

# California Department of Housing and Community Development



Homekey Round 2

Frequently Asked Questions

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November 18, 2021

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- **Program Timeline & Deadlines**

Question: When does the eight-month expenditure deadline begin?

Answer: According to the Homekey Notice of Funding Availability (NOFA) § 204, Homekey Capital funds must be expended within eight months of the date of award. “Date of award” is the date the grantee receives an award letter from the Department of Housing and Community Development (HCD).

Question: What is the timeline from application submission to award?

Answer: Upon submission of a complete application and all supporting documents, Applicants should expect HCD to make a determination within 45 days.

- **Eligible Applicants, Eligible Uses, and Eligible Projects**

Question: Are nonprofit and for-profit developers eligible for funding?

Answer: Nonprofit and for-profit developers cannot apply for funding on their own. According to NOFA § 200, nonprofit or for-profit developers must apply with a local public entity.

Question: Can a previously awarded Homekey project submit an application for Round 2?

Answer: According to NOFA § 202(viii), previously awarded Homekey Assisted Units are ineligible for funding under the Round 2 NOFA, however previously awarded Homekey projects that seek to fund new Assisted Units that did not previously receive an award may be eligible for Homekey Round 2 funding.

Question: Does new, ground-up construction on vacant land qualify for funding?

Answer: Yes, NOFA § 201 allows for new construction as an eligible use. Please refer to § 204 for more information on the 12-month completion deadline for all construction and rehabilitation projects.

Question: Are mobile home parks or tiny homes an eligible use?

Answer: § 202 of the NOFA does not expressly prohibit structures lacking a permanent foundation (like some manufactured or mobile homes) as an eligible project, however the Department will need to provide express written approval of such a project. Applicants seeking this approval are encouraged to consider other funding options and discuss their proposed project at the required pre-application consultation. Additionally, if mobile home park funding is requested, Homekey will

only consider funding the park if housing is included in the structure of the agreement.

- **Geographic Allocations and Set-Asides**

Question: If 25 percent or more of units are set aside for youth, will the project fully compete in the homeless set aside or will funding also come from the geographic set aside?

Answer: The units reserved for homeless youth will be awarded from the homeless youth set aside. The remaining units will be awarded from the respective geographic region.

- **Awards - Maximum Grant Amounts & Capital Funding Match**

Question: Is a developer fee an eligible expense?

Answer: Yes, a developer fee can be included as an eligible expense in the development budget.

Question: Can an applicant use Community Development Block Grant Program (CDBG), Home Investment Partnerships Program (HOME), and/or Home Investment Partnerships American Rescue Plan (HOME-ARP) funds to serve as a local match?

Answer: Yes, those sources are allowable options for match. The [Business, Consumer Services and Housing Agency \(BCSH\) Strategic Funding Guide](#) listed in the Resources section of the [Homekey website](#) may be helpful as applicants explore match sources.

Question: If the facility is being built on City-owned land, does the use of that land count toward a local match? If so, how do we demonstrate the value of that land?

Answer: Land donation can count toward match. The value must be supported by an appraisal and a land lease, due at the time of application.

Question: What is needed to document rehabilitation expenses?

Answer: For all projects seeking to use Homekey funding for rehabilitation expenses, a Physical Needs Assessment (PNA) is due at the time of application. Applicants seeking reimbursement for rehabilitation expenses already incurred as allowed by § 602 of the NOFA (going back to March 3, 2021), must submit documentation that demonstrates that costs have been paid (receipts, bill of sale, etc.).

- **Awards - Operating Subsidies and Operating Match**

Question: Is the Homekey operating subsidy in addition to the capital maximum grant amount?

Answer: Yes, the operating subsidy and capital grant award are calculated separately. The total Homekey award is the sum of these two calculations.

- **Awards - Bonus Awards**

Question: Can the bonus awards be included as an assumption in the project's budget at the time of application?

Answer: Yes, the application workbook will automatically apply the bonus awards to the budget calculations.

Question: What steps do applicants need to take to secure the early application bonus award?

Answer: Applicants who submit a complete application and all required supporting documents on or before January 31, 2022 will be eligible to receive the \$10,000 per door bonus award.

Question: Can the expedited occupancy bonus award be flexed into capital expenses?

Answer: No, according to § 207 of the NOFA, the only flexibility regarding the bonus awards is for timely submission of the Homekey application.

- **Awards - Flexibility**

Question: The NOFA states that Capital awards can be used for operating (and vice versa), pending HCD's written approval. How do I document this request?

Answer: Applicants should document this request, in writing, as a part of their Homekey application. The request can be made by inclusion in the project narrative and/or in a document uploaded with application submission.

- **Threshold Requirements**

Question: Is a pre-application consultation a threshold requirement as with Homekey Round 1?

Answer: Yes, it is a threshold item. The Department requires all Applicants to engage in a pre-application consultation with the Department prior to applying. Pre-application consultations are scheduled on a first-come, first-served basis.

Question: Are service providers required to be established at the time of application?

Answer: From the NOFA § 304(2)(b) and § 304(2)(c), projects will receive points where a service provider has been identified and where commitment letters or memorandum of understanding are in place at the time of application. For permanent housing projects, §301(ii)(b) states that if

the property manager has not been selected for the project, the Eligible Applicant shall certify that this requirement will be reflected in any future solicitation or memorandum of understanding to meet threshold at the time of application. The same provision applies for the support services provider. Contrary to Round 1, the Department requires supportive services for all projects and a Supportive Services Plan as part of the Homekey application.

**Question: Does the requirement for submission of a Relocation Assistance Narrative apply to vacant land?**

**Answer:** Yes, according to § 300(xii) this is Threshold Requirement for all projects and does not take the place of a No-Relocation Certificate or Relocation Plan. All Eligible Applicants should review the above noted section to ensure that the standards outlined in the NOFA regarding the Relocation Assistance Narrative are sufficiently met.

- **Interim Housing Requirements**

**Question: Can Homekey fund beds in a congregate setting?**

**Answer:** No, congregate settings are not an eligible use and HCD intends to clarify this in an upcoming NOFA amendment. The Homekey program is intended to support the development of housing units. Other funding sources should be considered for the congregate type of interim program. The [Business, Consumer Services and Housing Agency \(BCSH\) Strategic Funding Guide](#) listed in the Resources section of the Homekey website may be helpful as applicants explore sources of funding for this use.

**Question: Can clients be charged rent for interim or transitional projects?**

**Answer:** No, rent cannot be charged to interim or transitional housing participants. According to the NOFA, "Interim Housing", "Transitional Housing" or "Congregate Shelter" means any facility whose primary purpose is to provide a temporary shelter for the Homeless in general or for specific populations of the Homeless, and which does not require occupants to sign leases or occupancy agreements

**Question: Does an Interim Housing project have to utilize a Coordinated Entry System (CES) for placement of clients into temporary shelter beds?**

**Answer:** Yes, according to § 501 and § 502 of the NOFA, all Homekey Assisted Units are required to draw referrals through the local CES. If the project is unable to use CES, in the application the Applicant must describe the reason, what prioritization method will be utilized instead, and the

efforts made for CES use and to coordinate with the Continuum of Care (CoC).

- **Application**

Question: Can anyone submit an application to the Homekey portal on behalf of an Eligible Applicant?

Answer: Each project is limited to one username and password, which can be shared among the project team.

Question: Is the application available for viewing now?

Answer: Yes, you can download the Homekey Round 2 Application at <https://homekey.hcd.ca.gov/> and click on the Program Forms button.

Question: Can the Co-Applicant create the account on the development team's behalf?

Answer: Yes, the Co-Applicant can create the project's application account.

- **Required Documents**

Question: Are appraisals due at the time of application?

Answer: Yes, appraisals are due at the time of application submission in order to pass threshold. As discussed in the Homekey webinar presentation on September 30, 2021, the only exceptions to this are projects seeking funding for affordability covenants or master leasing.

Please download the Homekey Round 2 Application by clicking the Program Forms button on the [Homekey webpage](#). There you can refer to the Required Documents tab of the application to view a list of documents that must be included in order to have your application considered complete.

- **Environmental Clearances, CEQA, NEPA**

Question: Is there a National Environmental Policy Act (NEPA) exemption as part of the Homekey Process, similar to the California Environmental Quality Act (CEQA)?

Answer: No, there is no NEPA exemption tied to Homekey. NEPA will not be required at the point of application submission as to not disadvantage projects with vouchers or other federal resources that trigger NEPA review.

Question: If the CEQA exemption does not apply, does CEQA analysis have to be completed as part of the application?

Answer: No, CEQA clearance can follow application submission.

- **Scoring Criteria**

Question: Does a project have to score in each category 1-4? or Could a project score in 1,2,4, for example, but not get any points in category 3, for example only?

Answer: A project does not need to score in each category but must reach a total of 120 points to be eligible, and must meet any scoring criteria which is also a threshold requirement, for example site control, or development experience.

- **Program Requirements**

Question: When can a conversion from interim to permanent begin? Can I convert to permanent housing before the 15-year use restriction is up?

Answer: The conversion to permanent can begin when the Grantee is ready, but the conversion should be completed no later than by the time that the interim affordability period expires (15 years for interim projects). There is no minimum time that must elapse before a Sponsor can convert their interim project to permanent housing.

Question: When rehabilitating a site, can I reduce the number of units to increase bedroom sizes and/or create kitchen space for larger families?

Answer: When doing rehabilitation to include kitchen space and/or increase bedroom sizes, it is understood that total unit count may be reduced. This is permissible as long as there is approximately the same square footage of space utilized for tenants offered as prior to the rehabilitation of the project.

Question: Is a Homekey funded project also able to receive additional funding such as the Multifamily Housing Program (MHP), No Place Like Home (NPLH), Veterans Housing and Homeless Prevention (VHHP), and/or tax credits to fund additional rehabilitation in order to convert the project to permanent units?

Answer: Yes, however, the funding programs may conflict with one another or have different minimum standards. Sponsors who are layering different State or Federal funds into Homekey projects must follow the most restrictive requirements (such as the lowest Area Median Income (AMI) or most specific target population). Sponsors are strongly encouraged to seek Technical Assistance from Department staff to determine if different funding programs are compatible with one another.

Question: Among the Homekey Assisted Units, do 51 percent have to be homeless/at-risk of homeless (vs just Extremely Low Income (ELI))?

Answer: According to § 303(b), units occupied at the time of acquisition by ELI households are eligible for funding but must be 49 percent or less of the total Homekey Assisted Units. When an ELI household vacates the unit, it must revert to serving the target population.

Question: What is the requirement to demonstrate funding commitments for required capital or operating match?

Answer: Eligible Applicants must ensure that the Enforceable Funding Commitment specifies the Applicant or Grantee name, the project name, the project address, the funding source, and the amount allocated, as detailed in the NOFA Definitions.

For funding sources that may be dependent upon future budget allocations, or if the funding has not yet been approved, Eligible Applicants can demonstrate funding commitments by submitting one of the following:

- a. An executed authorizing resolution describing the intent to commit the funds to the Eligible Project (by name) upon allocation approval, or
- b. A letter from the authorizing body, agency or official, that demonstrates the intent to commit funds to the Eligible Project (by name) upon allocation approval.

These funding commitments will be noted in the Homekey Standard Agreement.