

HOME INVESTMENT PARTNERSHIPS PROGRAM

**2008
Notice of Funding
Availability**



**State of California
Arnold Schwarzenegger, Governor**

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June 2, 2008

**NOTICE TO ALL POTENTIAL APPLICANTS
RE: NOTICE OF FUNDING AVAILABILITY**

HOME INVESTMENT PARTNERSHIPS PROGRAM – \$44 Million

The Department of Housing and Community Development (Department) is pleased to announce a Notice of Funding Availability (NOFA) for the HOME Investment Partnerships Program (HOME). This NOFA is for rental new construction projects, first-time homebuyer (FTHB) projects, and program activities. A minimum of \$44 million is available for this NOFA, including approximately \$371,000 in American Dream Downpayment Initiative (American Dream) funds. The sources of funds for this NOFA are the Federal Fiscal Year (FFY) 2009 HOME allocation, as well as disencumbered funds from previous contracts.

A second NOFA for approximately \$8 million will be issued by July 31, 2008 for Rental Rehabilitation with or without Acquisition projects only.

The application deadline is August 15, 2008. The application materials for rental new construction projects, FTHB projects, and program activities will be available on June 2, 2008 from the state HOME website at www.hcd.ca.gov/fa/home. Please review these documents carefully before submitting an application. If interested in submitting an application, we strongly encourage attendance at one of the upcoming training workshops scheduled in June. These workshops will cover HOME requirements and information needed to submit a successful application. The workshop schedule is included in the NOFA. Advance registration is required to ensure adequate seating and materials.

If you have any questions, please contact HOME Program staff at (916) 322-0356.

Sincerely,

Chris Westlake
Deputy Director

**NOTICE OF FUNDING AVAILABILITY (NOFA)
HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM
JUNE 2, 2008**

Anticipated Funding Level: A minimum of \$44 million

I. OVERVIEW

A. Changes from Last NOFA and Amount Available

In general, the 2008 HOME NOFA is similar to the 2007 HOME NOFA, but some changes have been made, with the most significant as follows:

For Projects

- A separate NOFA for Rental Rehabilitation with or without Acquisition project activities, for approximately \$8 million, will be issued no later than July 31, 2008. No applications may be submitted for this activity except in response to the later NOFA. Rental Rehabilitation with or without Acquisition project applications are not eligible for this June 2, 2008 NOFA.
- A maximum limit on the number of sites, for project applications, has been established.
- The rental project performance penalties have been modified for projects which eventually “catch-up” to their final contract deadline.
- Adjustments have been made for project financial feasibility rating points.
- Additional clarification was provided regarding compliance with the National Environmental Policy Act (NEPA).

For Program Activities

- If an Over the Counter Program Activities NOFA is issued, the allocation system will be adjusted.
- The Activity Delivery Cost allowance for In-fill activities has been modified.
- An aggregate amount of Administration funds for Tenant Based Rental Assistance has been established - \$200,000.
- FTHB recapture and resale requirements were clarified.
- The \$10,000 limit on rehabilitation of a FTHB unit was reiterated pursuant to State HOME regulations in place since September 2004.

For Both Project and Program Activities

- Several new State Objective rating categories have been added to further State policy objectives stated in the State’s Annual Action Plan to HUD.
- The procedure for determining compliance with A-133 Audit requirements was streamlined.

This Notice of Funding Availability (NOFA) for the HOME Investment Partnerships Program (HOME) makes a minimum of \$44 million available for rental new construction projects, homebuyer projects, and program activities, including approximately \$371,000 in American Dream Downpayment Initiative (American Dream) funds. The sources of funds for this NOFA are the Federal Fiscal Year (FFY) 2009 HOME allocation, as well as disencumbered funds from previous contracts.

The application deadline is August 15, 2008. The application materials for rental new construction projects, FTHB projects, and program activities will be available on June 2, 2008 from the state HOME website at www.hcd.ca.gov/fa/home. Please review these documents carefully before submitting an application.

Applicants and their developers are strongly encouraged to attend one of the upcoming training workshops scheduled in June. These workshops will cover HOME requirements and information needed to submit a successful application. The workshop schedule is included in the NOFA. Advance registration is required to ensure adequate seating and materials.

HOME funds are made available pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, and are available to eligible local governments (State Recipients) and nonprofit organizations certified with the Department as Community Housing Development Organizations (CHDOs).

All applicants under this NOFA are responsible for administering and completing the HOME activity, including ensuring compliance with federal overlay and administrative requirements. This responsibility includes: implementing the project or program activity as proposed in the application (or as approved in the Department's Loan and Grant Committee Project Report for rental projects), included as part of the Standard Agreement, compliance with reporting requirements, managing fund disbursement and accounting, preparing work specifications, loan processing, conducting inspections, and ensuring that all HOME requirements are met for the entire affordability period.

The combined total of this NOFA and the subsequent NOFA for Rental Rehabilitation with or without Acquisition Activities will be approximately \$52 million. Funding will be allocated into four separate allocations: one for programs, one for rental new construction projects, one for first-time homebuyer (FTHB) projects, and one for Rental Rehabilitation with or without Acquisition projects. Based on expected demand, we anticipate that \$20.8 million will be available for programs, \$20.6 million for rental new construction projects, \$2.6 million for FTHB projects, and \$8 million for Acquisition with or without Rehabilitation projects. However, for project applications, if there are insufficient funds remaining in the applicable allocation to fully fund the next highest rated application, the Department may choose not to fund that application if it determines that the proposed project is not feasible with a

partial HOME award.

If there is less demand for any of the allocations relative to the minimum amounts available, the remaining funds may be: (i) transferred to another allocation; (ii) made available under a subsequent NOFA; or (iii) a combination of both (i) and (ii). If there is less demand for programs than 40 percent, some portion of funds will be made available to unfunded program applicants on an over-the-counter (OTC) basis beginning in November 2008 pursuant to Section IV (E) of this NOFA. However, based on last year's demand, all available funds for 2008 will likely be requested and allocated under this NOFA; therefore there may not be an OTC NOFA for programs in 2008.

B. American Dream Downpayment Initiative (American Dream) funds

A total of approximately \$371,000 of American Dream Program activity funds for homebuyer downpayment assistance is included in the \$44 million made available by this NOFA. State Recipients need not apply for American Dream funds because the portion of the American Dream allocation available to State Recipients will be allocated with regular HOME funds.

However, California Participating Jurisdictions (PJs) and Consortia that did not receive a direct American Dream allocation in FFY 2008 may request American Dream Program funds pursuant to this NOFA. Approximately, \$150,000 of American Dream funds will be made available to California PJs and Consortia under this NOFA. See Appendix A1 of the NOFA for a list of Participating Jurisdictions and Consortia eligible for American Dream funds from the State of California.

Note: Due to the fact that American Dream Program funds are combined with regular HOME funds, FTHB programs must also meet the American Dream Program requirement to market their program to residents and tenants of public housing, trailer parks, and manufactured housing, and to other families assisted by public housing agencies.

C. Allocation of Funds

In addition to the allocation requirements described in Sections A and B above, the total amount made available under both NOFAs will be allocated pursuant to the state regulations as follows:

- Fifteen percent (15 percent) will be reserved for Department-certified CHDOs.
- Fifty percent (50 percent) will be reserved for rural areas.

In addition, \$4 million of the funds available for rental new construction projects will be made available to augment the funding amounts for rental new construction projects with Deep Targeting. See Section X of the NOFA for more information.

D. HOME funds may be used for applications pursuant to this NOFA for the following activities.

Rental New Construction Projects

- New Construction with or without acquisition.

FTHB Projects

- New construction or acquisition/rehabilitation/conversion to develop a specified number of units on a specified site or sites to be sold to first-time homebuyers. The entire HOME investment must be converted to mortgage assistance for the first-time homebuyers when the units are sold to eligible homebuyers.

Program Activities

- FTHB - funds can be used for downpayment assistance and up to \$10,000 in rehabilitation assistance per dwelling, or for infill new construction of up to four dwellings on each vacant site.

Note: pursuant to federal HOME regulation 92.214 (a) (6) prohibiting the same unit from being assisted twice, jurisdictions cannot do rehabilitation of more than \$10,000 on a FTHB unit by classifying this activity as owner-occupied rehabilitation until the affordability period of the FTHB activity has expired. At close of escrow, the FTHB unit must meet all applicable code requirements, with no more than \$10,000 in HOME funds used for rehabilitation of the unit.

- Owner-Occupied Housing Rehabilitation (OOR) Program
- Tenant-Based Rental Assistance (TBRA) Program

For more information on HOME eligible activities, see Section V.

Note: The combination of federal and state HOME regulations applicable to mobile and manufactured housing is very complex. No activity, whether program or project, involving mobile or manufactured housing should be presumed eligible without a specific written finding by HOME management. The Department encourages you to request such a finding prior to submitting the HOME application, but this request should be received well before the application deadline.

E. Funding Announcements and Standard Agreements

The Department intends to send conditional reservation (“award”) letters to successful program applicants by approximately October 17, 2008, and to successful rental new construction and FTHB project applicants by approximately November 19, 2008. These letters may specify conditions to be met prior to execution of the Standard Agreement. The Department intends

to issue state HOME Standard Agreements approximately 45-60 days following issuance of the conditional reservation letter to State Recipients and CHDOs that have demonstrated compliance with the requirements, if any, in the conditional reservation letter.

II. REGULATORY AUTHORITY

- A. HOME regulations and NOFA suspension/amendment: All applications under this NOFA are governed by the state HOME regulations and the federal Final HOME Rule dated September 16, 1996, as amended. If the federal or state statutes or regulations governing the program or its funding are modified by Congress, the Department of Housing and Urban Development (HUD), the State Legislature, or the Department prior to completion of work under the local HOME Program, the changes may become effective immediately and apply to the activities funded under this NOFA. The Department reserves the right, at its sole discretion, to suspend or amend the provisions of this NOFA. If such an action occurs, the Department will notify interested parties.

This NOFA does not include the text of all applicable regulations that may be important to particular projects. For proper completion of the application, the Department **strongly** encourages potential applicants to consult the state and federal HOME Program regulations, and other federal cross-cutting regulations (referred to in Subpart H of the federal HOME regulations). Rental project applicants should also consult the state Uniform Multifamily Regulations (UMRs).

Several of the terms used in the HOME Program have specific meanings defined by federal and/or state HOME regulations. When reviewing this NOFA and the application forms, carefully review the regulations for definitions and terms. State HOME definitions are found in Section 8201 & 8217 of the state HOME regulations.

If the application is prepared without reading the NOFA, the application, the HOME regulations, and the UMRs, if applicable, it is likely that the application will be deficient, which could result in loss of points or disqualification.

For your convenience, hyperlinks to the HOME regulations and UMRs are provided below. Attendance at an application training workshop is also **strongly encouraged**.

State HOME regulations - (Revised in 2007) - http://www.hcd.ca.gov/fa/home/State_HOME_Regs.pdf.

Uniform Multifamily Regulations - <http://www.hcd.ca.gov/fa/MultifamilyRegs-Adptd092903.pdf>

Federal HOME regulations - <http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/regs/finalrule.pdf>

HOME staff is available to discuss HOME Program requirements and to provide individual technical assistance to applicants in preparing an application.

III. APPLICATION PROCEDURES, FINAL FILING DEADLINE, AND AWARD ANNOUNCEMENTS

- A. **One original application and one complete copy** must be **received** by the Department **no later than 5:00 p.m.** on **August 15, 2008**.

Applicants must submit separate application forms in separate binders for each activity (e.g., Project 1, Project 2); however, program activities can be combined together in one binder as noted below. In addition, rental new construction project applicants must submit one copy of their completed Universal Application Form and HOME Supplement on a PC-compatible Compact Disk (CD). Please keep the electronic worksheets unprotected so staff can use them to prepare Loan Committee project reports. Please separate all application attachments and major sections of an application binder with tabbed dividers.

Examples:

1. An applicant wishes to submit one application for a rental new construction project and a homebuyer project. The applicant will submit four separate binders and a PC-compatible CD as follows:
 - a) One original and one complete copy of the Universal Rental Project Application Form, the HOME Supplement, and all attachments for the rental project, (binders 1 and 2);
 - b) One copy of the Universal Application Form and the HOME Supplement on CD and;
 - c) One original and one complete copy of the FTHB Application Part A, Part B, and all attachments for the homebuyer project (binders 3 and 4).

2. An applicant wishes to submit one application for a rental new construction project and FTHB and TBRA program activity funds. The applicant will submit four separate binders and a PC-compatible compact disk as follows:
 - a) One original and one complete copy of the Universal Rental Project Application Form, the HOME Supplement, and all attachments for the rental project, (binders 1 and 2),
 - b) One copy of the Universal Application Form and the HOME Supplement on CD; and
 - c) One original and one complete copy of the Program Activities Application Part A, Part B, and all attachments for the FTHB and TBRA activities (binders 3 and 4). Please Note: separate and complete Part B

Application Forms must be submitted for each program activity for which you are applying (e.g. FTHB and TBRA).

Rental new construction project applicants requesting HOME funds for “Deep Targeting” are also required to submit a second set of documents pertaining to their project if it were to receive additional funds for Deep Targeting. (See Section X of the NOFA for more information.)

Applicants are strongly advised to ensure that their application is in final form before it is submitted to the Department. See paragraph C below for more information.

Applications mailed via the U.S. Postal Service must be received by the HOME Program no later than 5:00 p.m. on August 15, 2008 and must be addressed to:

Department of Housing & Community Development
Division of Financial Assistance
HOME Program
P.O. Box 952054, Suite 390-3
Sacramento, CA 94252-2054

Applications sent using private carriers or delivered in person must be received by the HOME Program no later than 5:00 p.m. on August 15, 2008. If applications are personally delivered, the receptionist will date stamp the application and provide a receipt as proof of delivery. The delivery address is:

Department of Housing & Community Development
Division of Financial Assistance
HOME Program
1800 Third Street, Room 390
Sacramento, CA 95811

Applications that do not meet the filing deadline requirements will be denied funding. Applications must be on the forms provided by the Department and these forms cannot be altered or modified by the applicant.

- B. CHDO Certification Applicants for CHDO certification, (and CHDOs that have a certification that will expire before the NOFA final filing date), must have their certification documents received by the Department for review no later than June 13, 2008 for new CHDO applications and July 15, 2008 for CHDO recertifications to enable staff sufficient time to evaluate the documents. All CHDO applicants will need to complete the CHDO self-certification contained in the application to certify that they have either 1) submitted their application for certification by the deadline, or 2) they are currently certified and are in compliance with the certification requirements.
- C. Application form: It is the applicant’s responsibility to ensure that its application is clear, complete, and accurate in all respects, and that it is received by the Department on or before the final filing deadline. After the

application deadline, HOME staff may contact applicants to ask where in the application specific information is located. In addition, the Department may, in its sole discretion, request an applicant to supply clarifying information provided that such information does not affect the competitive rating and ranking of the application. This clarifying information may be used by the Department to make a determination of whether the project is financially feasible pursuant to Section 8212 (a) (6) (a) and complete pursuant to Section 8211 of the state regulations. No information, whether written or oral, will be accepted if the provision of such information would result in a competitive rating point advantage to the applicant or a competitive rating point disadvantage to other applicants.

D. Department Loan and Grant Committee

HOME rental new construction projects will be reviewed by the Department's Local Assistance Loan and Grant Committee. Only applications with the highest scores will be presented to Loan Committee. HOME intends to take all high scoring applications to the October 16, 2008 Loan Committee meeting. However, HOME reserves the right to take some applications to the December 12, 2008 Committee meeting if necessary. Representatives of the applicant and the developer **are strongly encouraged** to attend the Loan Committee meeting if their project is recommended for funding.

Applicants whose applications are recommended for funding will receive a Department project report, (sent to the e-mail addresses provided in the application), approximately two to three weeks prior to the Loan Committee meeting.

Applicants will only be presented to Loan Committee if HOME has determined that the project is financially feasible. HOME reserves the right to request information, in addition to that contained in the application, to make this determination. If the applicant is unable to provide the necessary information for HOME to make a feasibility determination in time to prepare a project report for the December 12, 2008 Loan Committee meeting, the project will be rejected pursuant to Section 8212(6) (A).

Subsequent to the Loan Committee meeting, the Department will issue award letters. These award letters may specify special conditions to be met prior to issuance of the Standard Agreement.

IV. **ELIGIBLE APPLICANTS**

A. Applications for HOME funds will be accepted only from:

- Cities and counties that have not been designated as Participating Jurisdictions by HUD;
- Cities that are not participants in an urban county agreement with a county that is a HUD Participating Jurisdiction;

- Cities and counties that are not participants in a HOME consortium;
 - Projects must be located in an eligible city's incorporated area or an eligible county's unincorporated areas; and
 - CHDOs with a current Department certification that are proposing activities located in eligible cities or counties as described above that are included in the CHDO's certified service area. All non-profit applicants that are certified by the Department as CHDOs by August 15, 2008 shall be considered eligible to apply for funding as a CHDO. New CHDO applicants must submit their CHDO Certification application by June 13, 2008. If an existing CHDO's certification expires prior to August 15, 2008, the CHDO's recertification application must be submitted by July 15, 2008. Applications to add geographic areas must also be submitted by July 15, 2008. Applications from these applicants will not receive a conditional reservation of funds until the Department approves the CHDO certification, recertification, or addition of another geographic area.
- B. Eligible jurisdictions for FY 2008 are listed in Appendix A of the NOFA. If the city or county is not listed in Appendix A, but you believe it should be, please submit by July 16, 2008 a copy of the consortia or urban county agreement for your county indicating that your city or county is not a participant for FY 2008 funding.
- C. Applications for American Dream (homebuyer program) funds will only be accepted from the following applicants:
- Participating Jurisdictions that will not receive an American Dream allocation for 2008;
 - Participants in an urban county agreement with a county that is a HUD Participating Jurisdiction that will not receive an American Dream allocation for 2008; and
 - Participants of a HOME consortium where no member of the consortium will receive an American Dream allocation for 2008.

See Appendix A1 of the NOFA for a list of applicants eligible only for American Dream funds.

D. Minimum Expenditure Requirement for Program Activities

Pursuant to state HOME regulation Section 8204(b), applicants with current HOME program activity contracts are eligible to apply for HOME program activity funds only if they have expended, by the application due date of August 15, 2008, at least 50 percent of the total of all program activity funds originally awarded in their current HOME contracts. A current HOME contract is one where the expenditure deadline has not yet occurred by August 15, 2008, i.e. generally a contract numbered, "05", "06", or "07-HOME".

Applicants that do not have a current “05”, “06”, or “07-HOME program activity contract, or applicants that have met the 50 percent expenditure requirement as set forth above, may apply for HOME program activity funds.

E. Over-the Counter (OTC) Program Funds

Pursuant to state HOME regulation Sections 8212.1 (b) and 8212.1 (c), applicants, with current HOME Program activity contracts that will not meet the 50 percent expenditure requirement by August 15, 2008, (see Section D above), may be eligible to apply for program funds on an over-the-counter (OTC) basis, pursuant to the terms of this NOFA governing program activity funds, beginning in November 2008 once they have reached the 50 percent expenditure level. The exact amount of OTC funds available will be determined based upon several factors, including, but not limited to, (i) the amount of funds in the program activity allocation after funding all eligible program activity applicants, (ii) the amount of funds requested by rental and FTHB projects that remain unfunded after fully utilizing the project allocation amounts, (iii) the anticipated demand/eligibility for OTC program funds, and (iv) the anticipated timing and amount of the initial NOFA for the next funding cycle.

Applicants receiving a program activity award for an application submitted for the August 15, 2008 application deadline are not eligible to apply for OTC funds.

Applications submitted in response to the OTC process will be evaluated to make sure they meet all threshold requirements. Pursuant to 8212.1, OTC funds will be divided equally among all eligible applicants requesting these funds. The sole purpose of the OTC funding is to allow applicants with current HOME contracts additional time to reach the 50 percent expenditure level. The OTC funds are not intended for those new to the program. Potential applicants without a 2005, 2006, or 2007 HOME contract for program activities may not apply for OTC funds. Instead, these applicants must apply by August 15, 2008.

OTC Funding Announcements and Standard Agreements - The Department intends to send conditional reservation letters to successful OTC applicants within 45 days following the receipt of an eligible and complete application. The Department intends to issue state HOME Standard Agreements to successful OTC applicants within 90 days following the receipt of a complete and eligible application from those applicants that have demonstrated compliance with the requirements, if any, of their conditional reservation letter.

CHDOs – Generally, all non-profit applicants that are certified by the Department as CHDOs by the date their OTC application is submitted to the Department shall be considered eligible to apply for funding as a CHDO. All CHDO certification or recertification applications, or applications for changes in the CHDOs service area, must have been submitted to the Department at least 30 days prior to submission of their OTC application. However, there

are no CHDO applicants eligible for OTC funds under this NOFA because there are no CHDOs with 05, 06 or 07 program activity contracts as noted above.

Set-Asides - Since no CHDO applicants are currently eligible for OTC funds, there will be no OTC funds set-aside for CHDOs in order to meet the 15% CHDO set-aside requirement pursuant to 24 CFR 92.300.

There will be no separate rural set-aside for OTC funds. HOME will meet its rural set-aside pursuant to 8212.1 (e) by looking at the total of all HOME funds awarded for programs and projects. Due to the reduced allocation for American Dream funds and the demand for these funds under the initial NOFA, it is likely that there will be no American Dream funds available for allocation through the OTC process.

V. ELIGIBLE ACTIVITIES

- A. To be eligible for funding under this NOFA, an application must be for one of the following types of projects and/or programs activities. Rental new construction and homebuyer projects with multiple sites must have common ownership and financing. HOME funds may be used to assist Indian tribes consistent with applicable state and federal requirements. However, pursuant to state HOME regulation 8204, only cities, counties, and CHDOs may submit a HOME application. Indian tribes themselves are not eligible applicants.

Projects

1. Rental New Construction Project – funds provided to develop a specific multifamily project on a specific site by a specific developer.
2. Homebuyer Projects - The development of a specified number of units to be sold to first-time homebuyers. HOME funds can be used for:
 - a) Construction financing of new construction or acquisition/ rehabilitation/ conversion projects, with 100 percent of HOME funds rolling over to permanent financing and being used to provide mortgage assistance to first-time homebuyers; or
 - b) Homebuyer mortgage assistance only in a project that is being constructed or acquired and rehabilitated with other funds.

Program Activities

State Recipients may apply for any number of HOME-eligible program activities set forth below. CHDOs are only eligible to apply for FTHB infill program funds described in paragraph (1) under “FTHB Program” below. Applicants are encouraged to select carefully the activities that best meet their housing needs and are feasible in their community. Applicants must submit program guidelines and feasibility information for each activity for which they are requesting funds.

Eligible program activities are as follows:

1. FTHB Program: (1) Funds provided to a city or county to provide loans to homebuyers for acquisition and up to \$10,000 for rehabilitation of a dwelling that the homebuyer selects from the open market; and (2) Funds provided to a HOME-eligible city, county, or CHDO to provide assistance for the new construction of dwellings on scattered sites in an existing built-out neighborhood, with no more than four dwellings on each vacant site. Pursuant to NEPA requirements, an Environmental Assessment (EA) will be required if more than four units, regardless of funding source, are developed within 2000 feet of one another.

FTHB activities are the only eligible activity for American Dream funds. Note: applicants must have other homebuyer assistance funds available for use with American Dream funds because American Dream funds are limited to the higher of \$10,000 or 6 percent of the purchase price (this is generally not sufficient on its own to meet the needs of homebuyers). American Dream funds may only be used for down payment assistance toward the purchase of a principal residence available to “low income families who are first-time homebuyers.” Rehabilitation that is completed in conjunction with a home purchase assisted with American Dream funds is also an eligible activity.

Pursuant to state regulation 8207, the FTHB primary mortgage loan must be fully amortizing and have a fixed interest rate that does not exceed the current market rate, as established by the 90-day “posted yield” for thirty-year fixed rate loans, as established by Fannie Mae at: <https://www.efanniemae.com/syndicated/documents/mbs/apeprices/archives/cur30.html>, plus 100 basis points. See Section XIII for more information regarding FTHB primary loan terms.

2. Owner Occupied Rehabilitation (OOR) Program – funds provided to a HOME-eligible city or county to assist owners whose primary residence is in need of repairs and improvements necessary to meet federal, state, or local building codes.
3. Tenant-Based Rental Assistance (TBRA) Program – funds provided to a HOME-eligible city or county to administer a program to provide rent subsidies to eligible households. TBRA funds may be used to assist tenants to reside in any HOME-eligible jurisdiction within the county where the TBRA funds were awarded. For example, TBRA funds awarded to the City of Winters can also be used for units located in Woodland, West Sacramento, or the unincorporated areas of Yolo County since all of these jurisdictions are State HOME- eligible within Yolo County.

B. Transferring Funds between Program Activities

As in previous years, State Recipients, with two program activities in a single Standard Agreement, must submit a written request for Department approval to shift funds between these activities. The written request should be for the Standard Agreement as a whole, and not adjusted for each individual set-up. As soon as you can, you should decide how you would like these funds allocated for the life of this Agreement, and then contact your HOME Representative. You may adjust this allocation occasionally throughout the life of your Agreement, but not each time you submit a setup. (We have to adjust our database each time you adjust your allocation.) Note: due to Departmental database requirements, there will no longer be a combined FTHB/OOR activity. These activities must be individually applied for, and will be individually named in the HOME Standard Agreement.

State accounting requirements now disallow the shifting of funds between program activities not already named in the Standard Agreement without first doing a contract amendment. Contractors will be held to the expenditure deadline in the original contract. You should plan on the contract amendment process taking two to three months to complete. If you are requesting a change that requires a contract amendment, please ensure that the original authorizing City/County Resolution also authorizes amendments.

VI. INELIGIBLE USES OF FUNDS

- HOME funds cannot be used to refinance existing debt.
- As a general rule, with the exception of National Environmental Policy Act (NEPA) environmental review expenses, HOME funds cannot be used for expenses incurred prior to the execution of the state Standard Agreement. However, on a case-by-case basis, HOME Management may permit reimbursement for other expenses incurred after the date of the award letter and prior to the effective date of the Standard Agreement.
- Rental Rehabilitation and/or Acquisition programs are ineligible under this NOFA.
- PJ/Consortium American Dream applicants are not eligible to receive State HOME Administrative funds.
- For further ineligible uses of HOME Funds, refer to 24 C.F.R. 92.214 of the federal regulations.
- Rental Rehabilitation with or without Acquisition project applications (eligible only under the upcoming separate NOFA)
- For 2008-09, resale controls will not be permitted for FTHB projects where the CHDO is the HOME applicant. See the CHDO resale provisions in Section VII. B. of the NOFA for more information.

If an application is submitted proposing an ineligible use, only that portion of the application proposing eligible uses, if any, will be rated and eligible for funds.

VII. FORMS OF HOME ASSISTANCE

- A. HOME Loans: HOME assistance shall be in the form of loans to be repaid to local HOME accounts controlled by State Recipients, qualified CHDOs, or the state's HOME account, except for the uses of funds specifically defined below under HOME grants. Loans provided to homebuyers must meet the requirements set forth in Section XIII. below.
- B. HOME Grants: HOME assistance must be provided in the form of a grant exclusively for tenant-based rental assistance, relocation payments, lead-based paint hazard evaluation and reduction activities, and specified Activity Delivery Costs. Activity Delivery Costs are further defined by the term "related soft costs" in the HOME Final Rule at 92.602(b) (3).

HOME funds for Activity Delivery Costs must be drawn down at the same time as HOME funds for Activity Costs are drawn down. If the activity is not completed and a Project Completion Report for the full amount drawn down is not filed, all HOME funds for that project, including Activity Delivery Costs, must be repaid to the Department. For FTHB projects, special care should be taken in requesting Activity Delivery funds during the construction phase. If the entire amount of the construction loans should inadvertently not roll over into permanent loans, the proportional amount of Activity Delivery Costs must be repaid to the Department. More information on Activity Delivery Costs is set forth in Section XII. below.

- D. NEPA Expenses: To encourage early NEPA environmental compliance, HOME funds may be used to reimburse NEPA expenses incurred by a successful applicant prior to the effective date of the Standard Agreement. These expenses must be reasonably necessary for the proposed project and will only be paid when the Standard Agreement is fully executed. In addition, NEPA consultants may be chosen using the "small purchase" procurement method, i.e. by use of informal price quotations.

VIII. MINIMUM AND MAXIMUM AMOUNTS OF HOME FUNDS PER PROJECT

The minimum amount of HOME funds that must be invested in a project involving rental or homeownership housing is \$1,000 times the number of HOME-assisted units in the project (# of units x \$1,000 = minimum amount of HOME funds). **The \$1,000 minimum per unit requirement does not apply to Tenant-Based Rental Assistance funds.**

The maximum amount of HOME funds invested in a project shall not exceed the following: (1) the per-unit dollar limits (221(d) (3) limits), established by HUD under 24 C.F.R. 92.250; (2) pursuant to 92.205(d), the proportion of HOME-assisted units compared to all units in the project, and the square footage of HOME units compared to all other units in the project; and (3) the total amount of

eligible costs necessary (when combined with other financing and assistance), to accomplish the following:

- A. Enable the project as proposed to be developed and to operate in compliance with all HOME requirements, including the subsidy-layering requirement at 92.250. See HUD [CPD Notice 98-1](#) for more information.
- B. For rental activities of five or more units, achieve a debt-service coverage ratio in accordance with the UMR Section 8310.
- C. FTHB and OOR activities are subject to the Maximum Purchase Price/After Rehabilitation Value Limits under Section 203(b) of the National Housing Act. The current 203(b) limits can be found in **Appendix D** of the NOFA.

Jurisdictions may request a waiver of their county's 203(b) limits if they think that these limits do not fairly reflect the cost of available housing in their county and should be increased. Contact the appropriate HOME Representative to request a waiver of your 203(b) limits. Note: If the jurisdiction has already received a 203(b) waiver, the new limit will not appear in Appendix D.

- D. The total amount of HOME Funds, including Activity Delivery Costs, per project cannot exceed the amount listed in the HUD 221(d)(3) subsidy limits and a subsidy layering review specified in 24 C.F.R. 92.250 of the federal regulations. See Appendix C of the NOFA for the 221(d) (3) limits. Pursuant to federal regulations, any one project may receive HOME funds from only one HOME award. This prohibits the combination of awards from a State Recipient and a CHDO on the same project and prevents the combination of awards from more than one HOME NOFA on the same project.

IX. MAXIMUM APPLICATION AMOUNT/COMBINATIONS OF ACTIVITIES

Applicants may submit only one HOME application pursuant to this NOFA. An application may consist of no more than two activities as follows:

- One rental new construction project and one FTHB project; or
- One rental new construction project, and any combination of eligible program activities; or
- One FTHB project and any combination of eligible program activities except for a FTHB program; or
- CHDO applicants that did not receive a 2007 HOME project award may submit an application for two rental projects total, including this NOFA and the upcoming Rental Rehabilitation with or without Acquisition NOFA. Separate application forms must be submitted for each project. Each project will be rated and ranked separately.

No applicant may request project funding for more than two sites. (Program activities are not site-specific; therefore, this limitation does not apply to them.)

Application limits involving applications pursuant to this NOFA and the upcoming Rental Rehabilitation with or without Acquisition NOFA are as follows:

- State Recipients may submit an application for only one HOME rental project in 2008, either a rental new construction project under this NOFA or a rental rehabilitation project under the July 31st rental rehabilitation NOFA.
- CHDOs that received a 2007 project award may submit an application for only one HOME rental project in 2008, either a rental new construction project under this NOFA or a rental rehabilitation project under the July 31st rental rehabilitation NOFA.
- A CHDO that did not receive a 2007 project award may apply for a rental new construction project in this NOFA, and an application for the upcoming Rental Rehabilitation with or without Acquisition NOFA, IF there are no more than two sites total in both applications;
- Except for CHDOs that did not receive a 2007 HOME project award, if an application is submitted for a rental new construction project in this NOFA, an application may not also be submitted pursuant to the Rental Rehabilitation with or without Acquisition NOFA, even if the new construction project does not receive HOME funds.
- An applicant which submits an application for either a Program Activity/ies or a FTHB project (but not both) pursuant to this NOFA may also apply under the upcoming Rental Rehabilitation with or without Acquisition NOFA, provided it has not already submitted a rental new construction application.

The maximum application amount is determined by adding the maximum amounts for each of the activities in the application. Please Note: all funds, including Administration, Project Costs, and Activity Delivery Costs are counted in determining the individual activity limits.

Note also that pursuant to 24 CFR 92.250, before committing funds to a project, the Department must evaluate the project in accordance with guidelines that it has adopted for this purpose and will not invest any more HOME funds, in combination with other governmental assistance, than is necessary to provide affordable housing. All loan amounts will be verified by a subsidy layering analysis, and loan amounts will be reduced if the amount requested exceeds what is needed. Loans are also subject to the federal 221(d) (3) limits. (See Appendix C of the NOFA.)

Individual activity limits are as follows:

Rental New Construction Project Funding Limits

- \$2,000,000: Projects using 9 percent Low Income Housing Tax Credits.
- \$4,000,000: Projects not using 9 percent Low Income Housing Tax Credits.

CHDO rental project applicants that request HOME funds solely for permanent financing may request a higher funding amount to cover the cost associated with having a larger private construction loan. Up to an additional \$300,000 may be requested. In requesting this higher amount, the CHDO must explain the methodology used for calculating the requested amount based on additional financing costs. Please provide this explanation in the Applicant Notes section of the Development Budget. The Department reserves the right to adjust this amount in consultation with the applicant.

CHDO rental project applicants that request HOME funds solely for permanent financing may request a higher funding amount to cover the cost associated with having a larger private construction loan. Up to an additional \$300,000 may be requested. In requesting this higher amount, the CHDO must explain the methodology used for calculating the requested amount based on additional financing costs. Please provide this explanation in the Applicant Notes section of the Development Budget. The Department reserves the right to adjust this amount in consultation with the applicant.

Deep Targeting:

Rental new construction projects requesting funds for Deep Targeting can request up to an additional \$1,000,000 on top of the maximum application amount for their activity shown above.

Projects with 9 percent tax credits are not eligible for Deep Targeting funds under this NOFA. See Section X for more information on Deep Targeting.

Homebuyer Project Funding Limits

- Up to \$80,000 per unit for up to a maximum of \$2,000,000 per project. (This maximum amount includes amounts for Administration/CHDO Operations, and Activity Delivery.)

This per-unit amount is only for the purpose of calculating the maximum amount to be requested under this NOFA. The federal 221(d) (3) and 203(b) limits still apply. All loan amounts will be verified by a subsidy layering analysis, and loan amounts will be reduced if the amount requested exceeds what is needed.

Applicants receiving funds pursuant to this NOFA are prohibited from combining HOME homebuyer project funds and HOME homebuyer program funds to assist the same project. Applicants may combine HOME Program Income with either HOME homebuyer project funds or HOME homebuyer

program funds to assist units in the same project up to the maximum amount permitted by the HUD 221(d) (3) limits.

See Section XIX of the NOFA for information on federal prevailing wage requirements as they pertain to homebuyer projects.

Program Activities Funding Limits

\$800,000: HOME-eligible applicants for all program activities.

\$150,000: American Dream funds for PJs and Consortia only.

Program Income: Federal HOME regulations require that all Program Income be expended prior to drawing down HOME Funds. Program Income may not be “banked” or set-aside in re-use accounts. This rule applies to all State Recipient HOME applications. Successful applicants may not draw down new HOME funds for project draws if they have Program Income on hand. **State Recipients with Program Income must consider this when deciding how much to request in this funding round.** If a project applicant historically receives a substantial amount of Program Income, the applicant should contact its HOME Representative to discuss ways to use this Program Income in a way that does not impede the ability to draw down funds awarded pursuant to this NOFA.

X. DEEP TARGETING

A total of \$4 million is available, as part of the rental new construction project allocation, to assist rental projects to reduce or eliminate permanent private debt requiring mandatory debt service for the purpose of lowering rents on some or all of the project’s units. Eligible applicants may apply for up to an additional \$1,000,000 in HOME funds. Eligible projects are rental new construction projects without 9 percent Tax Credits, that set a portion of their units rents at 40 percent of Area Median Income (AMI) or below for 55 years.

Applicants for Deep Targeting funds **must** submit **two** sets of Application documents as set forth in the Deep Targeting Documentation Checklist of the HOME Supplement to the Universal Rental Application. This additional documentation must illustrate any differences in proposed project rent levels, financing commitments, and other financials when funded at the Deep Targeting funding level versus the regular maximum HOME funding level.

Applicants requesting funds for Deep Targeting that fail to submit two sets of documents as set forth in the Deep Targeting Documentation Checklist may not be considered for funding.

The Department expects to see a reduction in rents, debt service, operating reserve, and private financing commitments as a result of reduced private debt. Except for differences attributable to reduced private debt, there must be no difference in Total Development Cost, or total operating expenses and required reserve deposits under the regular HOME funding scenario versus the Deep Targeting funding scenario. Any differences in Total Development Cost or total

operating expenses and required reserve deposits between the two scenarios should be explained in the application.

Although the project unit mix may change with Deep Targeting funds, the total number of units in the project may not change. In putting together the unit mix under both scenarios, among the HOME-assisted units no more than four different rent AMI levels shall be used for each bedroom size.

Deep Targeting Rating Factors

If there are more requests for Deep Targeting funds than there are funds available, the available funds will be allocated to projects that rank high enough to be funded through the normal rating and ranking process (described in Section XXII below), and that also rate high enough on the Deep Targeting rating factors below:

- i. The higher the percentage of HOME units restricted at or below 40 percent AMI, the more Deep Targeting points that will be awarded; and
- ii. The lower the average rent expressed as a percentage of AMI, the more Deep Targeting points that will be awarded.

In evaluating the level of Deep Targeting for the award of points, projects will only be compared with other projects in counties with similar HOME income limits. Fifty percent of funds will be made available to projects in counties in which the HOME fifty percent area median income (AMI) limit for a household of four is below \$35,500, and fifty percent of the funds will be made available to projects in counties whose HOME fifty percent area median income limit for a household of four is \$35,500 or more. Unused funds in one group will be made available for the other group.

All Deep Targeting units must remain deeply targeted for a full 55-year affordability period, pursuant to a HOME regulatory agreement or a regulatory agreement held by another government financing agency.

If a project does not score high enough on the Deep Targeting factors to receive Deep Targeting funds, it will be evaluated for overall HOME rating purposes using the rents that are proposed at the regular maximum HOME funding level.

It is highly recommended that applicants wishing to apply for Deep Targeting funds contact Christina DiFrancesco at (916) 322-0918 for assistance.

XI. ADMINISTRATIVE AND CHDO OPERATIONS FUNDS

The following limits apply to the amount of State Recipient administrative and CHDO Operations funds applicants may receive:

Projects:

- A. State Recipient applicants receiving up to \$1,000,000: up to \$25,000 of administrative funds.

CHDO applicants receiving up to \$1,000,000: up to \$75,000 of CHDO Operations funds.

B. State Recipient applicants receiving \$1,000,000 or more: up to \$50,000 of administrative funds.

CHDO applicants receiving \$1,000,000 or more: up to \$100,000 of CHDO Operations funds.

Program Activities:

All program activities applicants, except American Dream PJ or Consortium applicants, may request up to 2.5 percent of the total application amount for Administrative funds (for State Recipient applicants) or CHDO Operations (for CHDO applicants).

CHDOs may request an additional 6.5 percent for FTHB infill new construction activities, for a total of 9 percent for CHDO Operations.

Tenant-Based Rental Assistance applicants may request up to an additional 12 percent of the total application amount for administration, for a total of 14.5 percent for administration. Due to state budget constraints, the total amount of administration for this purpose is \$200,000. If there is more demand for TBRA Administration funds than available, only the highest rated TBRA applicants will receive Administration funds in addition to the regular 2.5% allocation. All TBRA applicants will receive at least the basic 2.5% amount for Administration.

Actual eligible expenses must be incurred to draw down these funds.

XII. ACTIVITY DELIVERY FUNDS (State Recipients only)

Projects

Rental new construction and homebuyer projects may have up to \$50,000 of the contract amount (loan and grant funds) for Activity Delivery costs (“Activity Delivery Funds”). Activity Delivery Funds are grants, and are not part of the project loan amount. Activity Delivery Funds may be used at the State Recipient’s discretion to fund the Activity, Activity Delivery costs, or any combination of the two. See 24 C.F.R. 92.206 (d) (6) and 92.206 (f) (2) for a description of the types of expenses which may be charged to Activity Delivery. Activity Delivery, Administration, and CHDO Operations funds should not be included in the Development Budget.

Programs

Except for TBRA activities, state Standard Agreements (contracts) will automatically allow the use of up to the maximum amount of Activity Delivery funds for each specific activity. At the time of set-up, (i.e. when the HOME Recipient is ready to begin drawing activity funds), an Activity Delivery fund request may be made for actual expenses:

- Up to 24 percent of the HOME loan/grant amount for Owner-Occupied Rehabilitation.
- Up to 9 percent of the HOME loan/grant amount for FTHB activities involving infill new construction.
- Up to 6.5 percent of the HOME loan/grant amount for all other activities.

Pursuant to federal regulations, Activity Delivery funds cannot be received for TBRA activities.

XIII. FIRST TIME HOMEBUYER LOAN TERMS

Primary Loan Term Requirements Applicable to State Recipient and CHDO FTHB Loans:

Pursuant to the state HOME regulations, first-time homebuyers shall be required to obtain financing from primary lenders in addition to HOME financing. The amount of the HOME loan is limited to the minimum amount necessary as determined by a subsidy layering analysis and underwriting of the project. Loans from primary lenders shall comply with the following requirements:

- a) The loan must have a minimum loan term of 30 years;
- b) No temporary interest rate buy-downs are permitted; and
- c) The loan must be fully amortizing and have a fixed interest rate that does not exceed the current market rate, established by the 90-day “posted yield” for thirty year fixed rate loans, as established by Fannie Mae at <https://www.efanniemae.com/syndicated/documents/mbs/apeprices/archives/cur30.html>, plus 100 basis points. This means that loans that have an “interest-only” period are not eligible, even if they convert to a fully-amortized loan at some point in the loan term.

Additional State Recipient HOME Loan Terms:

Pursuant to state HOME regulation 8205(b), loans made by State Recipients assisting first-time homebuyers and homeowners whose homes are being rehabilitated shall bear simple interest rates ranging from 0 to 3 percent per annum. Interest and payments shall be deferred for the term of the loan. The State Recipient may forgive some or all of the accrued interest.

Additional CHDO HOME Loan Terms:

Except as otherwise provided by state HOME regulation Section 8206.1(c), (regarding CHDO qualification to retain loan repayments), the Department shall be the beneficiary on all HOME promissory notes and deeds of trust or HOME deed restriction documents.

Pursuant to state HOME regulation 8205(b), loans to first-time homebuyers financed from the CHDO set-aside shall bear a simple interest rate of 3 percent per annum, computed from the date the Deed of Trust is recorded on the property. Interest and payments shall be deferred for the term of the loan. Commencing on the 11th anniversary of the recordation date, an amount equal to 10 percent of the accrued interest shall be forgiven each year, so that on the 20th anniversary of the recordation date, all interest will have been forgiven if the borrower is in compliance with the requirements stated in the Department's loan documents.

XIV. ARTICLE XXXIV (Rental Projects only)

Article XXXIV of the California Constitution requires public entities to obtain voter approval before they “develop, construct or acquire a low-rent housing project.” However, there are some exemptions to Article XXXIV. Health and Safety Code Section 37001 lists a number of project types that are not considered “low rent housing projects.” The most typical exemption is subdivision (a)(1), which exempts projects that receive no property tax exemption, other than the welfare exemption, and in which no more than 49 percent of the units will be occupied by persons of low income.

Applicants must submit a legal opinion letter that analyzes the project's compliance with or exemption from Article XXXIV. The Article XXXIV opinion letter must demonstrate that the applicant has considered both the legal requirements of Article XXXIV and the relevant facts of the project (e.g., the public body lenders, the number of low income restricted units, and the general content of any regulatory restrictions). Any conclusion that a project is exempt from Article XXXIV must be supported by specific facts and a specific legal theory for exemption that itself is supported by the Constitution, statute, and/or case law.

If a project is subject to Article XXXIV, the letter must demonstrate that there is Article XXXIV authority for the project. This may be done by providing information from an appropriate local government official either that a referendum for the specific project has been passed by the voters, or that a blanket referendum has been passed and the locality has allocated sufficient Article XXXIV authority to the project. Applicants asserting that their proposed project complies with Article XXXIV because of the passage of a voter-approved referendum must provide a copy of the referendum and a certified vote tally along with their Article XXXIV letter. In this instance, the Article XXXIV letter must also provide information from the appropriate local government official regarding how many low-rent units are authorized under the referendum, and how many have been developed, constructed, or acquired to-date pursuant to that referendum so that the Department can determine if sufficient Article XXXIV authority exists for the proposed units.

For State Recipients, the Article XXXIV legal opinion letter must be from your local counsel. Since the Department is not the lender for State Recipient projects, the Department will generally defer to the local counsel's Article XXXIV

determination as long as the Article XXXIV letter is a well-reasoned, thorough legal analysis of the facts and the law.

For CHDOs, the Article XXXIV legal opinion letter must be from the local government counsel where your project is located or from your own attorney, and must state the reasons why your project is exempt from or complies with Article XXXIV. Since the Department is the lender in CHDO projects, the Department must agree with the legal opinions and conclusions in these letters in order for them to be acceptable. Because of the detailed nature of the Department's regulatory agreements for HOME, the Joe Serna, Jr. Farmworker Housing Grant Program (Serna), and the Multifamily Housing Program (MHP), it is the Department's opinion that CHDO projects assisted by these programs are "developed" by the Department within the meaning of Article XXXIV.

For more information regarding Article XXXIV see NOFA Appendix B.

XV. MATCH REQUIREMENTS

All match requirements are waived for applications submitted under this NOFA. However, all eligible HOME match that applicants will obtain due to their activity's need for other funding, shall continue to be reported in the project Set-up and Completion Reports so that the Department can bank any additional match and can continue to waive match. Such match sources include match derived from below-market rate loans, (even if these loans are not repaid to the HOME Local Account), State Low Income Housing Tax Credits, property tax waivers, bond financing, fee waivers, grants, and other sources. The Department will review all project Set-up and Completion Report forms to make sure that all reportable match has been included. See <http://www.hcd.ca.gov/fa/home/> for a HOME match calculation tool (located under "Additional Resources"). The HOME Contract Management Manual also contains additional information and resources on Match. See <http://www.hcd.ca.gov/fa/home/manual2006/14/>

XVI. TIME FRAMES FOR USE OF HOME FUNDS

Recipients of HOME funds are subject to progress deadlines and expenditure deadlines that are defined in the state and federal regulations and specified in the Standard Agreement.

Projects

If a project fails to meet one or more of the deadlines outlined in state HOME regulation Section 8217, the HOME applicant (City, County, or CHDO), as well as the project's developer, owner, and managing general partner may receive a performance penalty on the next project application in which they are involved. If a project fails to meet three or more deadlines, the HOME applicant shall be held out of future project funding rounds until that project is completed, occupancy is obtained, all expenditures are made, and all necessary HOME funds are drawn. The HOME applicant and the project's developer, owner, and managing general

partner may also receive a performance penalty on the next project application in which they are involved. For more information, please refer to Section 8217 of the amended HOME regulations at [http://www.hcd.ca.gov/fa/home/State HOME Regs.pdf](http://www.hcd.ca.gov/fa/home/State_HOME_Regs.pdf).

Program Activities

All program activity funds awarded under this NOFA must be expended by the end of the 30th month following the award date. For awards made in October 2008, the expenditure deadline is projected to be April 30, 2011. (Awards made under the OTC process will have a different award date and expenditure deadline. See Section IV. E. of the NOFA for more information.)

XVII. AFFORDABILITY REQUIREMENTS

A. Rental Activities

- All rental new construction housing projects shall have affordability periods of 55 years.

Rent levels shall be restricted for the periods of affordability set forth above at the lesser of the rent levels permitted pursuant to the federal HOME regulations, or other rent levels approved by the Department. (Generally speaking, the other rent levels approved by the Department would be lower rents that the applicant commits to in its HOME application.)

Exceptions to this requirement may be granted for units receiving HUD Section 8 or other similar rental assistance, or where the project's continued fiscal integrity is in jeopardy due to factors that could not be reasonably foreseen.

B. Homebuyer Activities

Homebuyer activities shall have minimum affordability periods of:

- 5 years for under \$15,000 of HOME funds per unit;
- 10 years for \$15,000 to \$40,000 of HOME funds per unit; and
- 15 years for more than \$40,000 of HOME funds per unit.

Homebuyer Recapture and Resale Requirements Applicable to State Recipients and CHDOs

Pursuant to federal HOME regulation 92.254 and state HOME regulation 8206.1 (b) (3), if the home is sold prior to the end of the affordability period, the HOME funds are subject to recapture (i.e., the HOME loan must be paid off when the home is sold). However, exceptions may be requested by State Recipients or CHDOs to provide HOME-assistance in the form of a resale loan for limited equity forms of ownership such as cooperatives and community land trusts. (i.e., the purchase price may be restricted with HOME funds staying available for the next borrower).

State Recipients

Recapture Loans: When the State Recipient chooses to make the HOME loan as a recapture loan, the entire amount of the HOME loan may be recaptured by the local jurisdiction, or the jurisdiction may reduce the amount of accrued interest recaptured as permitted under the state HOME Regulations. However, pursuant to 24 CFR 92.254, when the recapture requirement is triggered by a sale (voluntary or involuntary) of the housing unit, and there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, only the net proceeds can be recaptured, if any. The net proceeds are the sales price minus superior loan repayment (other than HOME funds) and any closing costs. HOME loans made by State Recipients under the recapture option may also be assumed by subsequent HOME-eligible purchasers.

Resale Loans: Although the HOME loan is not a resale loan, a State Recipient may impose its own resale controls when there is a source of subsidy other than state HOME funds. The source of subsidy need not necessarily be an actual loan; it may be in the form of an inclusionary housing ordinance which requires homes to sell below fair market value. The city or county must request advance State HOME Program approval of the resale agreement and HOME loan documents to be used in order to ensure that all of these documents meet the requirements of the HOME Final Rule and the state HOME Program. HOME Loans made by State Recipients under the resale option may be assumable by subsequent HOME-eligible purchasers, even though the HOME loan is a recapture loan. Pursuant to 24 CFR 92.503 (b), if the home fails to go to another HOME-eligible purchaser, the entire amount of the HOME investment must be repaid. Unless the HOME loan was made entirely with local PI, repayment must be made to the Department, and not to the local jurisdiction.

Approval of the use of resale controls will be at the sole discretion of the Department. Please see Management Memo 04-01, available at the state HOME website at <http://www.hcd.ca.gov/fa/home/mmemo/04-01.pdf> for specific federal and state HOME requirements regarding the resale agreements.

CHDOs

Recapture Loans: Under this option, the entire amount of the HOME loan will be recaptured by the Department. However, pursuant to 24 CFR 92.254, when the recapture requirement is triggered by a sale (voluntary or involuntary) of the housing unit, and there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, only the net proceeds can be recaptured, if any. The net proceeds are the sales price minus superior loan repayment (other than HOME funds) and any closing costs.

Under the recapture option, loans made as part of a CHDO FTHB project or program activity may not be assumed by subsequent purchasers because the Department cannot continuously re-evaluate homebuyer eligibility throughout the 30 or more years of the HOME loan throughout the State from our office in Sacramento.

Resale Loans: For 2008-09, resale controls will not be permitted for FTHB projects where the CHDO is the HOME applicant. The Department's experience with resale controls in CHDO projects is that this requires the Department to make the loans assumable or to make new loans to subsequent buyers throughout the entire term of the loan. The Department cannot guarantee that this will be possible for the entire term of the loan, therefore the Department cannot commit to a policy allowing CHDO loans to be resale loans. However, activities requiring resale controls, such as Community Land Trusts, can still be pursued through a State Recipient application.

B. Owner-Occupied Rehabilitation Activities

Owner-Occupied Rehabilitation activities have no affordability period. However, HOME funds must be provided as loans. Therefore, the loan must be repaid if the home is no longer occupied by the owner.

XVIII. INCOME ELIGIBILITY

The state HOME Program uses the Part 5 (formerly known as Section 8) definition of low income (24 C.F.R. Part 813), and uses the Part 5 methodology in calculating the income of beneficiaries. Please study the "Technical Guide for Determining Income and Allowances for the HOME Program," which is available upon request from the Department.

XIX. COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS

All activities funded with HOME funds or HOME Program Income are required to comply with HOME's federal "overlay" requirements, including, but not limited to, compliance with requirements concerning the National Environmental Policy Act (NEPA), federal and state prevailing wage, relocation, Equal Opportunity and Fair Housing, Section 504 and the Americans with Disabilities Act, Section 3 (employment of low income persons), OMB Circular A-133 audit, and debarment. Failure to comply with federal overlays could result in significant cost increases to your project, rejection of your HOME application, or loss of points in current or future HOME funding rounds. Below is a brief discussion of overlay issues relevant to the application.

NEPA

Once your governing body approves submittal of the HOME application, (usually determined to be the date of your HOME Authorizing Resolution), until issuance of the NEPA Authority to Use Grant Funds, the applicant and any participant in the development process must not take any choice limiting actions.

As a general rule, any action on the site or on behalf of the project by anyone is a choice limiting action if it occurs once your Governing Body approves submittal of the HOME application, and before the Authority to Use Grant funds is issued. "Choice limiting actions" include the commitment of ANY funds (not just HOME funds), the purchase of the site, any construction loan closing (not just the HOME loan), any payment of local fees, or any site work (other than annual weed control) done by anyone.

All site control documents must be conditional in nature so as not to provide a legal claim to any amount of HOME funds to be used for the specific project or site until the environmental review process is satisfactorily completed. The agreement must explicitly state that it is conditioned on the Responsible Entity's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review. The cost to secure the site control document must also be a nominal portion of the purchase price. For more details on required and prohibited provisions of agreements consistent with NEPA, see [CPD Notice 01-11](#)

Note however, that pursuant to NEPA regulations, certain activities are not considered choice limiting actions, regardless of when they are carried out. These activities include, but are not limited to, such things as: environmental and other studies; resource identification and the development of plans and strategies; (e.g. submitting funding applications), inspections and testing for hazards or defects; purchase of insurance; payment of principal and interest on loans made or obligations guaranteed by HUD; and assistance for improvements that do not alter environmental conditions and are necessary only to control the effects from disasters or imminent threats to public safety. For more information on activities not considered choice limiting actions, see [24 CFR 58.34](#).

For projects, compliance with NEPA is evidenced by an executed Authority to Use Grant Funds (AUGF) for environmental reviews that require public noticing. The AUGF is issued by HUD for CHDO projects, and by the Department for State Recipient projects. For program activities such as TBRA, OOR or FTHB mortgage assistance, compliance with NEPA is evidenced by completion of the environmental review.

The Department has been required by HUD to review CHDO Environmental Assessments. It can take up to 9 months to prepare and approve a NEPA Environmental Assessment, which is usually required for a rental or first time homebuyer project. Therefore, CHDO project applicants wishing to close their construction loans in the Fall of 2009 must begin preparation of their Environmental Assessment no later than December 2008.

HUD now requires the Department to perform the Environmental Assessment reviews for randomly selected State Recipient projects. Therefore, State Recipient project applicants are also advised to begin preparation of their Environmental Assessment no later than December 2008.

If there are any questions regarding choice limiting actions, or the level of environmental clearance required of your program or project, contact your HOME Representative prior to taking any action concerning your proposed HOME project or program.

Federal Prevailing Wage Requirements (Davis-Bacon Wage Requirements)

Federal prevailing wages must be paid on projects involving site development, construction, and rehabilitation where there are 12 or more HOME-assisted units.

Some projects, regardless of the number of units they have, are also subject to state prevailing wages.

The HOME applicant and the construction contractor must ensure that the Davis-Bacon Wage Requirements as well as state prevailing wage laws are followed. The Sources and Uses submitted with the HOME application will be examined carefully to make sure that prevailing wage costs have been factored in (federal and state, if applicable). CHDOs are required to hire an outside consultant to act as a Labor Standards Coordinator. If the State Recipient does not have the existing staff to enforce federal labor standards, then it is HIGHLY recommended that an outside labor consultant be hired.

In homebuyer self-help projects with 12 or more HOME-assisted units, Davis-Bacon wages may not be triggered if either of the following applies:

- Site development was completed before the application to HOME, the use of HOME funds was not contemplated when the site development was done, and there are no agreements or contracts for more than 11 HOME units. If the use of HOME was contemplated before the site development was completed, Davis-Bacon wages must be paid on the entire project; or
- If the self-help families purchase finished lots and contract individually with the General Contractor for construction of their homes, and there are no other construction contracts or subcontracts that cover more than one unit.

Relocation

Relocation costs must be paid if individuals or businesses will be temporarily or permanently displaced as a result of a HOME-assisted project. Specifically, federal relocation requirements extend back to the “initiation of negotiations”. See the HOME Contract Management manual at http://www.hcd.ca.gov/fa/home/manual2006/07/D01_Relocation_Chapter_Text.doc for a discussion of relocation Notice requirements, and what constitutes the “initiation of negotiations.” The determination of the Initiation of Negotiation requires a case by case analysis. The Department highly recommends consultation with HOME staff to determine the specific date for Initiation of Negotiations. This recommendation applies to all Rehabilitation with or without Acquisition projects, and all Rental New Construction and First Time Homebuyer projects involving any relocation activities. An accurate determination is critical, because relocation costs may be higher if an earlier “initiation of negotiations” date is necessary. Applications for tenant-occupied properties must have already provided the “General Information Notice” to all tenants by the date of the “initiation of negotiations.”

Homebuyer 90-Day Vacancy Rule - Relocation requirements will also be triggered if a first-time homebuyer proposes to purchase a home that has been occupied by a renter in the 90 days preceding the date of the purchase agreement. Exceptions to this rule can be made by HOME management on a case-by-case basis with adequate third-party documentation that the tenant

moved for reasons unrelated to the sale of the property, i.e., the tenant is moving for another job.

The Sources and Uses submitted with the application must adequately budget for relocation costs. Contact the appropriate HOME Representative for guidance in estimating relocation costs.

Normally, relocation will not be triggered for OOR or TBRA programs. However, temporary relocation costs are an eligible HOME grant expense.

Procurement Requirements for State Recipients Using Administrative Subcontractors

Except for procurement of the NEPA consultant, which can be done using the small purchase procurement method (i.e., by use of informal price quotations), State Recipients using Administrative Subcontractors paid with HOME Funds must follow a competitive Request for Qualifications (RFQ) or Request for Proposals (RFP) procurement process to select the Administrative Subcontractor. See the HOME Contract Management Manual at: http://www.hcd.ca.gov/fa/home/manual2006/04/D01Procurement_Chapter.doc for information on this procurement process.

XX. STATE RECIPIENT LOAN DOCUMENT REQUIREMENTS

State Recipients using HOME funds or HOME Program Income for rental projects must adequately secure the repayment of HOME funds and compliance with HOME affordability requirements through the use of a promissory note secured by a deed of trust and a regulatory agreement. The deed of trust and the regulatory agreement must be recorded on the project property. If security for repayment of HOME funds is a leasehold, the owner of the fee either must permit recordation of the HOME deed of trust and regulatory agreement on the fee, or the fee owner must enter into a lease rider providing appropriate lender protections to the State Recipient. The lease must also comply with the requirements of UMR section 8316. In addition, if HOME funds will be used for construction, the State Recipient and borrower should execute a development agreement clearly setting forth the terms and conditions of disbursement of HOME funds.

XXI. STATE RECIPIENT OMB A-133 AUDIT DOCUMENTATION

Local governments that expend \$500,000 or more in federal funds during the fiscal year are required to submit an OMB A-133 Single Audit Report package to the Federal Clearinghouse and to the California State Controller's Office. The 2006-07 audit package was due by March 31, 2008.

The Department will make its determination on the status of A-133 Audit compliance by direct consultation with the California State Controller's Office. State Recipients do not have to submit documentation of A-133 compliance with

their 2008 HOME Application. Questions regarding A-133 audit status compliance should be directed to the California State Controller's Office, and not to the State HOME program staff. Only the State Controller's Office is authorized to answer A-133 audit questions.

XXII. APPLICATION EVALUATION

A. Rating and Ranking

The Department will rate, rank and fund applications based on its review of all eligible activities for which funds are requested in an application. The application must be submitted using the form provided by the Department. The form must contain all information requested that is required pursuant to Section 8211(c), (d), and (e).

Note: Each project or combination of program activities will be evaluated and ranked separately.

If at the time the HOME rating and ranking process is underway an application has been submitted for the same project for any other Department financing source and is being evaluated by that program, HOME will count that financing as committed for rating purposes. Please consult with other Department programs regarding when they will count HOME financing as committed.

Pursuant to Section 8212 (d) (5) of the state HOME regulations, project applications must receive a minimum score of 930 points to be funded. Applications will be funded in descending order. Applications that qualify for CHDO and rural set-asides will be funded first based on their scores. Once the set-asides have been achieved, all remaining applications will be funded within their respective allocations pursuant to 8212.1 based on their scores relative to all other applications with the highest scoring application funded first.

In the case of a tie score, the application demonstrating the highest poverty level will be funded first. Final funding decisions will be made by the Division of Financial Assistance Deputy Director. The decision of the Deputy Director is final. However, for rental projects, all funding decisions are subject to approval by the Department's Loan and Grant Committee and the Department Director.

B. Minimum Requirements: Applications for the HOME Program are not considered for funding unless the application demonstrates that the following minimum requirements have been met pursuant to Section 8212 of the HOME regulations:

1. The application was received by the deadline specified in this NOFA;

2. The applicant is eligible pursuant to Sections 8204, 8204.1(c) and Appendix A of the NOFA;
3. The applicant proposes at least one eligible activity pursuant to Section 8205 (other than administration);
4. The use of funds is eligible per Sections 8205 and 8210(c);
5. The application is complete pursuant to Section 8211(b);
6. The applicant has no unresolved audit findings pursuant to Section 8204(a) (1) (D) (ii) and (2) (C) (i);
7. The applicant has provided documentation satisfactory to the Department that it is in compliance with the submittal requirements of OMB A-133, Single Audit Act pursuant to Sections 8204(a)(1)(D)(iv) and (2)(C)(iii). See Section XXI of the NOFA for more information;
8. The applicant and any member of its program or project team is not on the list of debarred Contractors pursuant to Sections 8204 (a) (1) (D) (iii) and (2) (C) (ii);
9. The total amount of funds requested for both administration and activity-specific costs does not exceed the limits identified in the NOFA;
10. The application form provided by the Department has not been altered or modified except to accommodate computer software; and
11. CHDO applications must contain procedures for ensuring effective project control pursuant to 24 CR 92.300(a) (1). CHDO rental project applicants must submit the Partnership Agreement, including the Development Agreement for the proposed project, with their HOME application.

In addition, project applications must demonstrate:

1. That the project is financially feasible. Pursuant to Section 8212(a) (6) of the state HOME regulations, the Department must determine that the project is financially feasible to consider it for funding. Site development issues, local government approvals, development costs, project timing, project market, and other development factors will be evaluated in order to make this determination. Projects may not be deemed feasible if information presented in the application results in unknown or uncertain project costs and/or timelines; therefore, the Sources and Uses form must contain line items for any project costs related to determining the feasibility of the project, including but not limited to, prevailing wages, environmental remediation, (including mitigation of any Recognized Environmental Conditions), elevation above a flood plain, and relocation. Applicants proposing projects on sites that were formerly orchards and/or vineyards may be required to submit to the Department an analysis of soil testing for pesticides remaining in the soil. It is recommended that this testing be

performed prior to submitting the HOME application so that the applicant can determine whether any pesticides remediation is required and include the cost for such remediation in the development budget.

- a) For applications proposing rental new construction projects, an application's threshold feasibility will include, but is not limited to an evaluation of:
 - (i) Information adequate to determine the financial feasibility of the project in accordance with the UMR, (commencing with Section 8300), and state and federal HOME requirements;
 - (ii) A market study, property appraisal, and a Phase I/Phase II Environmental Site Assessment as requested by the Department
- b) For applications proposing FTHB projects, an application's threshold feasibility will include, but is not limited to an evaluation of:
 - (i) The ability of the project to meet federal and state HOME requirements, including an evaluation of the guidelines to be used by the applicant for administering the project in compliance with state and federal requirements.
 - (ii) An analysis of comparable properties in the market area, a property appraisal, and a Phase I/Phase II Environmental Site Assessment as requested by the Department. For FTHB projects not involving new construction, asbestos and mold assessments shall be submitted instead of Phase I/Phase II site assessments. In addition, if an application proposes rehabilitation and/or acquisition of a building constructed prior to January 1, 1978, a lead-based paint assessment shall be submitted.
- c) Any document prepared pursuant to subsections (a) (ii) or (b) (ii) above shall be prepared by an individual or firm, which:
 - (i) Has the appropriate license, when deemed necessary by the Department, and knowledge and experience necessary to competently prepare the document;
 - (ii) Is aware of, understands, and correctly employs those recognized methods and techniques that are necessary to produce a credible and complete report;
 - (iii) Communicates each analysis, opinion and conclusion in a manner that is not misleading as to the true market needs for low income residential property, and the value and condition of the subject property; and
 - (iv) Is an independent third party having no identity of interest with the

applicant, the partners of the applicant, the intended partners of the applicant, or with the general contractor.

2. That the project has site control pursuant to Section 8303 of the Uniform Multifamily Regulations.
3. That there is no pending litigation that could affect implementation of the project, as proposed; and
4. For rental projects, that the project either complies with or is exempt from Article XXXIV of the California Constitution pursuant to 8212(a) (7). See Section XIV of the NOFA for more information on Article XXXIV.

C. All Applications will be evaluated and may receive points on the following:

1. The local public entity's adopted housing element is in substantive compliance with State Housing Element Law as of August 15, 2008, the application due date, as defined at Section 8201(s) of the state HOME regulations. Newly formed cities not required to be in compliance and CHDOs shall receive full points in this category. See [Management Memo 08-01](#) for more information;

50 points

2. Activities proposed within a jurisdiction whose formula allocation is being reallocated by the Department; and

50 points

3. Activities proposed in a rural community.

50 points

D. **Additional Project Application Rating Factors:**

Applicants may receive up to the amounts listed, unless otherwise noted.

1. Capability to develop a HOME-assisted project **450 points**

a) Prior performance of the applicant, developer, owner, and managing general partner (if the project has one) in all HOME project contracts (rental and FTHB) which were awarded between July 1, 2003 – June 30, 2008.

All applications will begin with 200 points. Up to 200 points may be deducted based on the following criteria.

i) Missed project deadlines of the applicant, developer, owner, and managing general partner, for deadlines occurring by the HOME application deadline of August 15, 2008. Up to 200 points will be deducted as follows:

- Permanent Financing Commitment: 5 points each
- Project Set-up: 10 points each
- Construction Loan Closing: 10 points each
- Completion Deadline: 50 points each
- Expenditure Deadline: 50 points each

However, the deducted points will be restored if all of the following events have occurred by the application due date, August 15, 2008: the project has been completed, the Project Completion Report has been received by the Department, and all HOME funds were expended by the original expenditure deadline in the Standard Agreement.

Pursuant to Section 8217, Applicants who disencumbered a project contract between July 1, 2003 – June 30, 2008 and their developers, owners, and managing general partners, (if any), for these projects will still receive point deductions according to the above schedule for the deadlines the project did not meet before the contract was disencumbered.

Late reports of the applicant – applies to HOME project contracts (rental and FTHB) which were awarded between July 1, 2003 – June 30, 2008.

Up to 50 points may be deducted as follows:

- 25 points for each late Project Completion Report for a rental project or homebuyer project
- 25 points for each late Annual Performance Report
- 5 points for each late Quarterly Report. Note: beginning in January 2008, projects are no longer required to submit full quarterly reports, but State Recipients must continue to submit quarterly Program Income reports.

In 2005 and 2006, the Department gave applicants a grace period for submittal of reports; therefore, for reports due and submitted by August 15, 2006, no deduction for late reports will be levied.

However, all reports that were due after August 15, 2006 must have been submitted by the date they were actually due in order to avoid a penalty for late reports. As an illustration of reporting deadlines, below are the deadlines for the reports due in 07-08:

- Rental and Homebuyer Project Completion Reports – must have been submitted within 60 days of the final draw
- Annual Performance Reports – must be submitted by August 1, 2008.
- Project Quarterly reports – must have been submitted no later than 30 days after the end of the calendar quarter. Note: beginning in January 2008, projects are no longer required to submit full quarterly reports, but State Recipients must continue to submit quarterly Program Income reports.

- ✓ October 30, 2007 for the quarter ended September 30, 2007
- ✓ January 30, 2008 for the quarter ended December 31, 2007
- ✓ April 30, 2008 for the quarter ended March 31, 2008
- ✓ July 30, 2008 for the quarter ended June 30, 2008

Remember, points will be deducted for late reports under HOME project contracts awarded between July 1, 2003 – June 30, 2008.

ii) Material Misrepresentation of Facts- applicants, developers, owners, and managing general partners who, between July 1, 2003 – June 30, 2008, have made a material misrepresentation of any requirement or fact in an application, project report or other document submitted to the Department including but not limited to that which jeopardizes the Department's investment in a project or places the Department at risk of a monitoring finding, will lose up to 200 points.

iii) Noncompliance with Monitoring Requirements identified in the last five years (i.e. July 1, 2003 – June 30, 2008). Applicants, owners, and managing general partners who have not complied with monitoring requirements identified by the Department in the last five years will lose up to 100 points

State Recipients

- 10 points will be deducted for each second notice sent by the Department to the State Recipient for failure to submit an Annual Monitoring Report.
- An additional 10 points will be deducted if the Annual Monitoring Report has not been received by the deadline in the second notice.

CHDOs

- 5 points will be deducted for each second notice sent by the Department to the CHDO for failure to submit the Annual Operating Budget or Annual Report for a project.
- An additional 5 points will be deducted for each of these reports that have not been received by the deadline in the second notice.

- b) Prior applicant experience in the implementation of local, state or federal affordable housing or community development projects in last seven years (2001-2007). 50 points
- c) Prior development team experience in developing the same type of subsidized project as proposed in the application in a manner

consistent with the applicable funding source in the last five years (for projects completed between August 15, 2003 – August 14, 2008).

200 points

2. Community Need **450 points**

See Appendix K of this NOFA for Community Need point scoring by activity type.

3. Project Feasibility, as demonstrated by: **200 points**

Rental Projects:

- a) Compliance with the UMR (commencing with Section 8300), and state and federal HOME requirements. 175 points
- b) Provision of the greatest percentage of HOME-assisted units. 25 points

FTHB Projects:

- a) Compliance with state and federal HOME requirements 175 points
- b) Provision of the greatest percentage of HOME-assisted units. 25 points

4) Project Readiness as demonstrated by: **300 points**

a) The project development plan:

- Rental and FTHB New Construction Projects 155 points
- FTHB Rehabilitation Projects 270 points

b) Status of local government approvals:

- Rental and FTHB New Construction Projects 125 points
- FTHB Rehabilitation Projects 10 points

c) Design progress 10 points

d) Financing commitments 10 points

5) State Objective Bonus Points: Project applicants will be awarded up to 150 points for meeting one or more of the following State Objectives:

Rental New Construction Projects Only

- a) Deeper Affordability - Points will be awarded based on the percentage of all HOME units at or below the Low HOME rent level, (50% AMI). Household income levels must be restricted at the same AMI level as the proposed rent level for each unit. In projects with renewable rental

assistance, rent and income levels will be determined based on the amount of the tenant-paid portion of the rent, and the rental subsidy program regulations must require tenant incomes to be no more than 50% AMI. Pursuant to HOME Regulation 8208 (b), State Objective rent and income levels will be restricted for the entire HOME affordability period.

50 points

b) 100 Percent Financing Committed. Points will be awarded for projects that have 100 percent of their non-state HOME permanent financing committed by August 15, 2008. All construction and permanent financing commitment letters must be included with the HOME application.

100 points

c) Special Needs Populations - Points will be awarded to rental projects that are proposing to target special needs populations through the use of any of the following financing sources: HUD 202, HUD 811, HUD Supportive Housing Program, or MHP funds where at least 70% of the units will be reserved for Special Needs Populations, as defined under MHP Regulation 7301.

50 points

Rental New Construction and FTHB Projects

d) Outstanding Past Performance - Points will be awarded to rental and FTHB project applicants whose development team includes an applicant or developer that has completed a 03, 04, 05, or 06 State HOME project no later than 30 months following the date of the award letter for that project. Project completion will be evidenced by the filing of the Project Completion Report for that project.

50 points

e) Project Readiness - Points will be awarded to rental and FTHB project applications that provide with the application "Will Serve" letters from the responsible officials at the local fire district, water district and sewer district. Each letter must state that the service in question will be available to all units in the project prior to construction loan closing.

50 points

f) Green Building - Points will be awarded to rental and FTHB project applicants that commit to incorporating State of California Green Building/Energy Efficiency features into the proposed project.

25 points

E. Additional Program Activity Application Rating Factors

If the program activities allocation under this NOFA is oversubscribed, eligible applications shall be evaluated on these additional criteria. (Applicants may receive up to the amounts listed, unless otherwise noted.)

1. Applicant Capability to operate a HOME program: **250 points**
- a) Prior performance in Standard Agreements numbered 04-HOME through 06-HOME 150 points

Note: A different time period applies for noncompliance with monitoring or contract requirements; see below.

- b) All applicants will initially receive the full 150 points; points will be deducted based on the following criteria:
- Late reports: (50 points)
 - 25 points for each late Annual Performance Report
 - 5 points for each late Quarterly Report

In 2005 and 2006, the Department gave applicants a grace period for submittal of reports; therefore, for reports submitted by August 15, 2006, no deduction for late reports will be levied.

However, all reports that were due after August 15, 2006 must have been submitted by the date they were actually due in order to avoid a penalty.

As an illustration of reporting deadlines, below are the deadlines for the Annual and Quarterly reports due in 07-08:

- Annual Performance Reports – must be submitted by August 1, 2008.
- Quarterly reports – must have been submitted no later than 30 days after the end of the calendar quarter;
 - ✓ October 30, 2007 for the quarter ended September 30, 2007
 - ✓ January 30, 2008 for the quarter ended December 31, 2007
 - ✓ April 30, 2008 for the quarter ended March 31, 2008
 - ✓ July 30, 2008 for the quarter ended June 30, 2008

Remember, points will be deducted for late reports under HOME program activity contracts 04, 05, and 06.

- Noncompliance with Monitoring or Contract Requirements identified in the last five years (i.e. July 1, 2003 – June 30, 2008). (100 points)
- c) Prior experience of the applicant in administering HOME and/or other local, state or federal affordable housing or community development programs in the last seven years (2001-2007). 100 points

2. Community Need **450 points**

See Appendix K of the NOFA for Community Need point scoring by activity type.

3. Program Feasibility **100 points**

a) Extent Program Guidelines reflect federal and state requirements 25 points

b) Activity-specific criterion as specified below: 75 points

- FTHB programs: number of units that have sold in the city or county over the preceding 12-month period and are affordable to lower income families, given the proposed HOME assistance.
- Owner-Occupied Rehabilitation programs: number of overcrowded households by tenure and the age of the housing stock by tenure, in the city or county as reflected in U.S. Census data.
- TBRA Programs: overpayment by lower-income renter households as reflected in U.S. Census data.

4. State Objective Bonus Points – Program activity applicants will be awarded up to 125 points for meeting the following State Objectives:

a) Program Capacity/Continuity - 75 points will be awarded to jurisdictions that applied for but did not receive HOME program activity funding in 2007, if the Department determines that the application was eligible, but that the application could not be funded because the score was below the funding cut-off. The jurisdiction is not required to apply for the same activity(s) in 2008 that was applied for in 2007.

75 points

b) Green Building- Points will be awarded to applicants that commit to incorporating State of California Green Building/Energy Efficiency features into their OOR and infill new construction program activities.

25 points

XIII. XXIII. APPLICATION TRAINING WORKSHOPS

See attached workshop schedule and registration form.

RE: NOFA WORKSHOPS and CHDO CERTIFICIATION

THE 2008 HOME NOFA WORKSHOPS ARE UPCOMING

There are several HOME NOFA Workshops scheduled in the upcoming weeks. All prospective Applicants are strongly urged to attend the HOME NOFA Workshop(s).

The scheduled dates and times are outlined below:

NOFA Rental New Construction Project Workshop:

This workshop will cover Rental New Construction projects only. Applicants interested in FTHB project applications will receive individual NOFA training; please contact the HOME program to request this training.

Date and Location

| |
|--|
| June 12, 2008 8:30 AM— 4:00 PM |
| Secretary of State Auditorium 1500 11th Street Sacramento, CA |

The entrance to the building is at the southwest corner of 11th and O Streets. Paid parking (\$25 per day, cash only) is available directly across 11th Street, at the Northeast corner of 11th and P Streets. Another location is three blocks away, at the corner of 10th and R Streets (\$10 per day, cash only). Additional options are other small parking lots nearby (prices vary). NOTE: Pricing for parking is not guaranteed.

CHDO Certifications:

Applicants for CHDO certification are required to submit their applications for certification by June 13, 2008. CHDOs, whose certification expires by August 15, 2008, are required to submit their recertification applications by July 15, 2008.

State HOME Program Regulation Changes and New Rental Project Application Forms

The State HOME Program regulations changes, as Amended through December 10, 2007, will be in place for this NOFA.

NOFA Program Workshops:

These workshops will cover First-Time Homebuyer; Tenant Based Rental Assistance; and Owner Occupied Rehabilitation. Note: the Rental Acquisition and/or Rehabilitation Program will not be an eligible activity this year. These workshops will begin at 8:30 AM and end no later than 4:30 PM.

Dates and Locations

| Date | Location | Address |
|----------------------|-----------------------|---|
| June 5, 2008 | Rancho Cordova | Rancho Cordova City Hall 2729 Prospect Drive, Rancho Cordova |
| June 17, 2008 | Coachella | Coachella City Hall 1515 6th Street, Coachella |
| June 19, 2008 | Thousand Oaks | Thousand Oaks Civic Arts Plaza, Board, Oak & Park Rms. 2100 E. Thousand Oaks Blvd. Thousand Oaks |
| June 24, 2008 | Weaverville | Trinity County Library 211 Main Street, Weaverville |
| June 26, 2008 | Porterville | Government South Building 1055 W. Henderson Avenue, Porterville |

If you are planning to attend one of these NOFA Workshops, please send the attached registration form to the HOME program no later than May 31, 2008. No confirmations will be sent. If you would like directions or have questions regarding any of these workshops please contact the general HOME number (916-322-0356) or your HOME Representative.

**State of California HOME 2008 Notice of Funding Availability (NOFA)
Training Workshop for Rental New Construction Project and Program Activities**

To insure we have adequate seating available, please complete and forward the registration form:

**Fax this form to (916) 322-2904.
No fax cover page is necessary.
ONE individual per registration form.**

Participant's Name: _____

Organization Name: _____

Mailing Address: _____

Email Address: _____

Telephone Number: (_____)_____

FAX Number: (_____)_____

If you are a consultant, which HOME Recipients are you are currently working with:

If you are a developer, which communities are you considering for a HOME project:

A. Please indicate if you plan to attend the Rental New Construction Project NOFA Training Workshop.

| Date | Location | Attending |
|---------------|------------|--------------------------|
| June 12, 2008 | Sacramento | <input type="checkbox"/> |

B. Please choose the Program Activities NOFA Workshop Training date and location you wish to attend.

| Date | Location | Attending |
|---------------|----------------|--------------------------|
| June 5, 2008 | Rancho Cordova | <input type="checkbox"/> |
| June 17, 2008 | Coachella | <input type="checkbox"/> |
| June 19, 2008 | Thousand Oaks | <input type="checkbox"/> |
| June 24, 2008 | Weaverville | <input type="checkbox"/> |
| June 26, 2008 | Porterville | <input type="checkbox"/> |