and for-profit affordable housing developers or owners who meet the criteria defined in Section 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, except for the manager(s) unit(s), are targeted to tenants at or below 80% of the Area Median Income. Applicants applying for projects which include homeownership units must have equivalent experience and track-record creating deed-restricted homeownership housing in the nine-county Bay Area.

*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 Project Types

Two types of Rental Projects are eligible for funding under this AHF 6.0 NOFA:

1. New Construction Multifamily Rental Projects

(a) 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 80% of the Area Median Income. Note that while DOH allocates funding based only upon that portion of a Project restricted for households earning up to 80% AMI, 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 planned development, whether these are financed as one or more residential project(s).</u>

(b) Eligible Projects must provide permanent affordable housing rather than transitional housing.

(c) Eligible Projects may not be the affordable component of a market rate development project subject to an inclusionary housing requirement by the applicable jurisdiction. However, DOH will consider funding projects partially financed with in-lieu fees paid to meet an inclusionary requirement and projects that are constructed on land donated by a developer, in consultation with the applicable jurisdiction, rather than paying an in-lieu fee, for a market rate project.

2. Eligible Multifamily Resyndication-Rehabilitation Projects

(a) Eligible Multifamily Resyndication-Rehabilitation Projects must be affordable rental housing projects previously financed with LIHTC in which 100% of the units, except for the manager(s) unit(s), are deed-restricted to households with incomes at or below 80% of the Area Median Income, and which are preparing to resyndicate LIHTC in order to renovate and recapitalize the project.

(b) Eligible projects must provide permanent affordable housing rather than transitional housing.

3. Eligible Multifamily New Construction Affordable First-Time Homeownership Projects

(a) The Project must be a "stand-alone" multifamily new-construction affordable homeownership housing project in which 100% of the units are sold to and restricted for households with incomes at or below 80% of the Area Median Income. The term "stand-alone" shall mean that the Project must be physically located on its own parcel(s) and must be financed as a separate and independent deed-restricted affordable housing project.

(b) New construction affordable ownership housing units receiving funding under this NOFA, <u>may not</u> be a component of a housing development containing a mix of market-rate and deed-restricted affordable housing units, regardless of whether the deed-restricted affordable units are physically distributed throughout the development or concentrated in one area.

(c) The Project must provide affordable homeownership housing restricted to first-time homebuyers and must retain affordability of the units through homebuyer's execution of a restrictive covenant, and through subsequent resales of the unit to first-time homebuyers earning up to 80% AMI.

D. Funding Availability by Housing Category and Unit Type

The following funding amounts will be available for the three housing categories described above in Section V(C)(1), (2), and (3). The targeted funds available to support housing for former foster youth are limited to the amount specified in this NOFA and the per-unit cap for these funds. However, these population-specific funds may be added to other AHF funding awarded to Projects seeking funding under any 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 $19,879,719 available in this NOFA. DOH and the HCDC may also recommend AHF 6.0 awards in an amount totaling less than $19,879,719 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 **$19,034,615** in aggregate will be available for Projects in this category, not including AHF funds available for former foster youth described in Section V(D)(2) below. [**Note**: FFY 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 special attention to those sections describing leverage considerations.

b) **Multifamily Re-Syndication-Rehabilitation Projects**: Up to a total of **$2,000,000** will be available for Projects in this category, not including AHF funds available for former foster youth described in Section V(D)(2) below. [**Note**: former foster youth funding may be awarded to Projects in addition to the funds available in this category.] The maximum award for such Projects will be $100,000 per unit, up to a maximum of $2 million for any Project. The $362,262 of CDBG Reprogrammed Funds provided in this NOFA shall be available only for this housing category. Please see **Exhibit A** for further details on the CDBG Funds.

c) **Multifamily New Construction Affordable Homeownership Projects:** Up to a total of **$1,000,000** will be available for projects in this category, not including AHF funds available for former foster youth. [**Note**: FFY funding is also eligible for placement in Projects in this homeownership category.]

2. Units Serving Specific Special Needs Populations:

a) **Former Foster Youth (FFY) Units**. An additional **$482,842** 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 6.0 funding under any of the Housing Categories listed above and described in greater detail in Section V(C). Note: please see **Exhibit B**, 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 in addition to other AHF funds awarded to a Project.

ii. The maximum per-unit cap for FFY funds is $81,000, based on the number of FFY units in a Project. There is no per-Project cap for FFY funds aside from the $482,842 available total.

iii. FFY 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 used by DOH 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. Projects MUST meet all qualification criteria to receive AHF funds. 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** which may not necessarily conform to the terms and conditions set forth in previous AHF NOFA rounds. It should be noted that the Homeless and 30% 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. <u>For example, if a Project, in connection with a previous AHF award, was required to provide two Homeless Units, and the requirements of this AHF 6.0 NOFA equate to a requirement of five Homeless Units, the total Homeless Unit requirement for the Project would be five, rather than seven units.</u>

A. <u>Multifamily New-Construction Affordable Rental Housing Projects</u>

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

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

   b. Project Developer Experience Criteria, as stated in Section 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 must have submitted acceptable evidence of that control (see Definition of Site Control in Section IV(A)(26). 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 80% of AMI (excluding the manager 's unit) must be ELI Units as defined in Section IV(A)(4)(a) 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 80% of AMI (excluding the manager's unit) must be Homeless Units as defined in Section IV(A)(4)(b) 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 Unit requirement described in Section VI(A)(1)(h) above. See also Section IX(D) 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.

k. Applicants must comply with the Section 3 requirements of the Housing & Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) by having a Section 3 plan. Section 3 requires contractors to give preference to low- and very low-income persons residing in the community where the project is located.

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 begin construction 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); or

ii. 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 create affordable housing 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. Provision of city-, County-, or other Publicly- or Privately-owned land for the Project at a below-market-rate or at zero cost to Developer.

d. 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.

e. 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.

f. A proportion (percentage) of units greater than the 15% required in this AHF 6.0 NOFA 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), 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, FFY households, or other clients of County service agencies.

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

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).

k. Funding provided under this NOFA will allow Project to close within one year of the application deadline for this NOFA, and Applicant has made best efforts to obtain all other sources of gap financing.

B. <u>Multifamily Resyndication-Rehabilitation Projects</u>

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

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

b. Project Owner Experience Criteria, as stated in Section V(B)

c. Application presents a fully developed Project concept including: a resyndication financing proforma identifying all committed and projected sources, plans for existing/outstanding loans on the property, and a reasonable timeline for obtaining anticipated but uncommitted sources; a preliminary scope of work and estimated cost breakdown prepared by a qualified party; 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 resyndication 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. At least ten percent (10%) of the units in the Project that are restricted to households with incomes at/below 80% of AMI (excluding the manager 's unit) must be ELI Units as defined in Section IV(A)(4)(a) 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. The requirement for ELI units in Multifamily Resyndication-Rehabilitation Projects may be met by renting vacant units over time. See also Section IX(B)(4) for details on this process.

g. 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 80% of AMI (excluding the manager's unit) must be Homeless Units as defined in Section IV(A)(4)(b) 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(B)(1)(f) above. The requirement for ELI units in Multifamily Resyndication-Rehabilitation Projects may be met by renting vacant units over time. See also Section IX(B)(4) for details on this process. Also see Section IX(D) for additional information on recruitment and occupancy of targeted Homeless Units.

h. 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.

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

j. Applicants must comply with the Section 3 requirements of the Housing & Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) by having a Section 3 plan. Section 3 requires contractors to give preference to low- and very low-income persons residing in the community where the project is located.

2. <u>Preference Criteria</u>

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.

C. <u>Multifamily New Construction Affordable First-Time Homeownership Projects</u>

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

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

b. Project Developer Experience Criteria, as stated in Section 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 Section IV(A)(26). 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. Application must include a services plan summary describing the services to be offered to homeowners on- and off-site. At a minimum, Project must offer a homeownership training program to all homeowners.

i. Application must include the proposed acquisition terms and affordability covenant to be used with individual homebuyers, or a detailed narrative describing in depth the intended terms and requirements of the acquisitions and associated affordability covenants. Draft homebuyer documents must be approved by DOH before any DOH loan contract is signed.

j. Applicants must comply with the Section 3 requirements of the Housing & Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) by having a Section 3 plan. Section 3 requires contractors to give preference to low- and very low-income persons residing in the community where the project is located.

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, completion of homebuyer acquisition documents and affordability covenants, 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 unincorporated San Mateo County) has provided a commitment to:

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

    ii. 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 create affordable housing 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. Provision of city-, County-, or other Publicly- or Privately-owned land for the Project at a below-market-rate or at zero cost to Developer.

d. 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.

e. 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.

f. Project provides a reasonable plan for targeting units to households below 80% AMI and/or to Section 8 Homeownership participants.

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

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

i. The Project will serve a greater number of households (greater unit count).

j. Applicant's proposed loan terms and affordability covenant to be executed by individual homebuyers indicate greatest possible term of affordability, including through subsequent sales of homeownership units to additional first-time homebuyers earning up to 80% AMI. Draft homebuyer documents must be approved by DOH before any DOH loan contract is signed.

k. Applicant's proposed loan terms and affordability covenant to be executed by individual homebuyers allow for homebuyers to accrue a portion of the home's equity while also ensuring the long-term affordability of the home through subsequent sales.

l. Funding provided under this NOFA will allow Project to begin construction within one year of the application deadline for this AHF 6.0 NOFA, and Applicant has made best efforts to obtain all other sources of gap financing.

VII. ELIGIBLE USES OF AHF LOAN FUNDS

The following eligible costs apply to Multifamily New Construction Affordable Rental Housing and New Construction Affordable Homeownership 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 within a reasonable period of time 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 with DOH loan proceeds within a reasonable period of time 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 with DOH loan proceeds within a reasonable period of time 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, some or all of the FFY 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 Resyndication-Rehabilitation Projects:

The eligible costs for Multifamily New Construction Affordable Rental Housing and New Construction Affordable Homeownership 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.

Please note that CDBG Funds provided under this NOFA are available only for costs associated with re-syndication-rehabilitation project activities and may not be used for new construction or acquisition costs.

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**. Loan limits are described below.

1. Multifamily New-Construction Affordable Rental Housing Projects

    a. The maximum loan amount for a Multifamily New Construction Affordable Rental Housing Project shall be the lesser of: the AHF 6.0 NOFA funding allocation for the Project category ($19,034,615), or the amount needed for Project financial viability.

    b. Regardless of the loan amount awarded to a Project, the maximum number of units in a Project that can be restricted by DOH funding, including AHF funds, is 49% of the units.

2. Multifamily Resyndication Rehabilitation Housing Projects

    a. The maximum loan amount for Multifamily Resyndication Rehabilitation Projects is $100,000 per AHF-restricted unit, but not to exceed the lesser of the AHF 6.0 NOFA funding allocation for the Project category ($2,000,000) or the amount needed for Project financial feasibility.

    b. Regardless of the loan amount awarded to a Project, the maximum number of units in a Project that can be restricted by DOH funding, including AHF funds, is 49% of the units.

3. Multifamily New Construction Affordable First-Time Homeownership Housing Projects

    a. The maximum loan amount for Multifamily New Construction Affordable First-Time Homeownership Housing Projects shall be the lesser of the AHF 6.0 NOFA funding allocation for the project category ($1,000,000), or the amount needed for project financial viability.

B. Interest Rate and Repayment through Residual Receipts

The interest rate and loan repayment terms for all AHF loans shall be subject to the Department of Housing loan policies. DOH loans for affordable housing are typically structured as non-recourse, 3% simple, residual-receipts loans. However, FFY loans may be offered a modified loan interest rate, as described in **Exhibit B**, attached.

DOH requires that half of net cash flow after payment of annual operating expenses, required reserve deposits, and debt service payments be used to repay the DOH loans. When DOH is not the sole subsidy lender requiring residual receipt payments, DOH expects the subsidy lenders will share the lenders' 50% allocation of residual receipts in proportion to the size of the various loans. The remaining 50% of cash flow may be swept by the developer for payment of deferred developer fees and incentive fees.

For more detailed information on Department of Housing loan policies, please see the DOH Loan Policies and Underwriting Guidelines on the Department's website or contact the staff member listed in the AHF NOFA announcement.

C. Term

The term of the AHF loans shall initially be six years. If satisfactory progress is being made toward completing the milestones listed in the Loan Contract, the term of the loan may be extended upon approval by Borrower and DOH. Assuming successful completion of site acquisition, predevelopment activities, construction closing, and building construction, at conversion from construction to permanent financing, the AHF loan will convert to long-term permanent loans. The typical permanent term is 55 years from project completion in line with CTCAC requirements.

D. Loan Terms

A summary of pertinent AHF loan terms is below. Please also see the DOH Loan Policies and Underwriting Guidelines on the Department's website for additional terms, guidelines, and policies. Please also note that federal HOME CHDO Funds and CDBG Funds carry additional requirements which may be triggered if such funding is awarded to a Project. See **Exhibit A** to help determine which, if any, federal regulations apply to a given Project if awarded HOME CHDO Funds or CDBG Funds.

Loan Amount	See (A.), above.
Interest Rate and Repayment	3% simple interest repaid through subsidy lenders' proportional share of Residual Receipts. See (B.), above, for details.
Term	Typically 6 years, converting to 55 years. See Section VIII(C), above.
Eligible Borrower	Nonprofit organizations and mission-driven for-profit individuals & entities
Housing Type	Multifamily Affordable New Construction Rental Housing Projects: Permanent deed-restricted new construction multifamily rental housing. Multifamily Resyndication-Rehabilitation Projects: Existing deed-restricted affordable multifamily rental housing undergoing resyndication of LIHTC and rehabilitation.

	Multifamily New Construction Affordable First-Time Homeownership Housing Projects: Permanent new construction multifamily housing with homes sold to income-qualified first-time homebuyers.
Affordability/Unit Targeting	Multifamily Affordable New Construction Rental Housing Projects: a) All units receiving AHF funding, except a manager's unit, must be restricted to households with incomes at or below 80% 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: All units in the Project, except for a manager's unit must be restricted to households with incomes at or below 80% of Area Median Income (AMI) or lower incomes as specified by the LIHTC program or other County loans. a) 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. b) 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 New Construction Affordable First-Time Homeownership Housing Projects: All units in the Project must be restricted to households with incomes at or below 80% of Area Median Income (AMI).
Loan Review	All applications are 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. The Board must approve all AHF loans.
DOH Fees	Origination fee: 1.5% of the loan amount Loan Servicing and Monitoring Fee: $250 per AHF-Restricted Unit, per year, beginning at completion of the Project.
Security	Secured by a deed-of-trust interest in real property. DOH may on occasion provide early predevelopment loans prior to acquisition, secured through Borrower guarantees and/or pledge of work products.
Lien Position	DOH may subordinate AHF loans to leverage private financing. Priority among subsidy lenders is typically established based upon size of the various subsidy loans.
Loan to Value	Loan proceeds for site acquisition shall not exceed 100% of current appraised value.
Affordability Covenant	See details in Section VIII(G) below. Affordability Covenant shall be required, recorded and shall extend for the same period as the permanent loan, typically 55 years from completion.

Non-Recourse	All AHF loans shall be non-recourse loans secured by real estate pursuant to the provisions of Department 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 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 the Department'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 Loan Agreement and recording the Deed of Trust, Borrower will execute an Affordability Covenant to be recorded in the official public records of San Mateo County. The Affordability Covenant will memorialize the affordability restrictions and other requirements that accompany the Loan Agreement. The Affordability Covenant will typically remain in force for fifty-five (55) years from project completion.

2. In addition to the County's 55-year affordability requirements, units funded with HOME CHDO Funds ("HOME Units") will also be subject to the requirements of the federal HOME program for 20 years, in the case of new construction Projects, or 15 years, in the case of a Resyndication Rehabilitation Project. DOH's AHF affordability restrictions and those of the HOME program will be memorialized in the Affordability Covenant describing both AHF-Restricted Units and HOME Units. Please see **Exhibit A** for further details.

3. If the Department 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, the Director is authorized to modify AHF loan terms, policies and/or the Loan Agreement, to the degree necessary for the Project to utilize those financing sources.

IX. SPECIAL TERMS AND CONDITIONS

A. Determination and Location of AHF-Restricted Units

1. "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 AHF NOFA, the Loan Agreement, the Note, the Deed of Trust, and the Affordability Covenant. The process for determining the number of AHF-Restricted Units in a Project is described in Section IV (A)(4) of this NOFA.

2. AHF-Restricted Units should be distributed by unit size and amenity mix throughout the entire development.

B. Affordability Requirements / Income Limits for AHF-Restricted Units in Rental Projects

1. All AHF-Restricted Units in Rental Projects utilizing tax credits must remain affordable for a minimum of fifty-five (55) years from completion of construction or rehabilitation. AHF-Restricted Units in non-LIHTC Projects must remain affordable for a minimum of thirty (30) years, though the Department expects that in most cases, longer terms will be possible and required in connection with AHF funding.

2. At rent-up, all AHF-Restricted Units must be restricted for and affordable to households with incomes at or below 80% of Area Median Income (AMI) for San Mateo County, as published annually by the United States Department of Housing and Urban Development (HUD).

3. Excluding the manager's unit, at least 10% of all units in a Rental Project must be restricted for and affordable to households at or below 30% of AMI (the "ELI Units" as defined in Section IV). In addition to the ELI Units, at least 5% of all units in a Rental Project, with a minimum of two units, must be targeted to homeless individuals or households, (the "Homeless Units" as defined in Section IV). All ELI Units and Homeless Units shall be considered AHF-Restricted Units.

4. In the case of Multifamily Resyndication-Rehabilitation Projects, the AHF Homeless and ELI Unit requirements will be met by filling vacant units with the targeted homeless or ELI populations as turnover allows. However, the requirements may be met by existing equivalent requirements of DOH or other lenders, at the Department's discretion. In other words, if an existing

regulatory agreement of DOH or another lender requires at least 5% of units in the Project to be filled with formerly homeless households or clients of County service agencies, and the households currently occupying those units meet AHF requirements for tenants of Homeless Units, the AHF Homeless Unit requirement may be satisfied by the units occupied by the existing formerly homeless tenants. Should the expiration of any existing regulatory requirements result in fewer than 5% of units in the Project being restricted for formerly homeless tenants or clients of County service agencies, the AHF Homeless Unit requirements set forth in the Affordability Covenant shall apply as long as the Affordability Covenant is in place.

The same considerations will be applied for ELI Units. If an existing regulatory agreement requires 10% of units to be filled with ELI tenants, and the tenants currently occupying those units meet the requirements of this AHF 6.0 NOFA, the Department, at its discretion, may apply the ELI Unit requirement to those units. However, if the existing regulatory agreement expires before expiration of the Affordability Covenant, the requirements of the Affordability Covenant for ELI Units must then be followed.

Note that the Affordability Covenant will be executed and recorded requiring a minimum of 5% Homeless Units and 10% ELI Units, regardless of whether another existing regulatory agreement requires the same. However, if the requirements of another existing regulatory agreement meet the AHF 6.0 Homeless and ELI Unit requirements, they may initially be met by current tenants whose units are restricted by the existing regulatory agreement.

5. 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 DOH policy and CTCAC requirements, as applicable.

6. The income of a formerly-homeless household occupying a Homeless Unit may increase without the unit losing its status as a required Homeless Unit unless the tenant’s income increases to or beyond 50% AMI. In such a scenario, the unit would no longer be considered a Homeless Unit, and when the next vacancy of a unit of similar size occurs, it must be filled with a homeless household through the process described in Section IX(D) below, qualifying that unit as a Homeless Unit under AHF guidelines.

7. If the income of a household occupying an ELI Unit increases to or beyond 50% of the AMI, the unit will no longer qualify as an ELI Unit for purposes of AHF compliance. In that scenario, the next vacancy in a unit of similar size shall be filled with a household earning up to 30% AMI, qualifying that unit as an ELI Unit for purposes of AHF compliance.

C. Affordability Requirements / Income Limits for AHF-Restricted Units in Multifamily New Construction Affordable First-Time Homeownership Housing Projects

1. All AHF-Restricted Units in homeownership projects must be sold to first-time homebuyers earning up to 80% of the Area Median Income. While DOH is amenable to reviewing creative strategies to allow the first-time homeowners to build equity through homeownership, the Department's primary goal in these Projects is long term affordability through subsequent sales for at least 30 years from Project completion, if not 55 years or more. Please see additional guidance on this issue in Section V(C)(3) of this NOFA. This AHF NOFA does not require units for homeless or ELI households in homeownership Projects.

2. The income of a first-time homebuyer that has acquired an AHF-Restricted Unit in a Multifamily New Construction Affordable First-Time Homeownership Project may increase without regard to the status of the unit as an AHF-Restricted Unit.

D. Recruitment and Occupancy of Targeted Homeless Units

1. 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.

2. Rent Up and Tenant Screening: 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. Examples of some of these programs are: 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), the Veteran's Affairs Supportive Housing (VASH) Program, and other rental assistance programs that have homelessness as one of the eligibility requirements.

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, including reviewing for criminal background and/or other occupancy standards, as they would with any pre-application process. However, HACSM requires owners allow the following caveat: since these units are targeted to homeless individuals and families under a housing first model, many may have issues with current credit score, a limited or no rental history, prior evictions, etc. HACSM stresses that, as clients of County service agencies, these tenants will also be provided with supportive services to help with transitioning to and maintaining stable housing. The owner is expected to modify its pre-screening standards for these units, recognizing that these individuals and families will have supportive services already established and supporting them.

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. Applicants who are denied for occupancy must be notified in writing and a copy of the denial letter sent to HACSM.

E. Funding for On-Site Resident Services and Service Coordination

1. DOH and HACSM expect that, in addition to the case management services provided to homeless households by the County and its subcontractors, each Rental Housing Project will feature an onsite resident services coordinator funded with at least $500/unit/year from operations to organize and deliver resident services, in addition to helping to coordinate supportive services for any tenant that would like to take advantage of the County's services offerings. The Department expects that Projects that propose larger percentages of homeless or ELI households will budget greater amounts of Project income for services.

2. Services reserve from tenant-based rent overhang: As described above, all homeless tenants referred to Rental Projects by HACSM come with tenant-based rental assistance where rents are based on HUD rent reasonableness criteria. In cases where a portion of the income generated by the voucher is not underwritten to leverage private financing, DOH requires that the excess income "overhang" generated by the voucher be deposited in a project reserve, managed by the owner, which the owner may access at any time to provide additional services for residents or to cover rent losses suffered by the owner caused by a tenant who had a time-limited voucher and is unable to continue paying the underwritten rent in full upon expiration of the voucher. While DOH does not hold the reserve or require its approval for the owner to draw from it, as part of its annual monitoring protocol, the Department will review the Project's annual financial audit which should detail the beginning- and end-of-year totals for the reserve and show how any withdrawals were used. DOH will provide feedback on the use of the reserve, as necessary, to

ensure the funds are being used for services and/or to cover rent losses caused by the expiration of a time-limited voucher, as intended. As part of this monitoring process, DOH may ask Borrower to provide a list of expected uses for the reserve over the next 12 months. The owner may choose to create a separate account for the reserve, or track the funds within the Project operating account, as long as the funds, their collection, and their use, are clearly delineated in the annual financial audit.

F. Physical Distribution of the Rental Units

1. The AHF-Restricted Units should be distributed by unit size and amenity mix throughout the entire development.

2. AHF-Restricted Units will be floating units. Upon recertification of household income, if a household no longer qualifies to occupy its 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 Section IX(B)(6) and (7), above, and the definitions of Homeless Unit and ELI Unit in Section IV for more details on this issue.

G. Rent Limit Compliance for Rental Units

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.

H. Expiration of FFY Units

1. HACSM shall provide each occupant of an FFY Unit with a FUP voucher in addition to the case management services provided by HSA described in Exhibit B. FUP vouchers are limited to a term of 36 or 60 months, depending upon FFY's participation in HACSM's family self-sufficiency program. Note that to-date, 100% of FFY provided with a FUP voucher by HACSM have chosen to enroll in the self-sufficiency program, qualifying them for 60 months of rental assistance.

2. Upon FUP voucher expiration the unit shall no longer be considered a FFY Unit, and Borrower may require the occupant of the FFY Unit to begin paying the underwritten rent for the unit. The next available unit of similar size shall become an FFY Unit filled by County referral of a FFY with a FUP voucher.

3. If an occupant is unable to pay the underwritten rent of the unit upon the expiration of his/her voucher, the occupant may be evicted from the unit, subject to applicable rules and regulations. Please see also Section IX.E

above regarding creation of a rent loss reserve which may help in dealing with this scenario.

X. COMPLIANCE MONITORING AND LOAN SERVICING

A. Construction / Rehabilitation

1. The County reserves the right to undertake periodic monitoring of the Project during the construction/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 announcement of award under this AHF 6.0 NOFA until the completion of the new-construction/rehabilitation work. The County shall supply the reporting form for such quarterly progress reports.

B. Operations

1. DOH 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, funding for on-site resident services and service coordination, 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 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 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.

4. DOH will service AHF loans, assuming all related loan servicing tasks on behalf of the County. DOH charges an annual loan servicing and monitoring fee of $250 per AHF-Restricted Unit, capped at $5,000 annually, for the provision of these services. In order to undertake loan servicing tasks, Developer or Owner must supply DOH with annual Project audits which calculate and clearly present the amount of residual receipt payments due to each lender. Failing to do so will represent noncompliance with the terms of the Loan.

XI. SECTION 8 PROJECT-BASED VOUCHERS

A. There will be no commitment of Section 8 Project-Based Vouchers or other forms of project-based rental assistance (collectively, "PBV's") as part of this NOFA. However, HACSM does expect to release a RFP for project-based rental assistance in the months following release of this AHF 6.0 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 an Applicant indicates the use of any 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 proforma indicating the use of uncommitted PBV's must also submit a "no-PBV" or "no-additional-PBV" development financial proforma, as applicable, as part of the required attachments. Applications which include an uncommitted PBV scenario and a no- or no-additional-PBV scenario, should describe any differences between the two scenarios in the application, where applicable.

3. SCORING FACTORS / PROJECT EVALUATION

All Projects must meet the Qualification Criteria, set forth in Section VI, 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 to 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.

Please note 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 in need of payment in the following 12-month period and will look to fill remaining gaps as possible.

PREFERENCE CRITERIA AND SCORING

The following **preference criteria** also described in Section VI, Qualification and Preference Criteria, will be used to help evaluate Project applications:

A. Scoring Factors and Points for Rental Projects (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)***

1. The Project is ready for occupancy sooner than four (4) years for Multifamily New Construction Affordable Rental 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)**

2. 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:

   a. Provide City funds (if the Project is located in an incorporated city or town);
   b. 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 create affordable housing 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. **(10 points)**

3. Provision of city-, County-, or other publicly- or privately-owned land for the Project at a below-market-rate or at zero cost to Developer. **(10 points)**

4. 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)**

5. 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)**

6. A larger proportion (percentage) of Project units described in Section VI(A)(1) 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 elders leaving nursing or long-term care facilities or needing specialized services in order to remain in an independent living situation, or FFY households, or other clients of County service agencies. **(10 points)**

7. Project is within easy walking distance of services, amenities, and transit. **(10 points)**

8. 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)**

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

10. The Project will serve a greater number of households (i.e. larger unit count). **(5 points)**

11. Funding provided under this NOFA will allow Project to close within one year from the date of this NOFA close and Applicant has made best efforts to obtain all other sources of gap financing. **(10 points)**

B. <u>Scoring Factors and Points for New Construction Affordable Homeownership Projects</u> ***(See below for the maximum points for each factor; there is a maximum possible of 100 points)***

1. 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, 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)**

2. 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:

   a. Provide City funds (if the Project is located in an incorporated city or town);
   b. 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. **(10 points)**

3. Provision of city-, County-, or other publicly- or privately-owned land for the Project at a below-market-rate or at zero cost to Developer. **(10 points)**

4. 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)**

5. 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)**

6. Project targets units to households below 80% AMI and/or to Section 8 Homeownership participants. **(10 points)**

7. Project is within easy walking distance of services, amenities, and transit. **(10 points)**

8. The Project will serve a greater number of households (greater unit count). **(5 points)**

9. Applicant’s proposed loan terms and affordability covenant to be executed by individual first-time homebuyers indicate greatest possible term of affordability, including through subsequent sales of homeownership units. Draft homebuyer documents must be approved by DOH before any DOH loan contract is signed. **(5 points)**

10. Applicant’s proposed loan terms and affordability covenant to be executed by individual homebuyers allow for homebuyers to accrue a portion of the home’s equity while also ensuring the long-term affordability of the home, through subsequent sales. **(5 points)**

11. Funding provided under this NOFA will allow Project to close within one year from the date of this NOFA close and Applicant has made best efforts to obtain all other sources of gap financing. **(10 points)**

*** * * * * ***

EXHIBIT A

AHF 6.0 Sources

The AHF 6.0 NOFA consists of $19,879,719 in Measure K Funds, other County and HACSM Funds, and HUD funds allocated to DOH, including HOME Funds and CDBG Funds. This NOFA distinguishes County and HACSM funds from those HUD funds. Sources and their respective requirements are detailed below.

Sources

A. <u>County Funds</u>

i) Measure K: Approved by voters in November of 2016, Measure K is a 20-year half-cent sales tax extension, allocated to San Mateo County's General Fund. This NOFA includes $16,532,030 of Measure K funds.

ii) Affordable Housing Fund Repayments: This NOFA includes $420,562 in Affordable Housing Fund loan repayments from Affordable Housing Fund 1.0.

iii) County General Funds: This NOFA includes $1,000,000 in County General Funds.

iv) Measure K FFY: San Mateo County Human Services Agency ("HSA") has contributed $482,842 in previously-committed Measure K funds to AHF 6.0 for the purpose of financing the acquisition, development, and/or rehabilitation of permanent affordable housing to serve non-minor dependents and Former Foster Youth (collectively, "FFY") in San Mateo County. This NOFA includes $482,842 of Measure K FFY funds.

v) MTW Reserves: HACSM Moving to Work funds are sourced by the Housing Authority's Housing Assistance Program reserves. These funds will be administered by HACSM, but will otherwise be subject to the Measure K loan terms set forth in this NOFA. This NOFA includes $500,000 of MTW reserves.

B. <u>HOME</u>

i) HOME Investment Partnership funds from DOH loan repayments are designated for CHDO-owned, -sponsored, or -developed housing projects. This NOFA includes $582,023 of HOME Funds. Please also see HOME Investment Partnerships Program regulations (24 CFR Section 92.2) for details regarding HOME Program compliance requirements.

C. <u>CDBG</u>

i) Reprogramed HUD Community Development Block Grant funds are designated for rehabilitation projects. This NOFA is comprised of $362,262 of CDBG Funds.

D. Eligibility and Requirements, by Source:

	County Funds	HOME	CDBG
Eligible Projects			
New Construction Rental	X	X	
New Construction Homeownership	X	X	
Re-Syndication-Rehabilitation	X	X	X
Eligible Uses			
Predevelopment	X	X	X
Site Acquisition	X	X	
New Construction	X	X	
Rehabilitation	X	X	X
Reserves	X		
Applicant Requirements			
Community Housing Development Organization ("CHDO")		X	
Project Requirements			
Fair Housing Act Compliance	X	X	X
Davis-Bacon		X	X
NEPA		X	X
Section 3	X	X	X
Minority Business Enterprise/ Women-owned Business Enterprise		X	X
HOME-Restricted Units		X	

Project Requirements

A. Fair Housing Act Compliance

All housing, regardless of funding source, must comply with the Fair Housing Act, which prohibits discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act also applies in the sale and/or rental of housing for families with children and persons with disabilities. The Act further establishes requirements for the design and construction of rental or for-sale multifamily housing to ensure a minimum level of accessibility for persons with disabilities. The units designed and constructed for first occupancy after March 13, 1991, including public and common areas, must be designed and constructed in accordance to meet certain disability standards. The Act makes a distinction between “covered” and not “covered” dwelling units whereby covered multifamily dwelling units include those units in buildings consisting of 4+ units served by one or more elevators, or ground floor dwelling units in other buildings with 4+ units.

B. Davis-Bacon

Should the Project use CDBG funds for residential rehabilitation, or use HOME funds for construction or rehabilitation of 12 or more units, the construction contractor will be required to pay prevailing wages and provide periodic reports to document such payments in accordance with the Davis-Bacon and Related Acts as set forth in the Code of Federal Regulations (Title 29 CFR Parts 1,2,5,6 and 7).

The process to comply with the Davis-Bacon Act federal labor standards will add time to the bidding process. Compliance activities include accessing the appropriate current prevailing wage decision from the federal Department of Labor website (www.access.gpo.gov/davisbacon), reviewing the draft and final bid documents by DOH staff, advertising for bids, bid opening, award, and holding a preconstruction conference. Negotiated bids are acceptable provided that the Developer can substantiate reasonableness of the price. Costs for accessibility modifications for persons with physical disabilities and builders risk insurance may need to be included in the estimate.

The cost of monitoring and reporting of the Davis-Bacon required activities may be handled by a third party retained by the DOH as needed and would be charged to your project and netted out of the amount allocated to your project.

C. NEPA

Federal regulations require local jurisdictions to prepare a National Environmental Protection Act ("NEPA") environmental review determination for every activity funded with federal funds to examine environmental impacts on the built and natural environment. For complex projects, including most capital projects, this review may take approximately 6 to 16 weeks. If environmentally significant conditions are found and/or mitigation measures required, the time to complete the environmental review process will be extended.

The cost of preparation of the NEPA Environmental Review ("ER") by a third party retained by DOH will be charged to the Project and netted out of the amount allocated to the Project.

D. Section 3

Housing & Urban Development Act of 1968 (12 U.S.C. 1701u) (Section 3) requires contractors to give preference to low- and very low-income persons residing in the community where the project is located. Applicants must comply with the Section 3 requirements of the by having either: (a) Section 3 plan, or (b) a history of meeting Section 3 requirements

E. Minority Business Enterprise/ Women-owned Business Enterprise

Applicant must make good faith efforts to hire/contract with minority and women-owned businesses, including subcontracts.

F. HOME-Restricted Units

In accordance with HOME Program requirements, all Projects receiving HOME funds must record an affordability covenant that restricts household incomes and rents of HOME-Restricted Units such that these units remain continuously affordable to very low- and low- income tenants for a period of fifteen (15) years for Multifamily Re-syndication-Rehabilitation projects and twenty (20) years for Multifamily New-Construction Affordable Rental Housing projects, after which time the units will become AHF-Restricted Units and will be subject to an additional restriction of thirty-five (35) or forty (40) years. HOME-Restricted Units may also be designated as AHF-Restricted Units. For example, should a Project include AHF-Restricted Units in accordance with Section VI(A)(1)(h) requiring 10% of the units restricted to households with incomes at/below 80% of AMI be rented to tenants earning at or below 30% AMI, all or a portion of such units may also be HOME-Restricted Units for the first fifteen (15) or twenty (20) years of the Affordability Covenant term, after which time those units would no longer be HOME-Restricted Units but would remain AHF-Restricted Units for the last thirty-five (35) or forty (40) years of the Affordability Covenant term.

* * * * * *

EXHIBIT B

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 6.0 (AHF 6.0) administered by DOH four hundred eighty-two thousand, eight hundred forty-two dollars ($482,842) in previously-committed Measure K funds for this purpose. Such contributed funds are for the purpose of financing the acquisition, development, and/or rehabilitation at least six (6) units of permanent affordable housing for FFY in San Mateo County with a per unit maximum of $81,000.

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 $482,842 in previously committed Measure K funds (“FFY funds”). HSA wishes to contribute these funds to AHF 6.0 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:

1. A demonstrated interest in and commitment to the acquisition, development, and/or rehabilitation of permanent affordable housing for Former Foster Youth in the County;
2. 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;
3. 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;
4. A willingness and ability to provide FFY Units at locations in the County that are near or easily accessible to public transportation;
5. 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 80% of Area Median Income (AMI) for San Mateo County as published annually by the United States Department of Housing and Urban Development (HUD);
6. 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) a proportional allocation of the subsidy lenders’ 50% share 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
7. An agreement to a subsidy cap for the HSA funds to be used in the amount of $81,000 per FFY Unit.

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

1. New Construction Projects
2. Preservation Projects
3. Capitalized Operating Reserves
4. Acquisition costs
5. Most pre-development costs
6. Construction hard costs
7. Most soft costs

Other Terms and Conditions:

1. 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:

    a. 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.

    b. Tenant Selection and Rental Assistance: HSA agrees that the Borrower, the property manager, and the service provider will participate in the initial and ongoing resident screening and tenant selection for FFY units. HSA understands and agrees that all potential FFY occupants of an FFY Unit must hold a FUP voucher in order to be considered eligible for placement into an FFY unit. FUP vouchers are limited to a term of 36 or 60 months, dependent upon an FFY's participation in HACSM's family self-sufficiency program. Please note that to-date, 100% of Former Foster Youths offered a FUP voucher have chosen to enroll in the self-sufficiency program, qualifying them for 60 months of rental assistance.

    c. Unit Vacancy: HSA agrees that when an FFY occupant of an FFY Unit notifies the Borrower that he/she intends to vacate the unit, the borrower will then notify HSA within seven days of the tenant's 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 then be notified of the next unit vacancy so that it could be filled with the next FFY occupant on the waiting list.

    d. 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:
        i. AB12 monthly stipend of $883.00;
        ii. Transportation vouchers;
        iii. Medical and dental services through Medi-Cal;
        iv. Rental deposits;

v. Housing vouchers;
vi. Initial funding for the purchase of college books;
vii. A monthly $900.00 supplement for participants with children (SILP);
viii. A monthly $200.00 supplement for participants with children who have a qualified mentor (SILP);
ix. Monthly visitation by a social worker.
x. Monthly CalFresh benefits;
xi. Resources for extracurricular activities when deemed appropriate; and
xii. Linkages to 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.

* * * * * * * * *

EXHIBIT C

CHDO Certification/Recertification FY 2018-2019

HUD recommends that Community Housing Development Organizations (CHDOs) be certified annually, but at a minimum, a CHDO must re-qualify each time it receives HOME CHDO set- aside funding. If you are a CHDO under the County HOME Program and are applying for HOME funding in this application, please provide the following requested documentation with your application:

Date: ______________________________

Organization Name: ______________________________

Address: ______________________________

State & Zip: ______________________________

DUNS #: ______________________________

CHDO Certification History
If you have been certified as a CHDO in the past by the County, please indicate the date or the most recent funding year: __________
A. Legal Status
1. Provide a copy of your articles of incorporation. Your organization must be organized under the State of California Law ☐ See Attached ☐ Already provided with application
2. CHDOs must document that no part of its earnings inure to the benefit of any member, founder, contributor or individual. ☐ See Articles of Incorporation ☐ See other documents (specify) Specify exactly where in the indicated document this information is set forth.
3. Provide a copy of your IRS tax exempt ruling. ☐ See attached ☐ Already provided with application

4. Provide documentation that states that among your organization's purposes the provision of decent housing that is affordable to low- and moderate-income people.

☐ See articles of incorporation ☐ See Mission Statement
☐ See Resolution ☐ See other documentation (specify)

Specify exactly where in indicated document this information is set forth.

B. Capacity

1. CHDOs must conform to the financial standards of 24 CFR 84.21 "Standards for Financial Management Systems."

   ☐ See statement by the president of chief financial officer of the organization.

   ☐ See certification from a Certified Public Accountant

2. CHDOs must demonstrate capacity to carry out activities assisted with HOME funds through paid experienced staff. Please explain how your CHDO is meeting this requirement:
   ____
   ____
   ____

☐ See resumes and/or statements that describe the experience of key staff members who have successfully completed projects like those to be assisted with HOME funds.

☐ See attached agreement/contract with consultant with demonstrated housing experience like projects to be assisted with HOME funds. This agreement/contract indicates that consultant will train appropriate key staff to undertake proposed project.

3. CHDOs must have a history of serving the community within which is located the proposed housing to be assisted with HOME funds.

☐ See attached statement signed by the president or other official of the organization which documents at least **one year** of experience in serving the community.

☐
For newly created organizations formed by local churches, service or community organizations, see attached statement signed by the president or other official of the organization that documents that the parent organization has at least **one year** of experience in serving the community.

C. Organizational Structure

1. CHDOs must maintain at least one-third of its governing body's membership for residents of a low-income neighborhood, other low income community residents, or elected representatives of low income neighborhood organizations.

   ☐ Low income persons
   ☐ Low income neighborhoods
   ☐ Elected representatives of low income neighborhood organizations

   ☐ Provide a recent Board resolution (not older than 12 months) certifying how you are meeting this requirement

   ☐ Also, please provide a current Board roster indicating who and how the "low income" member qualifies

2. HOME rules define a CHDO community in urban areas as one or several neighborhoods, a city, county or metropolitan area.

   Indicate your CHDO Community: ______________________________

3. HOME requires a formal process for low-income program beneficiaries to advise the organization in all its decisions regarding the design, sighting, development and management of affordable housing projects.

   This process is defined in (indicated document and location within document; attach if not already included in this submission.

   ☐ Also attach a recent Board resolution (not older than 12 months) indicating that you will implement this formal process for the CHDO project for which you are requesting funding assistance.

4. If your CHDO is sponsored/created by a State or local government, HOME rules say that the State/local government cannot appoint more than one-third of the board members; these State/local government appointed board members cannot appoint the other 2/3 of the Board; and no more than 1/3 of the governing Board members can be public officials.

   ☐ Not Applicable

   ☐ See documentation evidencing this rule. Indicate what documentation is being provided and where in the document this is to be found.

5. If your CHDO is sponsored/created by a for-profit entity, HOME rules say that the for profit may not appoint more than one-third of the CHDOs governing Board; and these governing body members cannot appoint the other 2/3 of the Board.

   ☐ Not Applicable

   ☒ See documentation evidencing this rule. Indicate what documentation is being provided and where in the document this is to be found.

D. Relationship with For Profit Entities

☐ Check here if this section is not applicable

1. CHDOs cannot be controlled, nor receive directions from individuals or entities seeking profit from the organization

   ☐ See documentation evidencing this rule. Indicate what documentation is being provided and where in the document this is to be found.

2. CHDOs may be sponsored or created by a for-profit entity, however, the for-profit's primary purpose does not include the development or management of housing.

   ☐ See documentation evidencing this rule. Indicate what documentation is being provided and where in the document this is to be found.

3. CHDOs are free to contract for goods and services from vendor(s) of its own choosing.

   ☐ See documentation evidencing this rule. Indicate what documentation is being provided and where in the document this is to be found.