California Department of Housing & Community Development

<u>**COSCDA Annual Training Conference – September 16, 2025**</u>
Leveraging Homeless Preferences to Expand Housing Options
Featuring National Housing Trust Funds (NHTF) - Presented by:
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Federal Housing Loan & Grant Closing Branch
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Agenda

- California Department of Housing & Community Development (HCD)
- National Housing Trust Fund (NHTF)
- Housing for a Healthy California Program (HHC) funded by NHTF
- Valuable Insight to Prepare and Implement NHTF 2.0
- NHTF Portfolio
- Stay in the know…follow HCD
- Q & A Session

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Housing & Community Development (HCD)

- Provides grants, financing and programs for housing, homelessness and community development

- Helps deliver stable, safe and affordable homes in California

- Provide technical assistance

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Housing & Community Development (HCD)

- **Collaborates with other State Housing Financing Partners:**

  - **California Tax Credit Allocation Committee (CTCAC)**
    - CTCAC administers federal and state low-income housing tax credit (LIHTC) programs that promote private investment in affordable rental housing for low-income Californians

  - **California Debt Limit Allocation Committee (CDLAC)**
    - CDLAC sets and allocates California's annual debt ceiling and administer the State's tax-exempt bond program to allocate the debt authority to finance affordable housing developments for low-income Californians

  - **California Housing Finance Agency (CalHFA)**
    - CalHFA's Multifamily Lending Division finances affordable rental housing through collaboration with developers, local, state and federal government partners and more, while its Single-Family Division partners with a preferred lender network to provide first-time homebuyers with down payment and closing cost assistance and access to first mortgage loans

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NHTF Background

- **Purpose:** To increase and preserve the supply of affordable housing for Californians with the lowest incomes
- **Serves:** Extremely low-income (ELI) households at or below 30 percent of the Area Median Income (AMI) with a specific focus on Permanent Supportive Housing (PSH) for people experiencing homelessness
- **Funding:** Annual allocation funded by an assessment on loans backed by Fannie Mae and Freddie Mac

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NHTF Program Summary

- **Eligible Applicants/Recipients:** Organizations, agencies, or other entities that are owners and/or developers, including:
  - Native American Entity
  - Public Housing Agencies
  - For-Profit and Non-Profit Entities

- **Eligible Uses:**
  - Acquisition, New Construction, Rehabilitation and Permanent Loans (and related eligible soft costs)
  - Grants and Loans for Tribal Entities

- **Project Type:**
  - Multifamily Rental Housing, targeted at ELI households (30% of AMI)
  - Permanent Supportive Housing for people exiting homelessness

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Housing for a Healthy California Program (HHC)

- **Allocation:** HCD utilized NHTF funds for the HHC Program, as directed by the legislature through Assembly Bill 74.

- **Purpose:** HCD provides developers with loans and grants to build PSH developments for those who are chronically homeless, or homeless and are high-cost health users.

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HHC Approaches to Leverage Homeless Preferences to Expand Housing Options

- **Authorizing Legislation:**
  - **Direction:** Utilize NHTF to house the homeless in PSH developments
  - **Goal:** Reduce the financial burden on local and state resources due to the overutilization of emergency departments, inpatient care, nursing home stays, and the use of corrections systems and law enforcement resources as the point of healthcare provision for people who are experiencing homelessness, or chronic homelessness, and a high-cost health user

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HHC Approaches to Leverage Homeless Preferences to Expand Housing Options (continued)

- **HHC Program Guidelines:**
  - **Development Team:** must have three years experience of developing, owning and operating a permanent supportive housing development
  - **Sources:** must have committed source of funding for providing intensive services promoting housing stability (e.g., case management and health services)
  - **Supportive Services Plan and Budget:** services must be provided onsite at the project or off-site at another location easily accessible to tenants

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HHC Approaches to Leverage Homeless Preferences to Expand Housing Options (continued)

- **HHC Program Guidelines continued:**
  - **Management Plan's Occupancy and Income Requirements must include documentation of a person's status as experiencing homelessness and could be captured through any of the following:**
    a. A client's entry and exits documented in a Homeless Management Information System; or
    b. An outreach worker or Case Manager's written observations; or
    c. A client's self-report of episodes of Experiencing homelessness and disability status must be done in accordance with procedures established through the local Coordinated Entry System, or other procedures established by the County for determining whether a person qualifies as Experiencing homelessness, or chronic homelessness, and a High-cost health user; and
    d. Has a household income at or below 30% of AMI as published by HUD.

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HHC Approaches to Leverage Homeless Preferences to Expand Housing Options (continued)

- **HHC Program Guidelines continued:**
  - **Management Plan's Occupancy and Income Requirements must include documentation of a person's status as a high-cost health user and could be captured through any of the following:**
    - a. Discharge summaries; or
    - b. An outreach worker's, case manager's, or local County's health department written observations.

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HHC Approaches to Leverage Homeless Preferences to Expand Housing Options (continued)

- **HHC Notice of Funding Availability (NOFA):**
  - Competitive Application Scoring Process:
    - More HHC assisted units (Homeless)
    - More homeless units (non-HHC assisted)
    - Deeper income targeting (i.e., at or below 30% of AMI)
    - Walking distance (one-half mile, or 2 miles for Rural Areas) to grocery stores, transportation, medical, schools and childcare
    - Committed Project Based Vouchers (PBV)
    - Enforceable funding commitments (not letters of interest)
    - National Environmental Policy Act (NEPA), clearance if applicable
      - Note: HTF has Environmental Provisions and does not trigger NEPA
    - California Environmental Quality Act (CEQA) clearance
    - Site Control
    - Land Use approvals (except building permits)
    - Local design approvals

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HHC Approaches to Leverage Homeless Preferences to Expand Housing Options (continued)

- **HHC NOFA continued:**
  - To spread the funding, a limit of up to 49% of the total rental units may be restricted to HHC residents
  - To diversify the portfolio, HHC NOFA amounts were set for:
    - Rural Target Area
    - Native American Entities
    - General Pool (urban and metropolitan areas)
  - Offered HHC Capitalized Operating Subsidy Reserve (COSR)
    - To assist with the operating costs of the HHC assisted units given the availability of PBVs are limited

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HHC Approaches to Leverage Homeless Preferences to Expand Housing Options (continued)

- **Enforcement of the HHC Program:**
  - Loan and Grant Documents, including but not limited to:
    - Standard Agreement (aka Loan Agreement)
    - Disbursement Agreement (aka Construction Loan Agreement), if applicable
    - Regulatory Agreement
    - Promissory Note
    - Deed of Trust
    - Subordination Agreement
    - Request for Notice
    - Capitalized Operating Subsidy Reserve (COSR) Agreement
  - Ongoing Compliance Monitoring by HCD's Asset Management and Compliance (AMC) Branch

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Valuable Insight to Prepare and Implement NHTF 2.0

- Permanent Financing (Perm Loan)
- NHTF 2.0: Perm Loan funds used at Construction Closing for Acquisition, Construction and Eligible Soft Costs

- HCD developed minimum HHC funding application requirements and point systems based on:
  - Federal HTF statute and regulations
  - State NHTF statute, code of regulations, and guidelines
  - Key Partners feedback
- NHTF 2.0: HCD also aligned with other State funding programs, particularly with tax credits and mortgage revenue bonds

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Valuable Insight to Prepare and Implement NHTF 2.0 (continued)

- HHC Capitalized Operating Subsidy Reserve (COSR)
  - Funded by NHTF
  - 24 CFR 93.201(e): HTF funds may be used to pay for operating cost assistance for HTF-assisted units for which project-based assistance is not available, as follows:
    - Insurance, utilities, real estate property taxes, and maintenance and scheduled payments to a reserve for replacement of major systems

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Valuable Insight to Prepare and Implement NHTF 2.0 (continued)

- HHC COSR (continued)
  - Borrower has to find another source to cover the ineligible HTF Operating Costs
    - Project-based assistance is not permitted
    - Projects have used tax credit equity to fund the ineligible HTF costs
  - HCD communicated this concern with HUD, and they confirmed the Office of Affordable Housing Program (OAHP) is aware and they may include a larger scope in the proposed HTF Final Rule to be published (TBD).

- NHTF 2.0: No COSR
  - Declining in HTF funding availability
  - Limited scope of the HTF eligible costs creates a gap
  - Allowed for more HTF to be available to build or rehabilitate developments

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Valuable Insight to Prepare and Implement NHTF 2.0 (continued)

- Key Partners Meetings and Written Public Comments
  - Increase the number of accessible units beyond the federal minimum requirement, 5% of the NHTF assisted units
  - NHTF 2.0 – New Construction:
    - 15% of NHTF assisted units must be accessible, and
    - 10% of NHTF assisted units must have hearing and vision features;
    - 50% of NHTF assisted units in senior projects must have mobility features
  - NHTF 2.0 – Rehabilitation:
    - 10% of NHTF assisted units must be accessible, and
    - 4% of NHTF assisted units must have hearing and vision features;
    - 25% of NHTF assisted units in senior projects must have mobility features

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Valuable Insight to Prepare and Implement NHTF 2.0 (continued)

- Key Partners Meetings and Written Public Comments
  - Modify guidelines and application requirements to accommodate Rural Areas and projects to be developed by Native American Entities
  - NHTF 2.0 Modifications
    - Distances to amenities and essential services
    - Walkability Score
    - Developer, property management agent and supportive and resident services experience
    - Confirmation of Local Need

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Valuable Insight to Prepare and Implement NHTF 2.0 (continued)

- Key Partners Meetings and Written Public Comments
  - Add funding for Federally Declared Disaster Areas
  - NHTF 2.0: Target funding for Rural, Native American Entities, Disaster Areas, and General Pool of Funds

  - Allow for non-homeless projects
  - NHTF 2.0:
    - Made NHTF a standalone program without the HHC overlay
    - A Homeless component was not required
    - Up to 20% increase in funding application score (Bonus Points) if the project serves a Homeless Target Population

    Note: 45 of 46 (98%) of NHTF assisted projects have a Homeless Target Population.

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NHTF Portfolio

- **Over $435 million invested ($332,061 per unit)**
- **46 Affordable Multifamily Rental Developments**
  - 45 of 46 Developments: Homeless Population Target
  - 12 of 46 Completed and leased-up
  - 29 of 46 Under Construction
  - 5 of 46 applying for additional funding (i.e., tax credits/bonds)

- **3,343 New Units (studio, 1 BR, 2 BR, 3 BR and 4 BR units)**
  - 1,310 Total NHTF/HHC assisted units (30% of AMI)
  - 1,978 Other assisted units (ranges from 20%–80% of AMI)
  - 1 Market rate unit
  - 54 Exempt management units

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