

## **Notice of Funding Availability (NOFA) for affordable housing in the incorporated areas of Shasta Lake, California**

**Issue Date: Monday November 8, 2021**

**Due Date: Monday February 7, 2022, at 2:00 PM**

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The City of Shasta Lake (City) is pleased to announce the issuing of this Notice of Funding Availability (NOFA) for affordable housing in the incorporated areas of Shasta Lake, California.

The City shall make up to \$1,331,634 available of Community Development Block Grant – Disaster Recovery (CDBG-DR) funds through the California Department of Housing and Community Development’s (HCD) Disaster Recovery – Multifamily Housing Program (DR-MHP) and will award these funds to one or more projects meeting qualifying criteria as described in this NOFA. Eligible applications will be considered for a portion of the funds, in accordance with the DR-MHP Policies and Procedures. The Policies and Procedures for the DR-MHP program are available on [HCD’s website](#). All applicants are strongly advised to review the following documents provided by the City and the State of California Department of Housing and Community Development as administrative guidelines and regulatory requirements associated with CDBG-DR MHP funding.

The City reserves the right to request that Applicants submit additional information as requested by staff. The City also reserves the right to suspend, amend or modify the provisions of this NOFA, to reject all proposals, to negotiate modifications of proposals, or to award less than the available funding.

In response to the 2018 wildfires, the United States Department of Housing & Urban Development (HUD) allocated CDBG-DR funds to HCD for disbursement statewide to disaster-affected areas. The City of Shasta Lake was identified as a subrecipient of these funds.

### **Funding**

The form of assistance to Developers shall be a loan. Projects recommended for funding by the City, and approved by HCD to receive a funding award, will be funded to address a financial gap, not to exceed forty percent (40%) of the total Project cost, up to the amount of funding available. Sixty percent (60%) of the Project cost must be covered by other funding sources and recognized in the Sources and Uses Statement and Project Pro Forma as either identified or committed. The maximum per-unit subsidy award shall be consistent with annual [HOME limits established](#) by HUD, up to 240% of the HOME subsidy limit if a regional per-unit subsidy increase has been issued to the jurisdiction and are included in the table below. The minimum award amount is \$250,000.

Bedrooms	HOME Funding Limit/Unit	HOME Funding Limit/Unit	CDBG-DR Per Unit Limit
	National (June 2020)	California (June 2020)	
0	\$63,881	\$153,314	\$153,314
1	\$73,230	\$175,752	\$175,752
2	\$89,049	\$213,718	\$213,718
3	\$115,201	\$276,482	\$276,482
4+	\$126,454	\$303,490	\$303,490

### **Loan Terms and Conditions**

- Projects must target Low- to Moderate-Income households earning eighty percent (80%) of the [Area Median Income level established by HUD](#), or less. Tenants may be families, seniors, veterans, special needs, or homeless (or at-risk), and/or other eligible groups.
- The borrower shall enter into loan documents with the Housing Authority, including but not limited to: (1) Loan Agreement; (2) Promissory Note, secured by (3) Deed of Trust with the Housing Authority’s Deed of Trust Rider, (4) HCD’s DR-MHP Development Agreement Rider, (5) Regulatory Agreements, (6) Hazardous Substances Indemnity Agreement, (7) Assignment of Architects’ and Engineers’ Agreements, Plans and Specifications and Consent, (8) Assignment of Construction Contracts & Agreements and Consent, and (9) any other necessary documents.
- The borrower must accept the City’s standard loan terms: zero percent (0%) simple interest per annum, principal and interest deferred for the fifty-five (55) year loan term. The term of affordability will be twenty (20) years from the date of HCD’s approval of the Project Completion Report.
- Projects must have reasonable acquisition, construction and operating costs, as reviewed and determined by staff based on local recent comparable developments.
- Applicants must leverage other financing sources such as, but not limited to, state, federal and other local sources and private equity.
- Applicants must demonstrate readiness.
- Applications recommended for funding to HCD must enter into a Pre-Commitment agreement with the City.
- Applicants must have site control demonstrated by fee title ownership, an executed long-term lease or option to execute a long-term lease, signed option or purchase agreement, or equivalent legally enforceable instrument.
- Projects must comply with the requirements of the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA). Compliance with CEQA and NEPA must be completed prior to finalization of the funding commitment.
- Applicants must comply with all funding source requirements, including but not limited to California prevailing wage requirements and federal Davis Bacon federal labor standards; Section 504 of the Rehabilitation Act of 1973; Americans with Disabilities Act

(ADA); Affirmatively Furthering Fair Housing Act; Section 3 of the U.S. Housing Act of 1968, Equal Opportunity and related requirements in 24 CFR Section 982.53, as amended; Architectural Barriers Act of 1968; federal and state requirements related to Minority Business and Women Business Enterprises (M/WBE), Duplication of Benefits, the Uniform Relocation Assistance and Real Property Acquisition Act, prohibition against Eminent Domain, Building Standards (CalGREEN, WUI, Broadband Infrastructure), Article XXXIV, and the National Objective of Demonstrating Benefit to LMI Persons; federal labor standards regulations under 29 CFR Part 5 and other regulations; and state and federal regulations pertaining to remediation of lead, asbestos and other hazards.

- Projects must comply with City Housing policies; plans and ordinances of the City of Shasta Lake; HCD DR-MHP Policies and Procedures; state and federal regulations; and any other funding source guidelines and regulations.
- Developers and funded projects will be subject to the City's Underwriting Procedures, Environmental Review Procedures, Residential Acquisition, Anti-Displacement, and Relocation Procedures, and Monitoring Procedures.
- Developer will be responsible for annual monitoring costs.
- Applicant understands that under the California Public Records Act all documents that they submit in response to this NOFA are considered public records and will be made available to the public upon request.

Projects will be subject to DR-MHP Underwriting Criteria set forth by the City and HCD, as carried out by City staff, or designee. HCD's criteria is available through their [website](#). The City's Underwriting Policies and Procedures are included in the application materials on the program webpage.

The ability to satisfy these terms and conditions is not a guarantee of project funding.

### **Affirmative Marketing Plan**

Project applications must include an Affirmative Marketing Plan using the [Affirmative Fair Housing Marketing Plan Form HUD-935.2A](#). Affirmative Marketing involves outreach and advertising efforts aimed to engage individuals and groups who might otherwise be unlikely to apply. Affirmative marketing efforts must begin at least ninety (90) days prior to initial renewed occupancy for new construction and substantial rehabilitation projects. In addition to the required demographic analysis, individuals who were impacted by the 2018 disasters (including the 2018 Carr fire) and Section 8 Housing Choice Voucher holders have been determined by HCD to be included with those who are least likely to apply. Examples of people impacted by the 2018 disasters include renters that have lost rental units or have been displaced due to the impacts of the 2018 disasters (FEMA disaster DR-4382).

Instructions for completing the Affirmative Marketing Plan can be found in Section 2.12 of the [DR-MHP Policies & Procedures](#). To reach out to individuals and families that were impacted by the disasters and to Section 8 Housing Choice Voucher holders, the plan shall, to the extent feasible, identify non-profit caseworkers who were on the ground during the disaster, contact area public housing agencies, advertise through TV/Radio/Newspapers/Billboards/211 system.

Within the interest list and application, data shall be collected to determine if a prospective applicant was impacted by the disasters or is a Section 8 Housing Choice Voucher holder.

### **Eligible Use of Funds**

Pursuant to 42 USC 5305(a)(4), authorized activities under this statute include the clearance, demolition, removal, reconstruction, and rehabilitation of buildings and improvements (including interim assistance, and financing public or private acquisition for reconstruction or rehabilitation, and Reconstruction or Rehabilitation, of privately owned properties). New housing construction is also eligible as established in 83 FR 5844, paragraph B.32 of Section VI. Rehabilitation and reconstruction activities must increase the supply of affordable housing units to be considered.

#### **Eligible costs include:**

- Architectural and engineering design;
- Permitting fees;
- Developer fees;
- Mobilization, site prep, and clean up; and
- Construction, Reconstruction or Rehabilitation costs.

#### **Ineligible costs include:**

- Pre-application costs and application development costs
- Land and building acquisition costs
- Advances of any type, including construction
- Facility operating or maintenance expenses
- Applicant Eligibility

Qualified affordable housing developers/project sponsors (“Applicants”) that meet the NOFA requirements are encouraged to submit proposals. Qualified Developers must have completed at least three multifamily developments, at least one of which includes affordable rental units. Eligible Applicants include for-profit or non-profit corporations, individuals, general or limited partnerships, or limited liability companies. Applicants without the necessary experience must enter into joint venture agreements with experienced developers in order to be considered.

### **Project Eligibility**

HCD Approval of Recommended Projects: Any Projects recommended for funding by the City from DR-MHP funds are subject to final approval by HCD in accordance with the DR-MHP Policies and Procedures.

Eligibility of multifamily housing Projects will be assessed by HCD based on specific eligibility criteria:

- CDBG-DR funds are limited to low to moderate income-housing units. Proposed Projects may have mixed-income units, but CDBG-DR funds must only be applied to the Affordable Units for occupation by Low- to Moderate Income Households.
- The proposed project must tie back to the disaster by increasing the supply of affordable housing units.
- The proposed Project must have a minimum of eight (8) total units. If the Project is a Scattered Site Project, the Project application must include details on the Developer's experience managing Scattered Site rentals and must provide a reasonable plan to adequately supervise and maintain the properties.
- The proposed Project must have a minimum of four (4) Affordable Units or 30 percent of units must be Affordable Units, whichever is greater. Pursuant to 24 CFR 570.483(b)(3), if the project is a rehabilitation project or a senior new construction project, the project must include at least fifty-one percent (51%) of units as LMI- occupied, or a waiver must be requested. All rehabilitation projects must result in the addition of affordable units to the affordable housing stock to be deemed eligible.
- The proposed Project must meet one of the HCD Project types defined in the "2019 Multifamily Housing Program Guidelines" Article 2, Section 7302 (e) (1-5) including, 1) Large Family, 2) Special Needs, 3) Seniors, 4) Supporting Housing, and 5) At High Risk.
- All sources of funding required to complete the Project must be identified, documented as committed and accessible prior to the Department issuing a firm commitment letter and Notice to Proceed.
- The proposed Project must be cost reasonable, which is what a reasonable person would pay in the same or similar circumstances for the same or similar item or service. Cost reasonableness may be documented by comparing costs between vendors or to similar Projects.
- The proposed Project must successfully meet environmental review clearance and receive an Authority to Use Grant Funds (ATUGF) or environmental clearance letter from the Department prior to the Department issuing a firm commitment letter and Notice to Proceed.
- The proposed Project adheres to the Housing Element requirements listed in HSC 50829 and 50830.
- The proposed Project must meet the following affordable rent requirements and tenant income limits through the duration of the affordability period. At a minimum, the following thresholds must be adhered to in all Projects:
  - Maximum Affordable Rents (inclusive of all utility costs) shall not exceed the High HOME rents as designated for the Project area. DR-MHP Assisted Units may only be leased to Households with an annual income that is less than 80% of the Area Median Income.
  - Multifamily developments must meet the following affordability requirement: a minimum affordability period of 20 years for the rehabilitation, reconstruction, or new construction of multifamily rental Projects
  - Sale of a Project during the affordability period is acceptable; however, affordability periods must still be adhered to and included as a deed restriction.
- The proposed Project must be completed and occupied by May 31, 2026.

- Proposed Projects must be located within incorporated area of Shasta Lake, CA. This area has been identified as a Most Impacted and Distressed (MID) area impacted by the 2018 wildfires per the Federal Emergency Management Agency’s Disaster Declaration DR-4382.

### **Priority Criteria**

HCD requires projects must meet one of the criteria:

- Projects providing housing for Extremely Low Income (ELI) individuals or families, accommodating “Deep Affordability” with at least 10% of total units below 30% AMI to be spread proportionally across unit sizes.
- Projects providing 15% of total units for permanent Supportive Housing (PSH), per the 2019 Multifamily Housing Program Guidelines as a housing type that meets the requirements of Article 2, Section 7302(e)(4).
- Projects which are providing residential units for low-income Elderly Persons, accommodating “Deep Affordability” with at least 5% of total units below 30% AMI to be spread proportionally across unit sizes. (E.g., in a 20-unit project, a minimum of 6 units must be affordable to meet the 30% of units affordable units eligibility standard, and one such unit shall be targeted below 30% AMI).

Projects providing 15% of residential units for people with at least one Disability, and accommodating “Deep Affordability” with at least 3% of total units below 30% AMI to be spread proportionally across unit sizes and disability configurations (E.g., in a 50-unit project, a minimum of 15 units are affordable, including at least 2 units targeted below 30% AMI). Disabled people are among the groups considered as being most vulnerable and at risk of suffering negative effects from natural disasters. In addition to HCD priority criteria, the City of Shasta Lake will prioritize projects in the following order:

1. Mixed-use projects
2. Multi-family (non-scattered site) 8 units or more
3. Multi-family (scattered site) 8 units or more

### **Application Process**

**How to Apply:** Please fill out the attached loan application information. Submit a completed City Loan Application Form along with applicable attachments:

- pro forma
- total development budget
- uses by source
- unit mix chart

**Due Date:** Applications are due no later than Monday February 7, 2021; at 2:00 pm., Applications will be reviewed on a continuous basis until all funds are committed to eligible projects. Please submit application materials one of the following ways:

**Email** to [wzeller@cityofshastalake.org](mailto:wzeller@cityofshastalake.org). Electronic files must be individually labeled.

**In-Person at our Physical Office:** 4477 Main Street, Shasta Lake, CA 96019, Monday through Friday between the hours of 7 a.m. and 4 p.m. prior to the due date. This should include a binder with a tabbed hard copy and a thumb drive with individually labeled electronic files.

**By US Mail** Attn: Whitney Zeller – Shasta Lake CDBG-DR MHP  
City of Shasta Lake 4477 Main Street (PO Box 777), Shasta Lake, CA 96019  
This should include a binder with a tabbed hard copy and a thumb drive with individually labeled electronic files.

**Timeline:** The targeted meeting for the initial funding recommendations by the City will be scheduled in March 2022. Final funding award approvals for projects will be made by HCD approximately (60) days within submission of applications.

## **Selection Process**

Project Applications will be reviewed by staff for application completeness, eligibility, long-term Project viability, verification of financial feasibility, and cost reasonableness, Project timeliness and schedule, and Developer capacity. Other factors for evaluation include competitiveness in the State funding programs and secured financial commitments; project readiness; qualifications, capability and expertise of the development team to finance, design, build/rehabilitate and manage affordable housing; affordability levels; number of units; unit mix (number of bedrooms); any information requested in the Loan Application; City policies and preferences; HCD prioritization; and completeness, accuracy, and quality of the proposal/application..

Complete Project Applications will be reviewed by City Loan Committee. The Committee will provide funding recommendations to the City Manager as who will make recommendations for any selected Project Applications to be forwarded to HCD and City Council for funding approval. Final Project funding award decisions are made by HCD, generally within sixty (60) days of submission. The HCD review process ensures compliance with regulatory requirements and broader recovery goals. For more information about HCD's Project Application review, please refer to the DR-MHP Policies & Procedures. Once HCD approves a Project Application to receive a funding award, HCD will issue a Notice to Proceed (NTP) to the City, who will in turn, notify the Developer applicant. HCD may also issue Conditional Approvals, which may result in a NTP once the conditional factors identified by HCD have been satisfied.

## **Appeals**

Project Applications not approved by the City to receive funding may be appealed by the Applicant to the City Council. In order to request an appeal after rejection, Developer must notify the City in writing within seven (7) days from the City award announcement date, via mail to the City at:

Hard Copy by US Mail to:

Attn: City Clerk

City of Shasta Lake

4477 Main Street (PO BOX 777), Shasta Lake, CA 96019

The City may request additional information from Developer after the initial request for appeal is received. Appeals will be heard at a regularly scheduled council meeting. The City Council decision shall be final.

## **Recapture Funds**

A Developer may be required to repay all, or a portion of the funds received. The reasons for recapture include, but are not limited to the following:

- A Developer withdraws from the Program prior to completion of the Project and fails to meet a national objective;
- A Developer does not meet the affordability requirements for the term of affordability;
- A Developer is found to have used program funds for an ineligible activity or cost; and/or,
- A Developer does not report the receipt of additional insurance, SBA, FEMA, non-profit assistance and/or any other Duplication of Benefits received after award.

The method of recapturing funds and the timeframe for doing so are determined on an individual Project basis. However, the recapture method and timeframe will be consistent with 2 CFR part 200 or other applicable cost principles. Complete recapture provisions will be included in the agreements between the City and Developer.