June 10, 2019

Ben Metcalf  
Director, California Department of Housing and Community Development  
2020 West El Camino Avenue  
Sacramento, CA 95833  
Sent via email to: nplh@hcd.ca.gov

Re: Comments on the Proposed Guideline Amendments for the Place Like Home Program

Dear Mr. Metcalf:

On behalf of Housing California and the Corporation for Supportive Housing, we are writing with comments to the proposed amended Guidelines on the No Place Like Home program. CSH and Housing California advocated for both the creation of the No Place Like Home program and for passage of Proposition 2 on the November ballot. No Place Like Home furthers the essential missions of both of our organizations, to create housing opportunities to the most vulnerable Californians, particularly those experiencing homelessness. As such, we are excited to see the time and effort your staff put into drafting these Guidelines. We recommend the following modifications to the final Guidelines:

Section 200: Uses and Terms of Noncompetitive and Competitive Allocations.

Section 200(e): Subsidy Stacking. We continue to have concerns with the no-stacking policy for projects serving people experiencing chronic homelessness. As these projects require the most subsidy and the most complicated package of subsidies for the capital, operating, and services costs of units, we urge HCD to consider the policy for these projects. At minimum, Housing California and CSH recommend that HCD clarify the following:

- That, while the NPLH funds may not be layered with other HCD program funds on an NPLH-funded unit, a project may contain units receiving other HCD program funds, so long as those units are not also accessing NPLH funds.
- Adding to paragraph (2), for funding sources not considered “department funding sources,” the following programs—
  - Housing for a Healthy California program funds awarded by a county for rental assistance and operating subsidies;
  - Funds specifically designated for capitalized operating reserves through any program the department funds (while the NPLH capitalized operating reserves are excluded in the first paragraph of this section, the department should exclude COSRs provided through any program, and, for clarity, these exclusions should be mentioned in paragraph (2), rather than a separate paragraph).
o Building Homes and Jobs Act funds.

**Section 200(h), (i), and (j): Timing.** The new timelines include a requirement in proposed subsection (i) that the permanent loan be closed within 60 months of the award letter, with a discretionary option to extend the timeline by 12 months (defined in proposed subsection (h)). We propose that the timeline in subsection (i) be amended to require that the permanent loan be closed within 72 months of the issuance of the award letter to the project, to acknowledge both the long construction timeline for infill projects, and the administrative challenges – and associated delays – that occur with any permanent loan closings. This is especially important since NPLH funds may be used to leverage other funding sources and closing construction funding within 36 months of award may not be realistic.

**Section 200(k)(1): Mandatory Annual Monitoring Payment.** We continue to oppose requiring developers to pay this monitoring payment for supportive housing projects, as it increases the costs of operating the project at a time when funding for operating subsidies at the federal level is diminishing. We particularly object to a requirement of an annual monitoring payment when NPLH is funding capitalized operating subsidy reserves to projects, and the developer/property manager is using these funds to pay for the monitoring fee. To us, this use of state funds has no basis in sound policy.

**Section 200(l)(5): Loan Limits.** Subsection (5)(c) notes that the limits may be periodically increased at HCD’s discretion, but no longer increased according to the Consumer Price Index. The result is an overall reduction in per unit loan limits, and the likelihood that the limits will not increase as quickly as needed. We urge HCD to adopt a consistent standard for increasing loan limits across special needs HCD programs including NPLH, the Housing Multifamily Housing Program – Supportive Housing, Housing for a Healthy California (HHC), and Veterans Housing and Homelessness Prevention (VHHP) programs, and tying annual increases to a standard measure, like the Consumer Price Index.

**Section 200(m): Hybrid Projects.** Subsection (m) requires that a project applicant disclose whether a project is a hybrid 4%/9% LIHTC deal, and notes that the election made at the time of application submittal is irrevocable. While we understand the effort to incentivize 4% LIHTC projects to utilize the NPLH program, requiring an irrevocable commitment to a hybrid structure at the time of the NPLH application is not practical or realistic. Projects that elected to apply as hybrids should be able to switch to a 4% project after the NPLH application submittal. Given the fact that a project’s capital stack regularly changes in early phases of a project, Housing California and CSH recommend that, if the initial hybrid election changes, HCD recalculate the project’s overall score under the new tax credit path, and that the onus is on the applicant to maintain, at a minimum, the same score as the lowest-scoring awarded project from the same round.
Section 202: Project Threshold Requirements.

Section 202(b)(3): Eligible Use of Funds. CSH and Housing California support the change to this paragraph, as it provides incentives to convert older single room occupancy hotels to quality supportive housing.

Section 202(h)(1): 20-year commitment to provide mental health services. Subsection (1) requires that the County jurisdiction must commit to providing mental health services for a minimum of 20 years. We note that it is challenging for an elected body to pass a resolution requiring a budget expenditure (in this case, for the provision of services) of a future elected body. This is especially true in under-resourced areas and more rural counties. We recommend HCD work with counties where this commitment is a challenge to ensure those projects are not held up due to the requirement.

Section 202(h)(6): Additional information. Housing California and CSH recommend eliminating the ability of the department to require a market study. Not only do we know through data the need for assisted units in every corner of the state, recent data shows that the lack of housing affordable to people who are not yet experiencing homelessness is driving increases in homelessness across the state. We cannot anticipate a day while this program is operational where a developer or county should have to demonstrate need for units.

Section 205: Scoring.

Section 205(b): Leverage of Development Funding. Subsection (b) notes that projects that can leverage outside sources in addition to NLPH funds will score better than projects without financing commitments. Housing California and CSH recommend that HCD award points to deals that are looking to outside sources of funding in addition to NLPH funds, whether or not there is an Enforceable Funding Commitment in place. This will ensure that the NPLH awards can be made early and used to leverage additional outside funds. By contrast, the Enforceable Funding Commitment should be a requirement in order to secure the project readiness points, described in subsection (d)(3). Penalizing projects that have not yet secured funding commitments may minimize the ability to use the NLPH funds as leverage.

Section 205(d)(3): Project Readiness. Subsection (d)(3) requires that all CEQA clearances be complete in order to get the project readiness points. We recommend clarification that projects that are not subject to CEQA (such as projects that use the permit expediting available through SB 35 or AB 2162) can still be awarded the full project readiness points. Housing California and CSH recommend that HCD provide a variety of options for a project to identify that they meet SB 35 or AB 2162 requirements and are pursuing expedited approval, and are not subject to CEQA. In these instances, they should be awarded full readiness points.

Section 207: Rent Limits and Transition Reserves

Housing California and CSH are generally supportive of potentially allowing for alternative methods of fulfilling the purpose of transition reserves. Though we have general concerns with
the need for transition reserves, we appreciate the direction of allowing flexibility. We recommend altering this section to eliminate the extent of department discretion, as developers have noted significant concerns with discretionary practices that make loan closing more difficult. We recommend using the list of practices in the draft as allowable ways to meet the transition reserve requirement, and removing the department’s discretion. In fact, this discretion can add uncertainty to the process. Finally, we recommend clarifying exactly how the transition reserves are calculated for applications and sharing the methodology through a published calculator (similar to the developer fee calculator, potentially even built into the Universal or Supplemental Applications directly).

Section 209: Capitalized Operating Subsidy Reserves (COSR).

Housing California and CSH recommend the following:

- The COSR should be structured as a reserve held by HCD and disbursed on an annual basis directly to the project. We recommend that HCD work toward bifurcating the COSR from the NPLH loan, and that the COSR not be considered part of a project’s debt.
- Establishing a consistent COSR amount across projects, rather than a lower amount for 9% tax credit projects than 4%. A 9% deal does not necessarily have a better operating cash flow than a 4% deal.
- Allowing for a COSR for all of the NPLH units a project. If a project needs a COSR, it should be awarded.

Section 209(d)(2): Outside Sources for Operating Support. Subsection (2) requires that a project demonstrate they have sought PBVs. We note that many housing authorities are not accepting individual PBV applications, so this may not be a fair expectation on which to condition the allocation of additional points in the overall application scoring.

Section 211: Tenant Selection

Section 211(f): Coordinated Entry Systems. Housing California and CSH support the change in this section, and recommend clarifying that all potential tenants referred through a coordinated entry system shall meet eligibility criteria, before being referred to NPLH projects.

Thank you, again, for the opportunity to provide feedback on the proposed amendments to NPLH program. We look forward to continuing to work with you and your staff to refine the guidelines to maximize the effectiveness of this vital program.

Best,

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Christopher Martin
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