

# Housing for a Healthy California (HHC) Article I Program FAQ's



This document contains responses to questions from potential applicants for the Housing for a Healthy California (HHC) Article I Program and provides clarification and additional details regarding the HHC Guidelines, the 2020-2021 HHC NOFA, and the application process.

The questions in this document were received during the 20-21 HHC NOFA webinar on January 19, 2022, and through the NOFA inbox. To submit additional questions and inquires regarding the HHC Program, please email [HHCNOFA@hcd.ca.gov](mailto:HHCNOFA@hcd.ca.gov).

*\*Note: Questions appear as asked/submitted*

1	<p><b>Q.</b> The current posted guidelines on the website are dated May 13, 2019. Will there be updated Guidelines released with Track Changes?</p>	<p><b>A.</b> The HHC Guidelines have not changed. Recent changes to the Program are included in the NOFA and were covered in detail in the 20-21 HHC NOFA webinar. The PPT slides and a recording of the webinar are available on the <a href="#">HHC website</a>.</p>
2	<p><b>Q.</b> Can you apply for additional funds if an Article II award was given? Or is this specific to Article I funds?</p>	<p><b>A.</b> OTC Applications for supplemental awards are only available for projects that have received previous HHC Article I awards.</p>
3	<p><b>Q.</b> Regarding the Expenditure Deadline of September 1, 2025 - Is this disbursement of all funds during the eligible construction period? Do we have to complete the perm loan closing prior to this date or just spend the funds?</p>	<p><b>A.</b> All HHC funds must be disbursed by the September 1, 2025 expenditure deadline. If funds are used for construction, final disbursement may be made once construction is complete and a certificate of occupancy is issued, <i>and</i> there is a reasonable expectation that final budget and initial tenant beneficiary information will be provided within 90 days.</p>
4	<p><b>Q.</b> Can the AML mix change on non-HHC units in a subsequent application?</p>	<p><b>A.</b> The unit mix will need to be underwritten to determine if the project remains within the parameters of 2017 Uniform Multifamily Regulations Section 8310.</p>

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5	<p><b>Q.</b> Will the funds be encumbered upon Standard Agreement execution? In the previous Standard Agreement terms, it is stated that the agreement can be terminated at any time and that funds are subject to appropriation risk.</p>	<p><b>A.</b> Yes, the Standard Agreement commits and encumbers the funds. That language is required for all state contracts, but it does not apply here because NHTF funds are not appropriated. NHTF funds are generated through an assessment on mortgages made by Fannie Mae and Freddie Mac, rather than through the HUD congressional appropriation process (like HOME and CDBG). This clause would be triggered only if/when HCD forward commits <i>appropriated</i> funds from a future fiscal year, and the actual amount allocated to the state is less than anticipated and therefore awards need to be reduced.</p>
6	<p><b>Q</b> The monitoring fees in the new NOFA are different than the original NOFA. Which fees should OTC applicants follow?</p>	<p><b>A.</b> The new fees apply to all applications submitted under the current 20-21 HHC NOFA.</p>
8	<p><b>Q.</b> Sep 2023 disbursement date may conflict with Round 2 of 9% tax credit awards. Will HCD work with developers who can't secure tax credits thus not meeting the sept 1 construction start deadline?</p>	<p><b>A.</b> The September 1, 2023 deadline is for construction start, not disbursement. We don't have flexibility on the expenditure deadline, unfortunately, as these are federal funds, but we will work with developers to the best of our ability. Keep in mind, the FY22 NHTF NOFA will be released this summer, and the expenditure deadline for those funds will be in 2027.</p>
9	<p><b>Q.</b> Do you need to be fully entitled to apply for HHC?</p>	<p><b>A.</b> HHC and NHTF funds are available to entitlement jurisdictions as well as non-entitlement jurisdictions.</p>
10	<p><b>Q.</b> Does HHC carry prevailing wage?</p>	<p><b>A.</b> Yes, state prevailing wage requirements apply, but Davis Bacon requirements do <i>not</i> apply to these funds.</p>
11	<p><b>Q.</b> Since the application submittal is open from Jan. 17 to March 3, are awards based on a first come first serve bases?</p>	<p><b>A.</b> Competitive applications are due on March 1, 2022, and will be evaluated, scored, and ranked together as a group. Over-the-counter applications for supplemental funds are only for projects that have already received HHC Article I funding. OTC applications are due February 15, 2022, and will be evaluated on a first-come-first-serve-basis.</p>

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12	<p><b>Q.</b> When does the COSR get funded...at conversion and held in a reserve by the sponsor? or sooner to meet the expenditure deadline?</p>	<p><b>A.</b> Currently, Capitalized Operating Subsidy Reserves (COSR) grant funds are disbursed at permanent closing conversion and held in a reserve. Now that we are allowing disbursements at construction closing and during the construction period, we are looking into and discussing the possibility of disbursing the COSR before perm conversion, to help us expend funds as soon as possible. More information will be available soon.</p>
12	<p><b>Q.</b> Is the maximum 49% for HHC assisted units or all units?</p>	<p><b>A.</b> In projects of greater than 20 units, the department will fund no more than 49 percent of the project's total units as HHC Assisted Units, however, please see Section 102(e)(2) of the HHC guidelines for a complete explanation of the variations to this rule.</p>
14	<p><b>Q.</b> Is a Phase I needed and are there requirements that it must be dated within a certain time from the application due date?</p>	<p><b>A.</b> All HHC projects must meet HUD's <u>NHTF Environmental Provisions</u>, which includes having a Phase I. <u>HUD Guidance</u> states that Phase I's should be completed within six months of completion of the environmental review, but allows for limited updates if it's more than six months but less than one year old. If the Phase I you are using to complete the NHTF Environmental Provisions is older than six months and you don't have time to update it before the application deadline, please submit your existing Phase I with an explanation that you are currently getting it updated and the date you expect to receive the updated version. For OTC applicants with a previously completed and approved NHTF Environmental Provisions review, you do not need to update the Phase I used for the review for your application.</p>
15	<p><b>Q.</b> If we were looking to include HHC units within a new senior housing development, would the HHC tenants be 62+ or would we be required to accommodate tenants of whatever age?</p>	<p><b>A.</b> If the project is designed to meet the physical and social needs of senior citizens and is in compliance with California laws governing senior housing, HHC units do not have to be available to all ages - but those residents will need to meet the HHC's Target Population requirements.</p>

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16	<p><b>Q</b> Do very low-income individuals who are not able to live independently, and face eviction qualify for this funding?</p>	<p><b>A.</b> "Target Population" means a person who is <b><u>experiencing homelessness</u></b> or <b><u>chronic homelessness, and is a high-cost health user upon initial eligibility</u></b>, and is either a Medi-Cal beneficiary or is eligible for Medi-Cal, and is eligible to receive services under a program providing services promoting housing stability, and is likely to improve their health conditions with Supportive housing.</p>
17	<p><b>Q.</b> Does the definition of "Rehabilitation" include conversions and adaptive reuse of existing structures?</p>	<p><b>A.</b> Yes.</p>
18	<p><b>Q.</b> Can these funds be used in existing HUD 202/811 projects for rehab and supportive services for individuals aging in place and incapable of independent living?</p>	<p><b>A.</b> Residents of the HHC units must meet the definition of "Target Population" in the HHC guidelines (<b><u>experiencing homelessness</u></b> or <b><u>chronic homelessness, and is a high-cost health user</u></b>)</p>
19	<p><b>Q.</b> Will there be a rural or small county set aside for those jurisdictions with fewer resources and potentially fewer homeless individuals?</p>	<p><b>A.</b> There is currently a 20 percent set-aside for projects located in rural areas, and there is no minimum award to make the program accessible to smaller jurisdictions.</p>
20	<p><b>Q.</b> Where is the list of attachments required to be submitted in addition to the application workbook?</p>	<p><b>A.</b> There is no required checklist that needs to be uploaded into the application in the Grants Management System (GMS); however, there is a list of required attachments needed for the application which will be made available in the file tab of the HHC solicitation page in GMS.</p>
21	<p><b>Q.</b> Is there a minimum number of assisted units required as a percentage of the total unit count of the project? Also, are there any AMI% requirements for the proposed unit mix? Or does this play into scoring at all?</p>	<p><b>A.</b> There is no minimum number or percent of required HHC units in the project. The only requirements are the proposed unit mix stated in the guidelines: The HHC units will be limited to 30 percent of Area Median Income (AMI) but there will be no limits on the number of units.</p>

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22	<p><b>Q.</b> Does this program requires both a fee per unit and required debt service of 0.42%?</p>	<p><b>A.</b> No, HHC requires the per unit fee. but does not require the .42 percent. Other HCD state programs require .42 percent debt service; therefore, if you are using funds that require that as well, both would apply.</p>
23	<p><b>Q.</b> If an N/A or vacant lot is not accepted for relocation. Can you provide an example of what you are looking for?</p>	<p><b>A.</b> Supporting documentation can include an appraisal, phase I/II, or market study.</p>
24	<p><b>Q.</b> If we already have a loan on one project, can we apply for another?</p>	<p><b>A.</b> If your project has already received an HHC Article I award through a previous NOFA, you are eligible to apply for a supplemental award through the Over the Counter (OTC) application process.</p>
25	<p><b>Q.</b> What is the difference between OTC and Competitive?</p>	<p><b>A.</b> Over the Counter (OTC) applications for supplemental funds are only for projects that have previously been awarded HHC funds from HCD. OTC applications will not be scored and ranked - if they meet minimum requirements, supplemental funds will be recommended to HCD's Internal Loan Committee. Competitive applications are for projects that have not already received HHC funding from HCD. Competitive apps will be reviewed, scored, and ranked together, and funds will be recommended for projects with the highest scores, based on funding availability.</p>
26	<p><b>Q.</b> Are properties such as hotels and motels eligible for these funds (i.e., properties being submitted for Homekey funds)</p>	<p><b>A.</b> Yes, although the resulting housing must be permanent supportive rental housing, i.e., transitional housing is not eligible.</p>
27	<p><b>Q.</b> What is the Feb 15, 2022 deadline for?</p>	<p><b>A.</b> Over the Counter (OTC) applications for supplemental funds from previously awarded projects are due February 15, 2022.</p>
28	<p><b>Q.</b> When does the clock start for reimbursable soft costs?</p>	<p><b>A.</b> Twenty-four months before construction closing.</p>

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29	<p><b>Q.</b> I'm still unclear about the scoring for rental subsidy. Since HHC only funds units that are &lt;=30 per% AMI, doesn't this mean that each project will be receiving the 15 points even if it does not have an existing rental subsidy committed (since section "b" of the definition includes all 30% AMI units)?</p>	<p><b>A.</b> No, the distinction is whether the rents are set at a maximum of 30 percent of 30 percent AMI (the rent limit) or set at 30 percent of <i>actual</i> household income. HHC Guidelines Section 111(e)(1)(b) allows for projects to receive full points if the rents are set at 30 percent of actual household income (not 30percent of AMI) AND the project cashflows without a subsidy.</p>
30	<p><b>Q.</b> Is a title report recommended/required as part of site control confirmation?</p>	<p><b>A.</b> The preliminary title report is required as we want to see who currently owns the project</p>
31	<p><b>Q.</b> Please clarify the required eligible population. Must residents meet BOTH the homeless ELI criteria AND be a documented high-cost health user? Or are these two different options and HHC will fund units that are only homeless ELI but have no health issue at all?</p>	<p><b>A.</b> The "Target Population" definition requires that the eligible applicant be homeless and a high-cost health user upon initial eligibility. Please refer to the complete definition in the current HHC NOFA.</p>
32	<p><b>Q.</b> Are the corporate, LLC and LP entity org documents all needed?</p>	<p><b>A.</b> The LLC and LP organizational documents will be necessary for the Standard Agreement to be completed.</p>
33	<p><b>Q.</b> Does the LP need to be formed at the time of application or eligible for additional points if it's in place at the time of application?</p>	<p><b>A.</b> To meet the tight deadlines, it is ideal to have the LP formed before application, but this is not required. No additional points are issued.</p>
34	<p><b>Q.</b> What is the anticipated timeline for award announcements?</p>	<p><b>A.</b> We will make our best effort to award in March 2022 for Over the Counter (OTC) applications. We will make every best effort to award announcements in June 2022 for competitive applications.</p>
35	<p><b>Q.</b> Can you expand on how to evidence Section 111 (e) (1) (b)? Is this a self-cert that we will rent at 30% of their income? If so, what do you want to see in underwriting?</p>	<p><b>A.</b> Yes, if you are making the HHC units affordable to tenants by restricting rents to 30% of <i>actual</i> household income <i>without</i> an ongoing subsidy, we'll want you to self-certify to this, AND we'll want to see rents in your proforma reflecting the actual income levels of the population served by the project. We will underwrite under two scenarios, restricted and proposed, to ensure that the project will be feasible. The restricted scenario shows the maximum rents allowed, while the proposed shows the expected lower rents expected.</p>

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36	<p><b>Q.</b> Would you accept a supportive service plan that was previously approved by HCD-VHHP?</p>	<p><b>A.</b> The Departments VHHP and HHC programs use different forms and have different requirements. Supportive service plans will need to be reviewed specifically for HHC.</p>
37	<p><b>Q.</b> Within the definition of Target Population and Section 105. Occupancy and Income Restrictions, does an HHC project have the flexibility to house a person in an HCC assisted unit who is Experiencing homelessness but can <i>only meet one of the three</i> documentation requirements in Section 105 (b).</p>	<p><b>A.</b> No, tenants residing in HHC units must at a minimum meet Section 105(b)(1): Medical enrollment or eligibility, <i>and</i> (2): high-cost health user – <i>and</i> must <i>either</i> be experiencing homelessness or chronic homelessness to be considered eligible for the HHC Program. Regarding 105(b)(2), documentation of a person's status as experiencing chronic homelessness may be captured through any one of the three options listed in a, b, and c.</p>
38	<p><b>Q.</b> How can a COSR grant be used to pay for things like taxes, insurance, and utility expenses? Would these expenses need to be spread out for 15 years?</p>	<p><b>A.</b> A Capitalized Operating Subsidy Reserves (COSR) grant is used to capitalize a reserve to specifically cover “the deficit remaining after the monthly rent payment for the HTF-assisted unit is applied to the HTF-assisted unit's share of monthly operating costs.” Per NHTF regulations at <u>93.201(e)</u>, eligible operating costs that may be included in the calculation for a capitalized operating cost assistance reserve (we call this a COSR) are “<i>insurance, utilities, real property taxes, and maintenance and scheduled payments to a reserve for replacement of major systems</i> (provided that the payments must be based on the useful life of each major system and expected replacement cost) <i>of an HTF-assisted unit</i>”. These expenses are annualized over a minimum of 15 years. Please reference the Cash Flow tab in the HHC App and Section 108 of the HHC Guidelines. Requests to draw the operating cost reserves must be submitted to HCD for prior approval.</p>

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39	<p><b>Q.</b> If the COSR is set up for a minimum of 15 Years, wouldn't that mean it would go past the five-year expenditure deadline?</p>	<p><b>A.</b> No, because the funds are disbursed by HCD at closing to fund the project's operating cost reserve, they are considered expended. Please reference Section 108 of the HHC Guidelines. The COSR "shall be sized to cover the anticipated operating deficits attributable to the Assisted Units for a minimum of 15 years."</p>
40	<p><b>Q.</b> In the OTC application under Minimum Requirements, there are two fields to upload LSP experience documents – will the LSP contracts be sufficient to document experience, or is a second type of documentation also required?</p>	<p><b>A.</b> Yes, the Lead Service Provider contracts are sufficient to document experience in the Over the Counter (OTC) application.</p>
41	<p><b>Q.</b> In the OTC Application under the Applicant Information Tab and the Development Information tab, what is meant by "Certification and Legal Worksheet" for each entity?</p>	<p><b>A.</b> This is referring to the Certification &amp; Legal Status tab within the HHC Over the Counter (OTC) application.</p>
42	<p><b>Q.</b> Is an updated Market Study required for the OTC application?</p>	<p><b>A.</b> We are not requiring updated Market Studies for Over the Counter applications at this time; however, the current Market Study will need to be uploaded into the OTC Application.</p>
43	<p><b>Q.</b> Is a Fair Housing legal opinion Required?</p>	<p><b>A.</b> Yes, it is required, please see section 119 of the HHC Guidelines for further clarification.</p>