Department of Housing and Community Development

Homekey Frequently Asked Questions

This document includes Frequently Asked Questions (FAQs) in response to the Homekey Notice of Funding Availability (NOFA), Application, and Technical Assistance. More information about the program is available on the Homekey website. For any other questions, please email Homekey@hcd.ca.gov.

The following sections include several topics defined in the Table of Contents, followed by one or more Question (Q) and Answer (A) in each section.

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General Questions

1. Q: What are the expenditure timelines for Homekey funds?
   A: The Coronavirus Relief Funds (CRF) must be spent by December 30, 2020. The General Fund portion of Homekey must be spent by June 30, 2022.

2. Q: What definition of the eligible population are you defining as "at risk of homelessness" under the NOFA?
   A: Please refer to 24 CFR § 578.3 for definitions of people experiencing homelessness or at risk of homelessness.

A. Eligible Applicants

1. Q: Who is eligible to apply for Homekey?
   A: Cities, counties, or other Local Public Entities, including housing authorities or federally recognized tribal governments within California, may apply independently as a Development Sponsor. Alternatively, a Local Public Entity may apply jointly with a nonprofit or for-profit corporation. (NOFA, Section 300)

2. Q: Can a nonprofit or for-profit co-applicant be the lead applicant?
   A: No. Lead applicants must be cities, counties, or any other Local Public Entity as that term is defined by Health and Safety Code section 50079.

3. Q: Can a nonprofit or for-profit co-applicant be the final owner of the property?
   A: Yes. The Application will require the lead applicant to describe ownership plans and the structure of the relationship between the applicant and other entities. Third parties can be the Local Public Entity that owns the property. Such acquisitions will be reflected in the executed Standard Agreement and the Local Public Entity must still serve as the Lead Applicant even when the co-applicant or partner (who on their own would not meet the definition of eligible applicant) will be the owner.

   Ownership of the land is the basis for the type of project being proposed, Lease versus Acquisition. The project must be submitted by an eligible applicant per Section 300, Eligible Applicants. The eligible applicants can include co-applicant that are not local agencies, but the Local Public Entity must be part of the structure and will be part of the Standard Agreement.

4. Q: If the lead applicant is partnering with other entities, what relationships need to be described in the application?
   A: The applicant needs to describe the relationship(s) with any Local Public Entity involved in the part(s) of the project funded by Homekey (acquisition, rehab, operations). For example, if the property will immediately require renovations and will use Homekey funds for that, the Local Public Entity leading renovations must be described in the application. If the project may require renovations 2 years from award and the renovations will not funded by Homekey, the applicant does not need to include that relationship with the contractor(s).

B. Eligible Projects

1. Q: If our application is for permanent housing, does this mean we are committing to Permanent Supportive Housing (PSH)?

   A: No, but occupants must meet the target population: homeless or at risk of homelessness, impacted by COVID-19, and 30% AMI or lower.

2. Q: After acquisition, if we are ground leasing or master leasing the property to an owner/operator, is that allowable?

   A: Generally, yes, this is allowable. However, the Department will need to understand the specifics of the Applicant's plans in the application. The Homekey CRF cannot be used to pay for expenses past December 30, 2020.

3. Q: How does Master Leasing fit into the expenditure requirement? Can we pay rents up-front for several years or will this only cover actual rent through December 30, 2020? Does the City need to be the Lessee, or could this be a lease held and operated by a nonprofit partner that the City contracts with for this purpose?

   A: The negotiation of a master lease should be based on fair-market valuation of a similar sized unit in the area the lease will occur for a set term.

Homekey funds can only be attributed to the portion of the master lease agreement that aligns with the expenditure deadlines of the CRF (i.e., December 30, 2020). If the applicant is pursuing a master lease for a longer duration, the applicant must use other funding to pay for the remainder of the lease term.

The minimum lease terms are set in the NOFA based on the notion that a master lease is a method for an applicant to provide either permanent or interim housing units for the target population. The minimum requirements for the minimum term are set out in Section 305 (iii) and Section 306 (ii) of the NOFA and state: “A plan to cover operations and service costs with specific funding sources (government/philanthropic/private) for the proposed Project for **5** years and must demonstrate a path to the ultimate use of the site for **10** years.”
The City can undertake this project with a co-applicant per Section 300. Eligible Applicants:

i. Cities, counties, or any other Local Public Entity as that term is defined by Health and Safety Code section 50079; or
ii. Cities, counties, or any other Local Public Entity as that term is defined by Health and Safety Code section 50079, in partnership with nonprofit or for-profit corporations. Cities, counties, or other Local Public Entities, including housing authorities or federally recognized tribal governments within California, may apply independently as a Development Sponsor. Alternatively, a Local Public Entity may apply jointly with a nonprofit or for-profit corporation.

4. Q: What are the in-unit kitchen requirements for Interim Housing? We have microwaves and mini refrigerators, will that work? Other safety requirements?

   A: Homekey funds do not require that there are kitchens in interim housing units. At time of occupancy, units must be safe for occupancy, including meeting all life safety requirements and accessibility requirements.

5. Q: In section 203 a “door” is referred to as the number of units at the time of acquisition. In section 302 shared housing provides an example of a single-family residence as one unit. If we decided to purchase single-family residence for use as a Tier One project providing each individual, or couple, a room to live in and share all other living space (kitchen, family, dining, bath), we could permanently house 4+ individuals or couples per home. Would this type of use count as one “door” or can each room for an individual or couple served count as a door?

   A: In a shared living environment, the “door” corresponds to the number of rooms that will be occupied by different individuals/households.

6. Q: What would serve as evidence of the "Applicant's plan to extend a local covenant restricting the use and Target Population for 55 years?" It sounds like in addition to committing to the Operating Costs for a full 5 years, we would also be committing the site to this exclusive use for 55 years; is that the intent?

A: If an Applicant is proposing to initially occupy the site and then will contemplate a more substantial rehabilitation, reconstruction, or redevelopment later to create permanent housing, the Applicant's vision and tentative timeline is requested as part of the application. Typically, the creation of this type of permanent housing will require the use of other sources of funding that then trigger the 55-year restriction, this is what is being referred to. This is in recognition that while the current building stock being acquired might be suitable to be immediately occupied for the target population, it might not be the stock that is suitable for the long-term and may need to go through a more substantial rehabilitation, reconstruction, or redevelopment.

7. Q: Can Homekey funds be used to purchase structures that will be used for congregate shelters or only for providing non-congregate shelter like the type required in Project Roomkey?

   A: Interim housing is defined in Article V. Definitions of the NOFA and states: "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. Per this definition "Congregate Shelter" is an allowable form of Interim Housing.

8. Q: Can Homekey funds be used to acquire modular or pre-fab structures and to support the site infrastructure and other costs associated with placing them on existing property?

   A: Under Section 302. Eligible Projects the NOFA states: "The above list of eligible projects is not exhaustive…" Modular or pre-fab structures if targeting the eligible population to provide permanent or interim housing would be eligible.

C. Tiering and Geography

1. Q: How much of the building needs to be occupied within the 90 days to be considered a Tier One project?

   A: The building must be substantially occupied (i.e., greater than 50% occupied within 90 days) and a plan to be 100% occupied soon after. The submitted application should describe your process for getting to full occupancy.

2. The NOFA indicates "Eligible Applicants who apply within the 30-day priority application period will be grouped into one of the eight geographic regions. The Department will further sort the application into one of two tiers. Applications that were received after the priority application period and that met the specified program requirements, will be awarded according to the date stamp, as funds are available." How are Homekey funds awarded after the 30-day priority application period ends?

A: The Department is reserving funds for 30-days by the geographic regions laid out within the NOFA and will prioritize the applications received within the geographic regions based on time of submission and tier of the project proposed. After the 30-day period, projects are awarded based on the time of submission and the tiebreakers laid out in Table 5 (page 7) of the NOFA.
Per Section 202 and Table 4 of the NOFA, the Department has reserved 20 percent of the Homekey funds "to ensure there is adequate flexibility to issue awards expediently." This is where the funding criteria will weigh most heavily into funding decisions.

3. Q: What is the definition of "rural" as used in Table 7 of the NOFA? How can I determine if a property is "rural"?

   A: Homekey uses the definition of "rural" as described in Health and Safety Code section 50199.21. This is the same definition used by the Tax Credit Allocation Committee (TCAC) for Low-Income Housing Tax Credit applications, and in the Department's Infill Infrastructure Grant Program, Deferred-Payment Rehabilitation Loan Program, and Rental Housing Construction Program.
   To determine the "rural" status of a property, please use the TCAC guidance. Homekey Technical Assistance is also available to support in these designations.

4. Q: Explain the requirements for "will result in perm housing" if we are purchasing a property that can be used as interim housing to start but we ultimately want to use as permanent housing and need to add kitchens to units. Does this count as a Tier One or Tier Two property?

   A: The applicant will need to describe the timeline and general plan for that project to become permanent housing. If there is no immediate plan to convert, the applicant can demonstrate exits to permanent housing through connection to coordinated entry system as a Tier One project, OR if not connected to permanent housing, this can be a Tier Two project.

D. Application Requirements and Scoring

1. Q: For multiple-site projects: do we complete one application or several?

   A: This depends on the nature of the Applicant's plan for the properties. Scattered site projects are defined in NOFA Section 304. If several buildings include "common ownership, financing, and property management, and each household signs a lease," then this can be a scattered site project under one application. However, if the Applicant is unsure whether all of the buildings can be brought online as defined NOFA Section 304, the applicant should create separate applications for these buildings.

2. Q: Do we need site control at the time of application?

   A: No. If you do not have site control at the time of application, you can share a plan and timeline for obtaining site control along with other supporting evidence (e.g., letter of intent, exclusive negotiating agreement, ground lease, etc.).

3. Q: How complete do the applications have to be? We are already on a condensed timeline and will not be able to provide some documents before August 13th, but our project is well defined, in progress, and on track to close escrow before December 2020.

   A: Some documents need to be complete at time of application and others can be in progress. If you do not have complete documents (e.g., evidence of site control) when you submit the application, you will need to describe your strategy and timeline in order to provide complete documents. It is important to emphasize that early applications increase the likelihood of being funded.

4. Q: Can you clarify the accessibility requirements in the NOFA? How do we document these? How will you be scoring accessibility for units?

   A: Please refer to NOFA Section 311. Meeting threshold requires that your application comply with the law, i.e., 5 percent of units must be accessible to persons with mobility disabilities and 2 percent of units must be accessible to persons with hearing or vision disabilities. You may choose to double these requirements, which would then make you eligible for additional points for consideration, in the event of tiebreakers, defined in NOFA Section 204.

5. Q: To be eligible for the 5 percent reduction in Point In Time (PIT) count numbers, what PIT count do we reference?

   A: To earn points for this category, the project must provide units for at least a 5 percent reduction in the last PIT count for your Continuum of Care (COC).

6. Q: Will the state require applicants to follow a procurement process if a property needs rehabilitation?

   A: All applicants must follow their locally adopted procurement requirements.

E. Match and Funding Requirements

1. Q: Will the state consider increasing allocations for jurisdictions where land values are higher than other parts of the state?

   A: No. The state can only increase grant amounts above $100,000 and to a maximum of $200,000 with Homekey funds as described in NOFA Section 203.

2. Q: Do matching funds have to be spent at the same time as the state's funds or can they be spent down over time to cover things like operating subsidy or rehab?

   A: Matching funds required under NOFA Section 203 must be expended in the same timeframe as Homekey CRF (i.e., before December 30, 2020). Funds to demonstrate 5 years of operations funding (NOFA Section 303) do not need to be expended in the same timeframe as Homekey CRF or General Funds.

3. Q: If we can dedicate Project-Based Section 8 Vouchers (PBVs) to the project, will the PBVs count as matching funds?

   A: For Homekey, PBVs can count as matching funds towards the 5 years of operating funds (described in NOFA Section 303) but will not count towards the grant amount match described in NOFA Section 203.

4. Q: Our community has many unused Tenant Based Rental Assistance (TBRA) Vouchers (from a variety of state and federal programs), which are assigned to people experiencing homelessness. Many voucher holders have not been able to find housing but Homekey acquisitions could change that. These vouchers would support operations and the services. Could we count these TBRA vouchers as part of our match? If so, how can we demonstrate this in the application?

   A: The specifics would need to be evaluated in context of each scenario. Generally, TBRA vouchers can be counted towards match if the applicant demonstrates there is: 1) a sufficient volume of available vouchers held by those meeting the target population; 2) that the volume of vouchers can support the property even if there is a high amount of unit turnover; 3) there is an acceptable method to connecting voucher holders to the Homekey units, in line with the marketing plan for the units.

5. Q: The NOFA shows up to a $100,000 grant amount without a requirement for a local match. If there is a $50,000 per door acquisition cost, and there are $50,000 per door in rehab costs (that can be completed by end of 2020), is that allowable for the $100,000 grant?

   A: Yes.

6. Q: Is funding above $100,000 per door only available for Tier One projects, i.e., those that can be occupied within 90 days?

   A: Yes, the total grant amount is higher for Tier One projects.

7. Q: Rehabilitation: If the project involves rehabilitation for existing units, must the full expenditure for the rehabilitation must be completed by the December 30, 2020 date?

   A: Rehabilitation attempting to use the $550,000,000 originating from the CRF for Homekey must be expended by the December 30, 2020, date, however, rehabilitation being funded from other sources as part of the proposed project is not subject to this requirement.

8. Q: Is there potential funding for operating subsidies?

   A: Yes, Homekey provides General Fund dollars that can account for up to 24 months of operating funds, with awards sized at $1,000 per unit, per month. Aside from this, the applicant will need to demonstrate a full 5 years of operating funds (NOFA Section 303).

9. Q: Can you clarify how to calculate the maximum grant amount?

   A: The following table provides different funding amounts and the Homekey and applicant contributions at the either 1:1 or 2:1 match levels.

Homekey Match Ratios	Homekey Contributions		
	Total Cost per Door	**Homekey Contribution**	**Applicant Contribution**
No Applicant Match	**$80,000**	$100,000	$0
	$90,000	$100,000	$0
	$100,000	$100,000	$0
1:1 Match	**$110,000**	$105,000	$5,000
	$120,000	$110,000	$10,000
	$130,000	$115,000	$15,000
	$140,000	$120,000	$20,000
	$150,000	$125,000	$25,000
	$160,000	$130,000	$30,000
	$170,000	$135,000	$35,000
	$180,000	$140,000	$40,000
	$190,000	$145,000	$45,000
	$200,000	$150,000	$50,000
2:1 Match	**$215,000**	$155,000	$60,000
	$230,000	$160,000	$70,000
	$245,000	$165,000	$80,000
	$260,000	$170,000	$90,000
	$275,000	$175,000	$100,000
	$290,000	$180,000	$110,000
	$305,000	$185,000	$120,000
	$320,000	$190,000	$130,000
	$335,000	$195,000	$140,000
	$350,000	$200,000	$150,000
No Homekey Match	**$360,000**	$200,000	$160,000
	$370,000	$200,000	$170,000
	$380,000	$200,000	$180,000
	$390,000	$200,000	$190,000

F. Eligible Costs

1. Q: The NOFA says the value of the property needs to be supported by an appraisal. Given that we will extend a Purchase and Sale Agreement while awaiting the results of appraisal, we are concerned about the possibility of the appraisal coming in lower than our offer. Please advise.

A: The Applicant can include this scenario in their Purchase and Sale Agreement or Letter of Intent with the seller.

2. Q: Are there limitations on what are eligible costs?

   A: Eligible costs must be project related and the project must directly support the target population. No use of CRF, regardless of eligibility may extend beyond December 30, 2020.

3. Q: Is acquiring covenants an eligible use? How long do they need to stay affordable?

   A: Acquiring covenants is an eligible use as long as those units are serving the target population. The minimum number of years on those covenants is 20.

4. Q: What happens if the hotel owners asks for a higher price than the appraisal demonstrates in value?

   A: The state will not fund or match more than the appraised value, but the applicant can pay for the costs above the appraisal.

5. Q: Does the acquisition price per door include acquisition of a manager's unit?

   A: Yes, the manager's unit can be included in the per-door calculation.

6. Q: If Homekey funds only cover part of the acquisition, can the Homekey eligibility cover less than 100% of the units acquired?

   A: No. The Homekey grant will apply to all units in the project and eligibility requirements will not be prorated based on percentage of contribution.

7. Q: The NOFA says no match is required for "per door" costs under $100,000. However, there are operating subsidies up to $1,000 per unit per month for 24 months. Is the operating cost factored into the per door cost or is the per door cost only the acquisition? Would the County's subsequent 3-year commitment to Operating Costs factor into that "Per door cost"?

   A: Per NOFA Section 203, Maximum Grant Amounts, the first $100,000 per door is for the "capital costs" associated with the project, which is separate from NOFA Section 303, Match, which is referring to operations. To put it another way, the capital costs associated with Acquisition and/or Rehabilitation are separate from the required Operations costs. All applicants must be able to provide 5 years of operations, of which the first 2 years of operations may be covered by state funds originating from the $50 million in General Fund for Homekey.

8. Q: The NOFA says matching funds can be obtained from any sources including "any federal source as well as state, local, and private sources." My understanding is the Code of Federal Regulations prohibits matching federal funds with federal funds. Isn't the CARES act funding federal? Wouldn't it fall under this prohibition? Or is it somehow exempt?

A: The NOFA speaks “generally” where matching sources can come from, but the Applicant must ensure that the source does not contain a prohibition for such use. Some sources do contain prohibitions that would not make them appropriate as a source of Match for Homekey.

9. Q: Are there limitations on what are eligible costs?

   A: Eligible costs must be project related and the project must directly support the target population. No use of CRF, regardless of eligibility may extend beyond December 30, 2020.

G. Technical Assistance and Pre-Application Consultations

1. Q: The NOFA includes a requirement for a Pre-Application Consultation. How do I request this consultation and for who is it required?

   A: Homekey requires a Pre-Application Consultation for eligible applicants. If you would like to request this consultation, please email Homekey@hcd.ca.gov.

2. Q: If I am submitting multiple applications, do I need to complete multiple Pre-Application Consultations?

   A: No. Each eligible applicant only needs to complete one Pre-Application Consultation, even if they intend to submit multiple applications.

H. Awards

1. Q: Under awards, you say that you’ll be awarding on a rolling basis for all applications submitted. If other jurisdictions from our region enter applications on Day 1 (July 22nd) that amount to more than our geographic allocation and then we enter an application, does that mean we will not have access to any of the funds?

   A: The Department will reserve funds on a first-come, first-serve basis. If the reservations exceed the geographic set-aside, the Department will turn to tiebreaker scoring.

2. Q: Do we need a separate resolution for each project?

   A: In terms of applications instead of projects: by the time we have a resolution tied to a specific application with ANY number of locations, that application will need to be reflected in ONE resolution.

3. Q: Will HCD consider partial awards? For example, if our region has $8 million left in its regional allocation, but we applied for a $10 million Homekey grant, will HCD consider awarding our project $8 million?

   A: HCD will consider fully funding wherever possible. In cases where a remaining regional allocation is less than the requested Homekey grant amount, there may be an opportunity to fully fund based on undersubscription in other regions or, for strong projects as evidenced through project scoring, based on the 20 percent discretionary set aside. In instances where it is not possible to fully fund, HCD will contact the applicant and determine interest in and feasibility of a partial award.