

**PROPOSED CHANGES IN POLICY AND PROCESS FOR THE
2012 MULTI-FAMILY AFFORDABLE RENTAL HOUSING PROGRAM
NOTICE OF FUNDING AVAILABILITY (NOFA)**

POLICY CHANGE DISCUSSION ITEMS

1. ELIGIBLE PROJECTS

Recommended Change –

Include Emergency Shelter as an eligible activity in the NOFA.

In an effort to utilize the NOFA as a funding mechanism for emergency shelter(s) and support the Ten-year Plan to end Homeless staff is recommending the addition of emergency shelter as an eligible activity in the NOFA.

Current Policy –

Emergency shelter is currently not an eligible activity in the NOFA.

2. Regional Housing Needs Assessment (RHNA)–

Recommended Change –

Recommend requiring that Cities provide a share of or all of the City's RHNA credits for developments with County financial participation. Recommend waivers for county regional initiatives as follows:

- MHPA
- HOME funded projects in urban county participating cities
- Developments providing permanent supportive housing for homeless or recently homeless

Requesting RHNA credits in developments where the County participates financially will assist the county in meeting its RHNA requirements as outlined in the Housing Element. This is also consistent with Board Policy/Directive regarding obtaining RHNA credits in County assisted development. The RHNA credits will be based on final approved county financing (see Attachments C, D, and E).

Current Policy -

There is not currently a policy on sharing RHNA credits in the NOFA.

3. MAX. DEVELOPER FEE

Recommended Change –

Increase maximum developer fee to \$30,000 /unit for special needs projects (payable from capital funding sources) and projects under 40 units. All other projects are allowed a maximum of \$25,000/unit. Current policy allows for any additional developer fee allowed by TCAC to be deferred and paid from cash flow.

Increasing the developer fee with TCAC will incentivize and support the development of MHPA, permanent supportive housing serving the homeless, emergency/transitional housing, and unincorporated area projects. A review among Orange County cities indicates most defer to TCAC requirements on this subject.

Current Policy –

The current NOFA allows for a maximum developer fee of \$18,750/unit for special needs projects (payable from capital funding sources) and projects under 30 units. All other projects are allowed a maximum \$15,000/unit. Since current policy allows for any additional developer fee allowed by TCAC to be deferred and paid from cash flow, the primary difference is when the developer fee is paid. However, developers must generally be able to

demonstrate that there will be sufficient cash flow to pay to full developer fee in less than 15 years; some projects may not have sufficient cash flow to allow the full fee to be paid during this time period.

4. TOTAL DEVELOPMENTS COSTS (TDC)

Increase current Total Development Cost limits by 20% for all developments. Continue to offer boost of 5% for special needs (permanent supportive services serving the homeless, emergency/transitional housing) and MHSA projects

Continue to allow an increase of 5% for “urban infill projects” but change definition of such projects to developments of 40 or less units developed on two or less acres without regard to project height.

Unit Size	Minimum Square Feet	Maximum Cost Per Unit	Projects Serving Special Needs and MHSA Clientele
0 bedrooms	No less than 300*	\$281,383	\$295,452
1 bedrooms	475	\$308,506	\$323,930
2 bedrooms	700	\$354,406	\$372,126
3 bedrooms	1000	\$430,288	\$451,801
4 bedrooms	1200	\$462,947	\$462,947

Total Development Costs for projects which exceed these limits will be reviewed on a case-by-case basis.

Increasing the TDC limit will update it to current construction costs (TDC have not been updated since 2005). Increasing the TDC will incentivize and support the development of all projects but especially, County priorities (MHSA, permanent supportive housing serving the homeless, emergency/transitional housing, and projects in unincorporated areas) which can be more costly and or have less available outside funding sources.

The current urban infill definition is projects developed on two (2) or less acres and a height of four (4) or more stories (combined parking and residential).

Current Policy –

The current maximum development costs in the NOFA are as follows:

Unit Size	Minimum Square Feet	Maximum Cost Per Unit	Projects Serving Special Needs and MHSA Clientele
0 bedrooms	No less than 300*	\$234,486	\$246,210
1 bedrooms	475	\$257,088	\$269,942
2 bedrooms	700	\$295,338	\$310,105
3 bedrooms	1000	\$358,573	\$376,501
4 bedrooms	1200	\$385,789	\$385,789

5. MAX. SUBSIDY/UNIT

Recommended Change –

Allow Current Policy limits to increase by 15% for projects in non-participating cities and 25% in unincorporated Orange County and participating cities and allow underwriting process to analyze each project on a case-by-case basis to assess leveraging needed to be

competitive with/for other funding sources and determine final subsidy needed. Maximum subsidies which exceed these limits will be reviewed on a case-by-case basis. Final subsidy will not exceed federal (HOME) subsidy limits or other subsidy limits identified.

The economic conditions and changes in available funding sources have impacted the level of financial assistance projects can expect to receive from non-county sources. There are fewer sources of financing for projects to leverage and in order to be successful in leveraging existing sources, such as Low Income Housing Tax Credits (LIHTC), additional public subsidy is required.

Current Policy –

Current policy dictates that maximum subsidies vary by type of housing and location of the proposed project. There are specific maximum subsidies limits vary for a) family housing; b) seniors; and c) special needs or permanent and/or transitional housing for homeless including MHSA assisted units.

In addition, projects utilizing HOME funds shall be subject to the maximum program subsidy limits established by HUD, as updated from time-to-time at 24 CFR Part 92.

6. CITY MATCH REQUIREMENT

Recommended Change –

Allow for waiver from City Match requirement for projects including MHSA units, on a case by case basis.

Allowing for City match waiver for projects with MHSA units will assist in incentivizing the inclusion of MHSA units.

Current Policy –

There is not currently a policy on City Match waivers for MHSA units in the NOFA.

7. COORDINATION WITH LOCAL LAND USE POLICIES

Recommended Change –

Adhere to local land use policies with respect to community notification and engagement, and, in addition, require developers to provide "Will Serve Letters" from affected utilities.

Current Policy –

No current stated policy in NOFA.

8. NOFA PREFERENCES and MANAGEMENT AND AFFIRMATIVE MARKETING PLANS:

Recommended Change –

Preferences for NOFA applications will include the following preferences as prioritized below. Specific timeframes would be determined through the NOFA underwriting process:

1. Projects with MHSA units in unincorporated areas and urban county participating cities
2. Projects with MHSA units in entitlement cities
3. Unincorporated Areas, urban county participating cities, and only homeless projects in entitlements cities
4. All others

Emergency Housing proposals will be accepted on a first-come-first-serve basis throughout the NOFA application process.

Revise local occupancy preferences to clarify that except in homeless developments tenant selection cannot include a local preference for City residents.

Local preferences will be allowed in homeless developments that do not utilize HOME funds and or Section 8 Project Based Vouchers for persons who:

- Are currently living in the participating city without a home (for example, on the street, in parks, or in vehicles); or who
- Are living or sleeping in a homeless shelter in the city; or who
- Are living in the city and at immediate risk of homelessness (for example, served with an eviction notice).

However, other homeless persons cannot be excluded from any projects.

Allow management and affirmative marketing plans to include references for local preferences per the above NOFA PREFERENCES.

Current Policy –

2.07 PREFERENCES

MHSA projects, special needs projects, homeless projects, new construction, conversion of commercial/industrial property to residential use, and proposals that provide deeper affordability than the requirements of this NOFA will be given preference.

Persons and households that live and/or work in Orange County will be given a preference for occupancy in developments that are funded under this NOFA. OC Community Services will also allow preferences for occupancy to local residents for homeless developments in Urban County Participating Cities on a case-by-case basis.

For the first twenty-eight (28) days of the NOFA, permanent and acquisition loans will be available to projects that fulfill the subpopulation goals of the MHSA plan. OC Community Services will provide a 28-day window from the commencement of the 2010 NOFA, where only applications for MHSA developments will be accepted. During the first 14 days (days 1-14), OC Community Services will only accept applications for MHSA projects located in unincorporated Orange County and Urban County Participating Cities. During the next 14 days (days 15-28), OC Community Services will only accept applications for MHSA projects located in entitlement cities. Acquisition funds are not eligible for projects located in entitlement cities. During the next 62 days (days 29-90), OC Community Services will accept all projects located in unincorporated Orange County and Urban County Participating Cities and only homeless projects in entitlements cities. After the ninety (90) days, applications for all other projects throughout the County will be accepted based on the remaining eligible funding and lending policies. Please contact Joanna Chang at (714) 480-2993 or joanna.chang@occr.ocgov.com if you are anticipating applying for funding after the first ninety (90) days of the release of the NOFA.

2.21 MANAGEMENT AND AFFIRMATIVE MARKETING PLANS

The management plan must include: tenant selection procedures and tenant education procedures, rent collection procedures, a draft lease agreement, grievance procedures, a Statement of Qualifications of the management entity, the qualifications of on-site staff,

maintenance capabilities, and a description of any services to be provided to residents. It is the County's objective that funds provided under this NOFA develop affordable housing units available to income eligible individuals equally throughout the County and not individuals in one specified area or city. Persons and households that live and/or work in Orange County will be given a preference for occupancy in developments that are funded under this NOFA. OC Community Services will also allow preferences for occupancy to local residents for homeless developments in Urban County Participating Cities, which will be considered on a case-by-case basis.

9. PROJECT BASED VOUCHERS:

Recommended Change –

Provide up to 100 Project Based Vouchers in the 2012 NOFA for new construction MHSA and/or special needs projects.

Project Based Vouchers will provide additional support for MHSA, and/or special needs projects to assist financing deeply targeted units.

Current Policy –

No change from current NOFA.