INVITATION ONLY

SUPPLEMENTAL NOTICE OF FUNDING AVAILABILITY (NOFA)

AFFORDABLE HOUSING FUND 12.5

Applications Due by 4:00 pm Pacific Daylight Time

Tuesday, December 3, 2024

This NOFA is available online at https://www.smcgov.org/housing/nofas-bids-proposals

AHF 12.0 submitted applications are available for editing online as AHF 12.5 applications, which must be re-submitted by the deadline on City Data Services: www.citydataservices.net

Questions regarding the content of the online application or NOFA content must be emailed to hcd@smchousing.org.

For technical assistance with editing and re-submitting the online application, contact support@citydataservices.com or (833) 333-6799

The County of San Mateo does not discriminate based on race, color, religion, creed, national origin, sex, disability, age, sexual orientation or any other protected status. Auxiliary aids and services to assist with this NOFA are available on request as a reasonable accommodation for a disability.

Released November 4, 2024

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1. INTRODUCTION

This Supplemental Notice of Funding Availability ("AHF 12.5 NOFA") invites applications for low-interest, long-term, deferred-payment loans only for New Construction Rental Projects (as defined herein) that submitted applications for awards in the twelfth cycle of the San Mateo County Affordable Housing Fund (AHF). Applications will not be accepted for Projects that did not submit an application for funding in AHF 12.0.

AHF was created in 2013 by the San Mateo County Board of Supervisors to develop and preserve affordable housing. Capitalized with Measure K sales tax proceeds and other local, state and federal housing finance sources, AHF in its first eleven cycles awarded more than $260 million in loans to more than 65 affordable housing projects, creating or preserving more than 5,000 affordable units.

The AHF 12.5 Supplemental AHF NOFA was authorized by the Board of Supervisors pursuant to Resolutions 080386 and 080387 on June 11, 2024 in order to make available certain local housing finance funds recovered by DOH because of a Project's failure to satisfy conditions of an AHF award. Pursuant to the enabling resolutions, funds will be awarded only to Projects which, with an award of AHF 12.5 NOFA funds, would, in the sole discretion of the Director of the Department of Housing, be ready to submit a competitive application for Low-Income Housing Tax Credits (LIHTC) in the first round of applications in 2025 (either the first round of 4% tax credits or the first round of 9% tax credits as appropriate for the Project).

Projects that receive an award of funds under this Supplemental AHF 12.5 NOFA are subject to the NOFA terms and conditions, additional program-specific requirements summarized in Appendix B, and loan terms and underwriting policies summarized in Appendix D. Capitalized terms are defined herein or in Appendix A.

Table 1 Summary of Initial Funding Included in AHF 12.5 NOFA

Source	**Amount**
Measure K	$11,810,243
County Impact Fees	$300,000
Mental Health Service Act (MHSA) for MHSA Units	$1,200,000
Total Amount Currently Available for AHF 12.5 NOFA Awards	**$13,310,243**

After the date of release of the AHF 12.5 Supplemental NOFA and until February 28, 2025, additional funding sources may be made available, in the sole discretion of DOH, for award under the terms of this Supplemental NOFA, including but not limited to CDBG funds, HOME funds, Moving to Work Reserve funds, Permanent Local Housing Application funds, ARPA funds, Local Housing Trust Fund, and other sources of funds that may be recovered or become available to DOH. In addition, if the California Housing and Community Development Department ("State HCD") has released a solicitation for "accelerator" funds to be awarded in lieu of Low Income Housing Tax Credits under Proposition 1, also known as "Behavioral Health Transformation", DOH may make one or more awards under this AHF 12.5 Supplemental NOFA that are contingent upon an applicant applying for the Proposition 1 accelerator funding.

The AHF 12.5 Supplemental NOFA does *not* solicit requests for Project-Based Section 8 Vouchers from the Housing Authority of the County of San Mateo (HACSM). An application should not rely on nor anticipate an award of Project-Based Section 8 Vouchers unless supported by an existing HACSM award letter.

The AHF 12.5 NOFA is managed by the Housing and Community Development (HCD) division of the San Mateo County Department of Housing (DOH). DOH administers federal, state, and local housing funds and promotes partnerships that catalyze community capacity to address housing needs. As described in Section II, HCD staff will assess whether an application meets Threshold Requirements (as specified herein), competitively score and rank applications for Projects that meet Threshold Requirements, and recommend each Project's award amounts, if any, and funding sources, to the Director of the Department of Housing whose award decisions shall be final.

The AHF 12.5 NOFA furthers the six overarching goals of San Mateo County's 2023-2031 Housing Element available at https://www.smcgov.org/planning/san-mateo-county-housing-element-update-2023-2031, including to:

- Protect Existing Affordable Housing Stock
- Support New Housing for Extremely Low to Moderate-Income Households
- Promote Sustainable Communities through Regional Coordination Efforts and Locating Housing Near Employment, Transportation, and Services
- Promote Equal Housing Opportunities
- Promote Equity through Housing Policy and Investments
- Require or Encourage Energy Efficiency, Resource Conservation, and Climate Resiliency Design in New and Existing Housing

The AHF 12.5 NOFA also furthers the County's Strategic Plan on Homelessness available at https://www.smcgov.org/hsa/center-homelessnessl, including the goal to increase the supply of permanent affordable housing for people experiencing homelessness and other vulnerable people.

The AHF 12.5 NOFA relies on defined terms set forth in Appendix A hereto and incorporates important information included in other Appendices. Applicants are expected to review and comply with the terms and conditions of this NOFA, including all Appendices. The Applicant and each member of the Applicant Team are bound by the Agreements, Acknowledgements, and Certifications set forth in Section VII below, including but not limited to, acknowledging that all application materials become the property of the County of San Mateo and are subject to public disclosure under the Public Records Act.

DOH reserves the right after releasing this NOFA to re-allocate or withdraw funds in its sole discretion.

II. APPLICATION PROCESS

A. Timeline. As of the AHF 12.5 NOFA Release Date, DOH plans to follow the timeline set forth below, but Applicants should monitor the DOH website for any subsequent schedule changes:

Table 2 AHF 12.5 NOFA Timeline

Event	Date
Release Date	November 4, 2024
Technical Assistance (TA) Session	November 13, 2024, at 9 am PDT

Deadline for required pre-application meeting	November 14, 2024, by 4 pm PDT
Last Day to Submit Questions to DOH	November 25, 2024, by 4 pm PDT
Application Deadline	**December 3, 2024, by 4 pm PDT**
Award Letter Date (expected)	January 31, 2024

The Application Deadline precedes the expected announcement of awards from the second round of 2024 4% tax credits applications/bonds. The Application Deadline may also precede the announcement of the final application deadlines for the first round of 4% and 9% tax credits in 2025, as well as a possible announcement by State HCD of the availability of "accelerator" financing under Proposition 1. It is entirely the responsibility of the Applicant to decide whether to apply for this AHF 12.5 Supplemental NOFA while waiting for an announcement of an award from the second round of 2024 4% tax credits or for the possible notification of the availability of Proposition 1 "accelerator" funding or the final application deadlines for the first round of tax credits in 2025.

B. Pre-Application Meeting. Before responding to this NOFA, all Applicants are *required* to schedule and attend a short pre-application meeting to describe the current status of their Project to HCD staff. A pre-application meeting may be requested by sending an email to jstokley@smchousing.org. The individual pre-application meeting must take place by November 14, 2024, at 4 pm Pacific Daylight Time. The Applicant must disclose at the pre-application meeting whether the Project results from an inclusionary housing ordinance and how an award of AHF 12.5 NOFA funds would enable the Project to exceed the minimum affordability requirements of the inclusionary housing ordinance.

C. Online Submission. All sections of the AHF 12.5 NOFA application must be completed using the online application at the City Data Services (CDS) website, www.citydataservices.net, and all required attachments, including a complete draft of the Project's tax credit application, must be uploaded by the Application Deadline.

For the convenience of the Applicant, a copy of the submitted AHF 12.0 application has been copied by CDS in the form it was originally submitted in April 2024, with the attachments in the form submitted in April 2024. An Applicant may avoid creating a new application by editing and updating the originally submitted AHF 12.0 application, but the Applicant is solely responsible for correcting and updating any information made available from the original AHF 12.0 application. Some Applicants had the opportunity after the AHF 12.0 application deadline to submit additional information or corrected attachments, and those changes would not be reflected in the copy of the originally submitted AHF 12.0 application made available for editing and updating.

In addition to the application and attachments originally required under AHF 12.0, which must be edited and updated, an Applicant must also submit a complete copy of a draft LIHTC application for the Project, in the form the Applicant plans to submit to the Tax Credit Allocation Committee (TCAC) by the deadline to apply for the first round of tax credits in 2025 (either 4% or 9% as appropriate to the Project). Additional uploads may also be needed for projects planning to apply for State HCD "accelerator" funding under Proposition 1. Failure to upload to CDS a complete draft of the planned LIHTC application or application for Proposition 1 "accelerator" funding (if applicable) will be considered a material omission, and the application will not be considered for an award under this AHF 12.5 NOFA.

Appendix E provides detailed instructions on how to upload tax credit applications or other supplemental documents to the AHF 12.5 application created for each project in CDS.

If an Applicant encounters technical difficulties in using CDS, it is the Applicant's responsibility to contact CDS by email to support@citydataservices.com or by telephone ((833) 333-6799).

Because this AHF 12.5 NOFA timeline is designed to allow for funding to be awarded to Projects that will be competitive in the first round of 2025 tax credit applications, revisions, corrections or clarifying information that are material to the submitted application and attachments will **not** be accepted after the Application Deadline unless specifically solicited by DOH in order to impose conditions on an award.

D. Virtual Technical Assistance Session. Applicants are invited to attend a virtual Technical Assistance (TA) session on November 13, 2024 at 9 a.m. HCD staff will review the contents of the AHF 12.5 NOFA, and CDS staff will provide instruction in the use of the CDS online application tool. Because applications may only be submitted through CDS, first-time users of CDS are strongly encouraged to attend the TA session using the following Zoom link:

https://smcgov.zoom.us/j/89305233392?pwd=bUoAk35Bu9CqOXDs75nGS57lwRklcT.1

Meeting ID: 893 0523 3392
Passcode: 628631

E. Submitting Questions. Applicants may submit written questions about the NOFA until 4 pm on November 25, 2024, by sending an email to hcd@smchousing.org. Submitted questions and DOH answers will be posted periodically on the DOH website, https://www.smcgov.org/housing/nofas-bids-proposals Applicants may ask CDS for assistance with the submission of the online application at any time up to the Application Deadline.

F. Staff Review of Threshold Requirements. Upon receipt of an application in response to the AHF 12.5 NOFA by the Application Deadline, HCD staff will review the application and uploaded materials for completeness and to assess whether all Threshold Requirements set forth in Section IV below are satisfied. An application that is incomplete or is determined by HCD staff to fail to satisfy one or more Threshold Requirements will not be competitively scored and will not be considered by the Director of the Department of Housing for an award under this NOFA.

G. Competitive Scoring of Applications that Meet Threshold Requirements. HCD staff will rank applications that met Threshold Requirements using the competitive scoring rubric set forth in Section V below. Staff recommendations may include a recommendation for no funding, a different funding amount or source than that requested by the Applicant, or for Project-specific award conditions, which, if not met, may subsequently result in termination of an AHF 12.5 award to a Project.

H. Award Letters. The decision of the Director of DOH, in the Director's sole discretion, will be the basis for DOH to prepare an AHF 12.5 NOFA award letter ("Award Letter") that specifies the amount of the funding award and general conditions and is expected to be sent on or before January 31, 2025, ("Award Letter Date"). An Award Letter may impose Project-specific conditions, which, if not timely satisfied, may result in termination of the Award Letter. An Award Letter will be the basis for a Loan Agreement, Regulatory Agreement and other loan documents between DOH and the Borrower to whom the AHF 12.5 award has been assigned with the consent of DOH, as described in Appendix D.

III. AVAILABLE FUNDING FOR ELIGIBLE PROJECTS

A. Invitation Only Projects. This AHF 12.5 NOFA solicits proposals only for permanent affordable multi-family New Construction Rental (NCR) projects which applied for an award under AHF 12.0 in April 2024.

An Eligible Project must be supported by a complete application submitted by the Application Deadline; is subject to Threshold Requirements described in Section IV below; and will be ranked for funding using the competitive scoring rubric described in Section V below.

B. Available Sources of Funds for Eligible Project types. Each AHF 12.5 funding source listed in Table 1 or made available after the release of this NOFA is limited in availability to Projects able to meet the program-specific restrictions that apply to each funding source as set forth in Appendix B. Appendix B describe some important restrictions that apply to each funding source, but the Applicant must independently review the program guidelines and regulations for each funding source and determine whether a specific funding source is a match for the Project. Some federal requirements are incorporated in all AHF 12.5 Loan Agreements, even if the source of the funds awarded to a Project is not federal.

C. Measure K Spending Limits. There is no spending limit on NCR Projects, and the entire amount of Measure K funds and Impact Fees shown in Table 1 is available to be awarded to NCR Projects.

D. Minimum Awards per Project or per Unit. The minimum award per Project is One Hundred Thousand Dollars ($100,000.00). Any Project applying for, or determined in DOH's discretion to need, less than this minimum amount is ineligible for an award. There is no Measure K minimum award per Unit. Minimum awards per Project or per Unit may apply because of a specific funding source described in Appendix B.

E. Maximum Awards per Project or per Unit. Subject to any restrictions imposed by specific financing sources described in Appendix B, this AHF 12.5 NOFA does not impose a maximum amount of funding per Project or per Unit except as set forth below:

(1) No Project will be awarded more than the amount needed for financial feasibility in DOH's sole discretion, considering the reasonableness of the assumptions that are the basis for the Total Development Cost (TDC) and the other appropriate and available financing sources proposed for the Project.
(2) Any Project in an incorporated city which does not qualify as a Supportive Housing Project is subject to a maximum award of Measure K funds (counting Measure K funds requested under this NOFA and prior and anticipated future Measure K awards) equal to 15% of the Project's Total Development Costs (TDC). NOTE: This Project maximum does not apply to a Project located in Unincorporated San Mateo County or a Project that qualifies as a Supportive Housing Project, and it does not apply to funding sources other than Measure K.

F. Awards of Less than the Amount Requested or Needed. The amount awarded to any Project may be limited by the total funds available under this AHF 12.5 NOFA compared to the total amount of requests from all Eligible Projects meeting Threshold Requirements. After competitively ranking Projects that met Threshold Requirements, DOH in its sole discretion may award less than the amount requested by an Applicant for any reason.

G. Eligible Uses of Funds. Subject to any restrictions imposed by specific funding sources described in Appendix B and the definitions provided in Appendix A and excluding the ineligible uses identified in Section II.H below, eligible uses of AHF 12.5 NOFA funds include a Project's expenses for:

(1) Pre-development;
(2) Site Acquisition;
(3) Construction;
(4) Re-location;
(5) Capitalized Reserves in approved amounts as described in the Underwriting Policies summarized in Appendix D;
(6) Developer Fees up to the maximum allowed in the Underwriting Policies summarized in Appendix D; and
(7) Permanent Financing.

H. Ineligible Uses of Funds. In addition to any other restrictions that may be imposed by a specific funding source described in Appendix B, the following expenses are **ineligible uses** of AHF 12.5 funds:

- The Applicant's staffing, overhead and management and general costs except as covered by any allowable Developer, Partnership Management and Asset Management Fees up to the maximum amount allowed for those fees under the Underwriting Guidelines summarized in Appendix D.
- Any portion of otherwise eligible Predevelopment, Site Acquisition, and Construction Costs allocable to any commercial portion of the Project that is not included in the property's eligible basis by CTCAC for purposes of calculating the Low-Income Housing Tax Credit.
- The amount by which a purchase price, ground lease terms, or other in-kind contribution exceeds the fair market value as evidenced by an independent appraisal completed within six months of the application for AHF 12.5 funding.

I. Reprogrammed Funds. If any of the AHF 12.5 NOFA funds remain unawarded or any awarded AHF 12.5 NOFA funds are recaptured by or returned to DOH, DOH intends to retain the funds and award them in the next AHF NOFA.

IV. THRESHOLD REQUIREMENTS FOR ELIGIBLE PROJECTS

A. Summary of Threshold Requirements. Applicants must submit a complete application with all required supporting documents, including a complete copy of a draft application for tax credits, using the CDS online application by the Application Deadline and must request funds for Eligible Uses for an Eligible Project type. The Applicant Team and the Project must meet all Threshold Requirements, allowing for any modifications specified in the accompanying table of modifications intended to account for underlying differences among the types of Eligible Projects. Threshold Requirements, as further described below, impose minimum standards for:

I. Team Capacity
II. Location
III. Affordability
IV. Homelessness Units
V. Site Control
VI. Readiness
VII. Leveraging

VIII. Financial Feasibility
IX. Sustainability
X. Accessibility
XI. Community Benefits and Tenant Protections
XII. Design Quality and Amenities
XIII. Supportive Services
XIV. Community Engagement

An Applicant submitting an application that is incomplete, is for a Project that HCD determines is not an Eligible Project type, proposes an ineligible use of funds, or does not meet all Threshold Requirements will have no opportunity to appeal this finding because of the timing constraints resulting from the purpose of the Supplemental NOFA, which is designed to allow tax-credit-ready projects to submit a competitive application by the deadline to apply for LIHTC in the first round of 2025 (either 4% or 9% tax credits as appropriate for the Project).

B. Applicant Team Capacity Threshold: Each of the following three elements must be satisfied to meet the Threshold Requirement for Team Capacity:

(1) **Bay Area Experience**. The Applicant Team includes a developer, property manager and supportive services provider, each of which has affordable housing experience in the nine-county Bay Area.

(2) **Track Record**. The Applicant Team has a successful affordable housing track record of at least three years of development and ownership; three years of property management; and three years of housing-based supportive services, demonstrated by at least three affordable housing projects (defined as Projects that restrict 100% of the Units to households with incomes up to Low-Income).

(3) **Financial Capacity and Organizational Good Standing**. Each member of the Applicant Team (developer, property management, and supportive services) has a history of compliance with DOH and state housing program requirements, can demonstrate organizational good standing with the California Secretary of State and Franchise Tax Board, can provide audited financial statements showing financial capacity to complete and operate the Project and is not on a federal list of debarred contractors. An Emerging Developer as defined in Appendix A may qualify for an exception for Bay Area experience and development track record (but no exception is allowed for property management and supportive services experience and track record).

C. Location Threshold: The Project location must be in San Mateo County and **either in**:

(1) an area identified as **Moderate Resource or higher** in the 2024 CTCAC/HCD Opportunity Map available at https://www.treasurer.ca.gov/ctcac/opportunity.asp, **or**

(2) an area identified as **Low Resource (not High Segregation & Poverty)** in the 2024 CTCAC/HCD Opportunity Map available at https://www.treasurer.ca.gov/ctcac/opportunity.asp, **but only if** the Project is reasonably accessible to public transportation, shopping, medical services, recreation, schools, and employment in relation to the needs of the Project tenants.

D. Affordability Threshold: Any Project assisted by this AHF 12.5 NOFA must meet both of the following affordability restrictions (Affordability Threshold Requirements) for a minimum term of 55 years from a Project’s completion date as evidenced by a Regulatory Agreement described in Appendix D:

(1)100% of the total Units (excluding the manager’s unit) must have income and rent restrictions for households up to Low Income.

(2) At least 15% of the total Units must have income and rent restrictions for households up to Extremely Low-Income. (These Units are in addition to any Units which must be Extremely Low-Income in order to meet the Homelessness Preference Threshold described below).

Income-restricted units must establish rent limits adjusted for unit size which are affordable for that maximum income level, in accordance with U.S Department of Housing and Urban Development (HUD) or California Tax Credit Allocation Committee (CTCAC) income and rent limits, depending on the funding source that restricts the Units. Units not funded by CTCAC or HUD and Units funded both by CTCAC and HUD are subject to the more restrictive of CTCAC or HUD definitions. HUD and CTCAC income and rent limits for San Mateo County are updated periodically on the DOH website at https://www.smcgov.org/housing/income-rent-limits.

The Affordability Threshold Requirements are minimum requirements. As described in Section V below, a Project that exceeds Affordability Threshold Requirements may score higher in competing for limited AHF 12.5 NOFA funds, but any such Applicant commitment made for purposes of competitive scoring will also be binding for a minimum term of 55 years from the Project's completion date.

E. Homelessness Preference Threshold: The greater of 5% of a Project's Low-Income Units or two Units must be subject to a preference for people experiencing Homelessness who are referred with a Tenant-Based Rental Subsidy ("Homelessness Preference Threshold Requirement"). Units subject to the Homelessness Preference must be income and rent restricted up to the Extremely Low-Income level, must be filled by referrals from the HACSM and must be supported with more intensive supportive services than the Units for the general resident population. Note: Other special needs populations targeted for Supportive Housing Units may contribute to the Project's competitive scoring, but only Units for people experiencing Homelessness will satisfy this Homelessness Preference Threshold Requirement. If the other special needs population is also defined as experiencing homelessness, this population may also be targeted for the Units that are proposed to meet the Homelessness Preference Threshold Requirement.

HOME-ARP-assisted Units may count towards the 5% Homelessness Preference Threshold even though any HOME-ARP assisted Units must provide a preference for people experiencing Homelessness without excluding the other three qualifying populations and must use a referral method approved by DOH that allows for referrals of all the qualifying populations not served by the Coordinated Entry system.

F. Site Control Threshold: The Applicant must provide written evidence of ownership or control over the real property required for the Project in the form of **any one** of the following (Site Control Threshold Requirement):

(1) a binding commitment by the owner of the real property to sell, grant, or convey the real property to the Applicant (or enter a lease of the real property for a term not less than 55 years), subject only to conditions that are reasonably within the ability of the Applicant to satisfy and not terminable at the owner's discretion until 180 calendar days after the NOFA Application Deadline;

(2) a recorded deed of the real property identifying the Applicant as grantee;

(3) a recorded long-term lease of the real property (with a remaining term not less than 55 years) identifying the Applicant as lessee; or

(4) a recorded option agreement granting the Applicant the right to acquire or lease the real property (for a lease term not less than 55 years) at an agreed price subject only to objective conditions within the ability of the Applicant to meet, provided the option is for a term not less than 180 calendar days after

the NOFA application deadline and is not terminable at the owner's discretion during the term of the option; or

(5) an exclusive right to negotiate (ERN) with a public or quasi-public agency that selected the Applicant to receive the ERN as the result of a competitive process and the agency confirms in writing that the ERN remains in effect.

(6) a Letter of Intent to convey site control of a portion of a site intended for a larger market rate project upon entitlement of such larger market rate project by the local jurisdiction if the Letter of Intent identifies the specific parcel intended for affordable housing and establishes that the developer has site control of the entire parcel.

The evidence of site control must be accompanied by a legal description and preliminary or final title report. If the evidence of site control is not in the organizational name of the Applicant, the Applicant must provide documentation to establish how the site control rights are subject to the Applicant's control. Finally, in order to satisfy this Site Control Threshold Requirement, any site control documents must specify the same real property cost, square foot area, parcel number, and street address as all other documents required to be submitted with the application, including the development budget, and any discrepancies must be explained to the satisfaction of DOH in an accompanying narrative.

G. Readiness Threshold: The Readiness Threshold Requirement refers to the current entitlement status of the Project, the extent of design completion, existing financing commitments, and the reasonably expected dates of appropriate state and federal funding cycles identified for the Project. To satisfy the Readiness Threshold under this AHF 12.5, a Project must at a minimum provide documentation to show that:

(1) the Project is entitled by the applicable jurisdiction;

(2) the Project has enforceable funding commitments for the Total Development Cost, except for the amount requested from DOH under this AHF 12.5 NOFA and except for the equity or bond investment that is committed subject to receiving an award of tax credits in the first round of applications due in 2025 (either 4% or 9% as appropriate for the Project) or any funding expected under Proposition 1 "accelerator" funding in lieu of tax credits;

(3) the Project has made available for DOH review a complete draft of an application for low-income housing tax credits which is ready to be submitted in the first round of applications due in 2025 (either 4% or 9% as appropriate for the Project) or an alternative application for Proposition 1 accelerator funding if State HCD uses an application other than the low-income housing tax credit application.

H. Leveraging Threshold: To satisfy the Leveraging Threshold Requirement, a Project must show Significant Leveraging of other federal, state and local funding sources in addition to Low Income Housing Tax Credits and tax-exempt bonds. Significant Leveraging may be demonstrated by *one or more* of the following:

(1) A commitment to convey or lease the real property at a price at least 10% less than its appraised fair market value which is supported by an appraisal not older than twelve months;

(2) An award of city housing funds, city fee waivers, or a local philanthropic award of at least $1 million;

(3) An AHSC commitment; ;

(4) A state Super NOFA commitment (MPH, Joe Serna, VHHP, IIG).

(5) A Federal Home loan Bank Board Affordable Housing Program (AHP) award; or

(6) A proposal to use at least $1 million of funds from a local, state or federal financing program awarded in prior AHF cycles other than Measure K funds.

Land or in-lieu funds committed to the Project in order to satisfy a local inclusionary housing mandate will not count as Significant Leveraging unless the applicant attaches a letter from the jurisdiction imposing the inclusionary requirement stating that the value of the land, the amount of funds committed, or other form of contribution exceeds the minimum required by the local inclusionary ordinance or that the affordability of the Project will exceed the minimum required by the inclusionary housing ordinance. (The Applicant must disclose that a Project will benefit from a local inclusionary housing mandate at the required pre-application meeting so that the plans for demonstrating a commitment that exceeds the mandated inclusionary commitment can be discussed with DOH before proceeding with the application.)

If any below-market land value or donation of goods or services is used to show Significant Leveraging, these amounts must be supported by an independent appraisal or other evidence supporting the stated value of the contribution. A Project financed solely with (a) Measure K funds (the amount of the current request together with any Measure K funds awarded in prior cycles and anticipated from future Measure K awards) and (b) investments projected to result from an award of Low-Income Housing Tax Credits and tax-exempt bonds does not demonstrate Significant Leveraging and thus will not meet the Leveraging Threshold Requirement.

NOTE: A Project located in an incorporated city which does not qualify as a Supportive Housing Project is also subject to a Project cap on the award of Measure K funds equal to 15% of the Project's TDC, as described in Section III.E.3 above.

I. Financial Feasibility Threshold: Each of the following three elements must be satisfied to meet the Financial Feasibility Threshold Requirement.

(1) **Reasonable Estimates of Sources and Uses**. The proposed Sources and Uses of funds assume development costs, financing sources and financing terms that seem reasonable given current market conditions, the Underwriting Guidelines summarized in Appendix D, and the available local and federal financing programs and comparing the Project's development costs per Unit to development cost per Unit of other recent projects of similar size and type.

(2) **Ability to Operate on a Break-Even Basis.** The pro forma 30-year cash flow projections use reasonable income and expense assumptions, including but not limited to fees, vacancy rates, debt service coverage and other assumptions set forth in the Underwriting Guidelines summarized in Appendix D. The Project must be able to operate on a break-even basis with any allowable Capitalized Operating Subsidy Reserve or available rent subsidies and with an expense category of at least $500 Per Unit Per Annum (PUPA) for general resident services and at least $1,000 PUPA for Supportive Housing units.

(3) **Reasonable Fees.** Developer, Property Management, Partnership Management and Asset Management Fees must satisfy DOH Underwriting Guidelines summarized in Appendix D and may not exceed CTCAC maximum allowable fees in the case of rental Projects.

J. Sustainability Threshold: As stated in writing by the Project's architect, the Project must, in the written opinion of the Project's architect, be designed to qualify for (1) an Enterprise Green Community Certification as described at https://www.greencommunitiesonline.org/ or (2) a Green Building Certification of a type and from a source approved by Fannie Mae for its preferential loan pricing. Fannie Mae's list includes but is not limited to:

- Leadership in Energy & Environmental Design (LEED),
- Passive House Institute US (PHIUS),
- Passive House,
- Living Building Challenge,
- National Green Building Standard ICC / ASRAE – 700 silver or higher rating, or
- GreenPoint Rated Program.

Fannie Mae provides information on additional types and sources of certification available for different types of housing construction, including rehabilitation, at https://multifamily.fanniemae.com/media/13501/display .

K. Accessibility Threshold: To meet the Accessibility Threshold Requirement, the Project must, in the written opinion of the Project's architect, be designed to meet CTCAC standards of accessibility including:

(1) At least fifteen percent (15%) of the Low-income Units shall provide mobility accessibility as defined in CBC 11B 809.2 through 11B 809.4, **and**

(2) At least ten percent (10%) of the Low-Income Units shall provide communications features, as defined in CBC 11B 809.5, for visual and auditory accessibility.

To the maximum extent feasible and subject to health and safety requirements, accessible Units shall be distributed throughout the Project, and there must be an accessible path of travel between accessible Units and Project offices and amenities, the building entry and any building public right of way.

L. Community Benefits and Tenant Protections Threshold: Any Project, whether or not receiving an award of federal funds, must comply with U.S. Department of Housing and Urban Development (HUD) Section 3 requirements for a preference in hiring low and very-low-income persons residing in the community where the Project is located; requirements for a contracting preference for certain Minority Business Enterprises/Women's Business Enterprises (MBE/WBE); the Fair Housing Act; the Americans with Disabilities Act, Section 504 of the Rehabilitation Act; the Violence Against Women Act; the Right to Report from Home law, and the Uniform Relocation Act if any existing residents or tenants will be re-located. The Applicant shall utilize the County's online affordable housing listing site, known as Doorway, and at least six months prior to completion of construction shall submit for DOH's approval a Marketing Plan and Tenant Selection Plan, which in the County's judgment will Affirmatively Further Fair Housing, comply with the restrictions in the County's Regulatory Agreement, and satisfy the conditions set forth in Appendix D. In addition, any application for federal funds must satisfy tenant protections set forth in those programs, including a minimum lease term of one-year, "just cause" eviction protections, and prohibitions against tenants' being required to waive certain legal rights.

M. Design Quality and Amenities Threshold. To meet the Design Quality and Amenities Threshold Requirement, the Project must incorporate high-quality design and amenities appropriate for the planned resident population(s) as shown in preliminary site plans, elevations and drawings prepared by the Project architect. Unit sizes should be sufficient for the targeted occupancy with kitchens or kitchenettes that meet CTCAC standards. The Project must include common space for residents to gather (including an outdoor common space when feasible), as well as space for services provision and service provider staff. The Project should incorporate design features that successfully address the housing and service needs of the tenant population(s), such as spaces with doors to enable case managers and service providers to meet confidentially with clients, and space for educational and social activities. The size and configuration of units shown in the preliminary site plans must be consistent with the assumptions made in the Project's pro forma financial projections.

N. Supportive Services Plan Threshold. To meet the Supportive Services Plan Threshold Requirement, the Project must propose a plan of supportive services with specific services and case management ratios tailored to the Project's resident population, using a supportive services provider with experience serving the proposed resident population. Further, a rental Project's operating budget must include at least $500 Per Unit Per Annum (PUPA) for general resident Units and any Farmworker Units and $1,000 PUPA for Supportive Housing Units, including the Units subject to the Homelessness Preference Threshold Requirement. FTHO Projects may satisfy this Supportive Services Plan Threshold Requirement with an appropriate program of homeowner education and training, offered before and after the sale of the home to the homebuyer. With respect to any Supportive Housing Units, the Supportive Services Plan must describe the process of requesting, receiving, and processing referrals of special needs populations from either the Coordinated Entry System or other specialized agencies already engaged in serving those populations.

O. Community Engagement Plan Threshold Requirement. A Project that is not yet entitled and is not subject to ministerial review must be supported by a written Community Engagement Plan (underway or proposed) which is tailored to the timing and scope of the individual Project (Community Engagement Plan Threshold Requirement). For example, a NCR Project not yet entitled and not subject to ministerial review should propose a plan which identifies and engages critical community stakeholders after consulting with the staff of the relevant supervisorial office and DOH, and the relevant cty's housing or planning staff; encourages active community involvement; addresses community concerns and engages constructively with individuals who oppose the development; identifies and uses a communication strategy to inform and engage community stakeholders; provides for hosting one or more community meetings to discuss the proposed development; incorporates the feedback of targeted residents including people with lived experience of homelessness; provides language resources in languages appropriate to the demographic profile of the community to inform community stakeholders with Limited English Proficiency of the Project planning; uses a Project website or other tools to allow the community to review and comment on current reports on the Project status; provides consistent and accessible contact information to facilitate community feedback on the Project; and maintains engagement with the community during the pre-development, construction, lease-up and operating phases of the Project. As noted above, the scope of the Community Engagement Plan should be designed to meet the specific needs of the Project to engage with community stakeholders.

V. COMPETITIVE SCORING OF PROJECTS THAT MEET THRESHOLD REQUIREMENTS

A. Summary of Competitive Scoring. A Project that meets all Threshold Requirements will be scored and ranked in comparison with other Projects for the purpose of determining whether the Project will receive an award of funds, and if so, the recommended amount and source of funding.

B. Tax Credit Competitiveness. Projects that meet Threshold Requirements will be ranked for funding based on DOH assessment of the Project's readiness to apply for and competitiveness for tax credits as demonstrated by the draft application for tax credits submitted with the application for funding, other components of the AHF 12.5 application or supplemental documents requested by DOH, DOH's own outreach and analysis of project status, and any additional documents DOH requests after the release of the Supplemental NOFA because of the availability of other funding, such as State HCD's "accelerator" funding under Proposition 1.

DOH, in its sole discretion, may apply assumptions on underwriting, pricing, schedule, and other terms that are different from the assumptions made by the applicant.

In determining whether to fund top-ranked 4% or 9% applications or applications for State HCD "accelerator" funding if it becomes available, DOH may consider how each of the most competitive Projects would have ranked in prior recent rounds for the 4% or 9% tax credits, as applicable.

To maximize total awards under both categories of tax credits (9% and 4%) or State HCD Proposition 1 "accelerator" funding if it becomes available, DOH in its sole discretion may make an award based on an application's competitiveness for a specific category of award (9% or 4% tax credits or Proposition 1 "accelerator" funds from State HCD) even if that application has a score lower than an application being considered for another category of award.

C. Decision of the Director of DOH is Final. Because of the limited time available for implementing the AHF 12.5 NOFA prior to round one 2025 LIHTC application deadlines, the award decisions of the Director of the Department of Housing shall be final with no right to appeal.

VI. LOAN TERMS

Upon receiving an Award Letter under this AHF 12.5 NOFA, the Applicant is required to execute and return the Award Letter within five business days of its receipt by the Applicant and the Borrower is expected subsequently to execute a Loan Agreement, Promissory Note, Deed of Trust and Regulatory Agreement in a form and subject to terms established by the County, and comply with underwriting policies and compliance monitoring requirements summarized in Appendix D.

VII. AGREEMENTS, ACKNOWLEDGMENTS, AND CERTIFICATIONS

By submitting a response to the AHF 12.5 NOFA, the Applicant and every member of the Applicant Team agree to the following terms, conditions, acknowledgments and certifications.

A. No Material Changes. An application, including any attachments, may not be materially revised after the Application Deadline. In cases where the application met the Threshold Requirements but is defective because of typographical or minor calculation errors, DOH may, in its sole discretion, process the application with such errors corrected. After the Application Deadline, an Applicant may only make a material correction to an application in a timely response to a request for information from DOH or in order to support an appeal of DOH's written finding that the application did not meet Threshold Requirements as described in Section II.H of this NOFA. Upon receiving an Award Letter and before any funds may be disbursed, the Applicant must enter into a Loan Agreement, Promissory Note, Deed of Trust, and Regulatory Agreement with DOH the terms of which are consistent with the Project as it was described in the application upon which the Award Letter was based. DOH in its sole discretion may determine what constitutes a material change or approve a request for a material change.

B. Application Becomes DOH Property. All information and materials submitted to DOH in response to this AHF 12.5 NOFA shall become the property of DOH. Any material submitted that is considered confidential by the Applicant must be clearly marked as such. However, DOH cannot maintain the confidentiality of materials that are not protected from disclosure under the California Public Records Act and will not assert privileges from disclosure on behalf of the Applicant as further set forth in Section VII(C) below.

C. Public Disclosure. Applications and all materials submitted in response to this AHF 12.5 NOFA are subject to California Government Code Section 7920.000, *et seq*., (the Public Records Act), which generally defines a public record as any writing containing information relating to the conduct of the public's business prepared, owned, used, or retained by any state or local agency regardless of physical form or characteristics. The Public Records Act provides that public records shall be disclosed upon request and that any citizen has a right to inspect any public record unless the document is exempted from disclosure. If DOH receives a request for any document submitted in response to this NOFA under the Public Records Act or other applicable legal authority, DOH will not assert any privileges that may exist on behalf of the Applicant. If an Applicant believes that a portion of its application and supporting material is confidential and notifies DOH of such in writing, DOH may, as a courtesy, attempt to notify the Applicant of any request for the information made under the Public Records Act. However, it is the sole responsibility of the Applicant to assert any applicable privileges or reasons why the document should not be produced, and to obtain a court order prohibiting disclosure. The Applicant and each member of the Applicant Team understands that DOH is not responsible under any circumstances for any alleged harm caused by production of a confidential submission even it is privileged from disclosure, and by submitting an application expressly waives any such claim against the County (including DOH).

D. Independent Investigation of Other Funding Source Requirements. Notwithstanding the summaries of other funding programs provided in this NOFA, the Applicant acknowledges and agrees that it is the Applicant's responsibility to independently investigate the terms and conditions of such programs and make their own determination as to whether a proposed Project will be able to satisfy any of the conditions of such programs.

E. **Good Standing**. The Applicant represents and warrants that the Applicant and each member of the Applicant Team is qualified to do business and in good standing with the California Secretary of State and the California Franchise Tax Board. The Applicant further represents and warrants that the Applicant and each member of the Applicant Team has been and remains in compliance with the terms and conditions of any awards from any public agency, including but not limited to the California Department of Housing and Community Development, the California Tax Credit Allocation Committee, the California Debt Limit Allocation Committee, HACSM, and DOH. Applicants must disclose and provide a written explanation if any of the following events have occurred in the past five years with respect to the Applicant:

- Removal or withdrawal under threat of removal as a general partner in an affordable housing project.
- Failure to comply with prevailing wage requirements, including non-reporting.
- Failure to correct overcharging of rent more than three (3) months after public agency's issuance of notice of noncompliance.
- Use of operating or replacement reserve funds for projects subsidized with public funds in a manner contrary to program requirements, or failure to deposit or maintain reserve funds as required by the public agency.
- Failure to provide promised supportive services to a special needs population or tenants of a project.
- Failure to seek required public funder approvals for actions under loan documents, such as approval of transfers.
- Other violations of the requirements of public agency programs such as: the failure to adequately maintain the books and records thereof; failure to adequately maintain an affordable housing property; failure to ensure income eligibility compliance; etc.
- Any activities of the developer or an individual in a position to influence the developer's performance of its duties and responsibilities, which resulted in debarment of such entity or individual by the U.S. Department of Housing and Urban Development or by another state or federal agency.
- Notice of noncompliance issued by the public funder for other reasons.

Any such event discovered by DOH which is not disclosed by an Applicant may result in IMMEDIATE disqualification of an application.

F. Agreement Not to Discriminate. The Applicant and each member of the Applicant Team agrees not to discriminate on the basis of race, color, ancestry, national origin, religion, sex, sexual preference, age, marital status, family status, source of income, participation in a tenant-based rental assistance program, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC), immigration status, past criminal background or any other protected status. Applicants and Projects must meet the requirements of the Americans with Disabilities Act and the Rehabilitation Act and other laws protecting people with disabilities from discrimination. Applicants and Projects, including those not receiving an award of federal funds, must comply with the federal Violence against Women Act and the Right to Report from Home law.

G. Conflict of Interest. The Applicant and each member of the Applicant Team acknowledges that under Section 1090 et seq. and Section 87100 et seq. of the California Government Code conflict of interest laws, no public official or employee of the County who participates in the decision-making process concerning selection of an Applicant or Applicant Team or a Project may be financially interested in any contract made in their official capacity and shall comply with applicable conflict of interest regulations and requirements.

H. County Ordinances and Requirements. In addition to any requirements imposed by a specific federal funding source available under the NOFA, an Applicant and each member of the Applicant Team will be required to comply with the San Mateo County Living Wage Ordinance, Equal Benefits Ordinance, and other County requirements. DOH also requires Projects that receive awards under this NOFA to utilize the County's affordable housing listing portal, Doorway, to advertise available Units and collect pre-application information. Whether or not a Project receives an award of federal funds, DOH requires Projects to comply with certain federal requirements, including Section 3, MBE/WBE, Violence Against Women Act, Fair Housing Act, Americans with Disabilities Act, and Uniform Re-location Act. Compliance with federal Davis-Bacon wage requirements, the Build America, Buy America Act, and the National Environmental Protection Act are not triggered by an award of state or local funds but may be triggered by an award of federal funds.

I. Required Certifications Under Penalty of Perjury. By submitting an application in response to this AHF 12.5 NOFA, an Applicant and each member of an Applicant Team certify under penalty of perjury that:

• The submission is not the result of collusion with an DOH employee or San Mateo County official or any other activity that would tend to directly or indirectly influence the selection process.

• The Applicant and each member of the Applicant Team is able or will be able to comply with all requirements of this NOFA.

• The Applicant is aware of the provisions of Section 1090 et seq. and Section 87100 et seq. of the California Government Code relating to conflict of interest of public officers and employees and is unaware of any financial interest of any County officer or employee relating to this solicitation.

• Neither the Applicant, nor any member of an Applicant Team, nor any principals or named subcontractors are identified on the list of Federally debarred, suspended or other excluded parties located at https://sam.gov/content/exclusions.

J. No Promises, Funding Commitments or Agreements. Applicant and each member of the Applicant Team acknowledge and agree that DOH's issuance of this AHF 12.5 NOFA is not a promise or an agreement to fund any specific Project or enter a specific contract. DOH reserves the right at any time and from time to time, and for its own convenience, in its sole and absolute discretion, to do the following:

• Modify, suspend or terminate any aspect of the selection process, including, but not limited to this NOFA and all or any portion of the Project selection process.

• Waive any technical defect or informality in any submittal or submittal procedure that does not affect or alter the submittal's substantive provisions.

• Reject any and all submittals.

• Request some or all Applicants to revise submittals.

• Waive any defects as to form or content of this NOFA or any other step in the selection process.

• Reject all applications and reissue the NOFA.

• Procure the desired loan applications by a means other than this NOFA or not proceed in procuring the proposals for loans under this NOFA.

• Negotiate and modify any terms of an agreement made pursuant to this NOFA.

Appendix A

Definitions
"Acutely Low-Income" Unit: A Unit targeted to a household earning up to 15% of the Area Median Income (AMI) adjusted for household size with rent restricted to be affordable to that income level adjusted for Unit size, as published annually by CTCAC and HUD and posted on the DOH website.

"Affirmatively Further Fair Housing": To take meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.

"Agricultural Employment": Employment in the cultivation and tillage of the soil; the production, cultivation, growing and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; and any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage. Agricultural Employment also includes work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of Section 1140.4 of the California Labor Code.

"Agricultural Household": Agricultural Worker or workers and other persons who reside or will reside with an Agricultural Worker in a Unit.

"Agricultural Worker": An individual who derives, or prior to retirement or disability derived, a substantial portion of his/her income from Agricultural Employment.

"AHF": San Mateo County's Affordable Housing Fund which is the source of funds for loans made under this Notice of Funding Availability.

"AHF NOFA," "AHF 12.5 NOFA" or "Supplemental NOFA": The current County Affordable Housing Fund Notice of Funding Availability released on November 4, 2024.

"AHF-Restricted Unit": A residential Unit of a specific size that is subject to income, rent, occupancy and target population restrictions as a condition of AHF financial assistance as set forth in the Loan Agreement and Regulatory Agreement for the Project. The number and type of AHF-Restricted Units for a specific Project shall be determined in accordance with Appendix D of the NOFA.

"Applicant": The entity applying for funds under this NOFA who is authorized to communicate with DOH concerning the application, to represent and bind the other organizations that are part of the Applicant Team, and to execute an Award Letter if one is issued by DOH. Eligible Applicants include non-profit and mission-driven for-profit developers, other non-profit sponsoring agencies, tax credit limited partnerships and limited liability companies, and joint ventures among any of these entities. Government agencies are not eligible Applicants.

"Applicant Team": The entities required to be identified in an application in order to demonstrate that, collectively, they have the necessary experience, track record, and organizational good standing to develop, manage, operate and provide supportive services to the Project for which AHF funding is requested. The Applicant Team for a rental Project will typically include an entity with development capacity, property management capacity, and supportive services capacity. If the developer member of the Applicant Team for a rental Project is a for-profit company, the Applicant Team shall include a qualified nonprofit Managing General Partner.

“At-risk of Homelessness”: As provided by the McKinney-Vento Homeless Assistance Act as amended by Section 896 of the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009, an individual or family who:

(1) Has income below 30 percent of median income for the geographic area, as determined by HUD;
(2) Has insufficient resources or support networks immediately available to attain housing stability; and
(3) Meets one of the following conditions:
    (a) Has moved frequently (two or more times during a 60-day period) because of economic reasons; ***or***
    (b) Is living in the home of another because of economic hardship; ***or***
    (c) Has been notified in writing that their right to occupy their current housing or living situation will be terminated; ***or***
    (d) Lives in a hotel or motel and the cost is not paid for by a charitable organization or by Federal, State, or local government programs for low-income individuals; ***or***
    (e) Lives in severely overcrowded (more than two (2) people per bedroom or sleeping area such as a living room) housing; ***or***
    (f) Is exiting a publicly-funded institution or system of care; ***or***
    (g) Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness.

“Award Letter”: The letter from DOH informing the Applicant that the San Mateo County Board of Supervisors has authorized a specific award amount from a specific funding source to a Project selected for funding under this AHF NOFA.

“Award Letter Date: The date of the DOH Award Letter under the AHF 12.5 NOFA, expected to be on or before January 31, 2024, which is used as a starting point to estimate the number of months before a Project will be ready to commence construction.

“Borrower”: The entity which will own and operate the Project and execute the Loan Agreement, Deed of Trust, Regulatory Agreement and Promissory Note implementing the terms of the Award Letter issued by DOH. If the Applicant is not the Borrower, the Applicant may assign the Award Letter to the Borrower entity only with DOH’s written approval. DOH may withhold its approval of this assignment if the Borrower is not an entity wholly owned or controlled by the Applicant or an affiliate of an entity owned or controlled by the Applicant.

“Behavioral Health and Recovery Services” or “BHRS”: A division of the County Health System which provides a broad spectrum of services for children, youth, families, adults and older adults for the prevention, early intervention and treatment of mental illness and/or substance use conditions.

“Capital Replacement Reserve”: A reserve for capital replacements of the Project improvements in an amount of $500 per Unit per year, and any changes to the amount deposited into this replacement reserve shall require DOH approval. Exceptions may be granted to address the requirements of other lenders or investors in the Project. Replacement reserve deposit amounts for rehabilitation Projects must be based on a twenty- year physical needs assessment of the Project, after accounting for the balance of any existing reserves.

"Capitalized Operating Reserve": Funding set aside at the beginning of a rental Project and included in the proposed development budget sufficient to cover three months operating expenses and debt service.

"Capitalized Operating Subsidy Reserve (COSR)": Funding set-aside at the beginning of a Supportive Housing Project and included in the proposed development budget to cover operating deficits projected to result from lower rents, higher vacancies, and higher supportive services costs because the Project includes Supportive Housing Units.

"CDLAC": The California Debt Limit Allocation Committee responsible for allocating tax-exempt bonds to affordable housing projects.

"Chronically Homeless": As defined in section 401(2) of the McKinney-Vento Homeless Assistance Act as amended, an individual or family who:

(1) Is homeless and lives or resides in a place not meant for human habitation, a safe haven, or in an emergency shelter;
(2) Has been homeless and living or residing in a place not meant for human habitation, a safe haven, or in an emergency shelter continuously for at least a (1) year or on at least four (4) separate occasions in the last three (3) years; and
(3) Has an adult head of household (or a minor head of household if no adult is present in the household) with a diagnosable substance use disorder, serious mental illness, developmental disability (as defined in section 102 of the Developmental Disabilities Assistance and Bill of Rights Act of 2000 (42 U.S.C. 15002)), post-traumatic stress disorder, cognitive impairments resulting from a brain injury, or chronic physical illness or disability, including the co-occurrence of two (2) or more of those conditions.

A person who currently lives or resides in an institutional care facility, including a jail, substance abuse or mental health treatment facility, hospital or other similar facility, and has resided there for fewer than 90 days shall be considered chronically homeless if such person meets all of the requirements described above prior to entering that facility.

"Coordinated Entry System" or "CES": San Mateo County's coordinated process for homeless participant intake, assessment, and provision of referrals to the most appropriate housing solutions. The County Human Services Agency's Center on Homelessness is the lead agency for administration of the CES.

"Construction Expenses: The cost of demolition; on- and off-site improvements; architectural and engineering fees, local permit and impact fees, legal fees, eligible consultant and professional fees, construction period interest, property taxes and insurance; and construction of new residential Units (or rehabilitation of existing residential Units) and non-commercial common areas that are an integral part of a residential development and eligible to be included in basis for purposes of the Low-Income Housing Tax Credit; and other direct construction costs.

"CTCAC": The California Tax Credit Allocation Committee responsible for making awards of Low-Income Housing Tax Credits to affordable housing projects.

“Deed of Trust”: The recorded deed of trust executed by Borrower in favor of DOH which describes the real property interest which secures the repayment of the DOH Loan and DOH’s remedies in the event of Borrower’s breach of the Loan Agreement or Note.

“Disabled Family/Household/Person with Disabilities”: For any Units benefiting under this NOFA from a federal housing program, this NOFA follows the U.S. Department of Housing and Urban Development’s (HUD) definition of a disabled family. Disabled family means a family whose head (including co-head), spouse, or sole member is a person with a disability. A disabled household may include two or more persons with disabilities living together, or one or more persons with disabilities living with one or more live-in aides (24 CFR 5.403). As defined in section 5.403, a person with disabilities means a person who:

(1) Has a disability as defined in Section 223 of the Social Security Act (42 U.S.C.423), or
(2) Is determined by HUD regulations to have a physical, mental or emotional impairment that:
    a. Is expected to be of long, continued, and indefinite duration;
    b. Substantially impedes his or her ability to live independently; and
    c. Is of such a nature that such ability could be improved by more suitable housing conditions, or
(3) Has a developmental disability as defined in Section 102 of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(5)).

The HUD definition of a person with disabilities includes persons who have the disease acquired immunodeficiency syndrome (AIDS) or any conditions arising from the etiologic agent for acquired immunodeficiency syndrome (HIV). However, for the purpose of qualifying for low-income housing, the definition of disability does not include a person whose disability is based solely on any drug or alcohol dependence.

For any Units not benefiting from a federal housing program, this NOFA generally follows the HUD definition of “disability” except that “developmental disability” is defined under the California Lanterman Act for Developmental Disabilities Services set forth in the Welfare & Institutions Code. Additional qualifications may apply to other kinds of disabilities targeted for Supportive Housing Units under this NOFA, including Mental Health Services Act and Housing for a Healthy California Act.

This NOFA generally follows HUD guidance prohibiting a preference for a specific type of disability but allowing (a) a preference for physically adapted Units for people who need that mobility or communication accommodation and (b) a preference for Supportive Housing Units with specific supportive services for people with disabilities who need those tailored supportive services to acquire and retain stable housing.

“DOH” or the “Department:” The County of San Mateo Department of Housing.

“Developer” or “Project Developer:” The entity listed in the application for this NOFA as responsible for completing the acquisition, entitlement, financing and construction of the Project and selecting, contracting with and monitoring a qualified property management company and supportive services provider.

“Developer, Partnership Management and Asset Management Fees”: Reasonable fees paid to the Developer or a general partner of the Borrower entity that will own and operate the Project to compensate for the time, effort and risk of developing and operating the Project. Such fees will generally be deemed “reasonable” in the case of rental Projects if they are within the limits for such fees imposed by CTCAC and comply with DOH Underwriting Policies. Developer fees for FTHO Projects will be limited to reasonable fees determined by DOH in its discretion.

“Elderly Household”: A household headed by a person 62 years of age or older.

“Eligible Project” types: The three types of affordable multi-family housing Projects solicited under this NOFA, limited to New Construction Rental (“NCR”), Re-syndication Rehabilitation Rental (“RRR”), and New Construction First Time Home Ownership (“FTHO”). Applications for ineligible types of affordable housing will not be accepted or evaluated for funding under this NOFA.

“Emerging Developer”: An entity that has developed, owned, or operated at least one (1) but not more than three (3) affordable housing developments that are equivalent to the proposed affordable housing development in size, scale, amenity, and target population, as determined by DOH in its reasonable discretion. DOH may determine the experience of an Emerging Developer by evaluating the experience of the entity itself, and/or the experience of senior staff within the organization.

“Extremely Low-Income (ELI) Unit”: A Unit targeted to a household with income up to 30% of the Area Median Income (AMI) adjusted for household size with rent restricted to be affordable to that income level adjusted for Unit size, as published annually by CTCAC and HUD and posted on the DOH website.

“Farmworker Project”: A Project with at least 25 percent of the Units available to, and occupied by, Agricultural Households. Farmworker Projects shall provide appropriate oral and written linguistic services and publications. The Applicant must also document that there is sufficient demand for Agricultural Household units in the area served by the Project.

“Frail Elderly Household: An elderly household that is homeless or at-risk of being homeless and exiting a nursing or long-term care facility, or at immediate risk of entering long-term care, but who would be able to remain in an independent living situation with some support.

“HHC-Eligible Population:” An individual or family who meet all of the following state Housing for a Healthy California (“HHC”) requirements:

(1) Is experiencing
    a. chronic homelessness or
    b. homelessness and is a High-cost health user upon initial eligibility; and
(2) Is a Medi-Cal beneficiary or is eligible for Medi-Cal; and
(3) Is eligible to receive services under a program promoting housing stability for persons with disabilities, including, but not limited to, the following:
    a. The Whole Person Care pilot program, or successor program; or
    b. Other appropriate Health System program.
(4) Is likely to improve his or her health conditions with Supportive Housing.

“HOME-ARP Qualifying Populations”: Four categories of people eligible to apply for a HOME-ARP Unit, including (1) People experiencing Homelessness as defined above; (2) People fleeing or attempting to flee domestic violence or human trafficking even if they do not meet the HUD definition of Homelessness; (3) People at Risk of Homelessness; and (4) Specific Groups experiencing Housing Instability, including formerly homeless people whose housing is unstable because of limited rental assistance or inadequate supportive services; Extremely Low-Income people who are severely rent-burdened; and Very Low-Income people who meet at least one of the conditions for being At Risk of Homelessness. Veterans are included in all four of these Qualifying Populations. See Appendix B for a summary of HOME-ARP funding terms and conditions.

"Homelessness or Homeless": Relying on the HUD definitions of homelessness found in 24 CFR 91.5, this includes the four "categories" of homelessness set forth below:

Category 1: Literally Homeless referring to a person or family who lacks a fixed, regular, and adequate nighttime residence, meaning any of the following:

(a) They have a primary nighttime residence that is a public or private place not meant for human habitation (for example, a vehicle, park, abandoned building, bus or train station, airport, or camping ground); or

(b) They are living in a publicly- or privately-operated shelter designated to provide temporary living arrangements (including congregate shelters, non-congregate shelters, interim housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs); or

(c) They are exiting an institution where they resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution.

Category 2: At Imminent Risk of Homelessness referring to a person or family who will imminently lose their primary nighttime residence, meaning all of the following: (i) Their residence will be lost within 14 days of the date of their application for homelessness assistance; (ii) They have not identified a subsequent residence; and (iii) They lack the resources and support networks needed to obtain other permanent housing.

Category 3: Unaccompanied Youth and Families with Children referring to an unaccompanied youth or family with children who are deemed homeless by another federal agency (such as Department of Education) and meet all the following:

(a) They have not been on a lease or occupancy agreement or owned a residence in the prior 90 days;
(b) They have moved three or more times in the prior 90 days; and
(c) They have one or more of the following conditions:
  (I) chronic disabilities
  (II) chronic physical or mental health conditions
  (III) substance addiction
  (IV) histories of domestic violence or childhood abuse
  (V) child with a disability
  (VI) two or more barriers to employment, which include lack of a high school degree or GED, illiteracy, low English proficiency, history of incarceration, history of unstable employment

Category 4: Domestic Violence referring to a person or family who meets all of the following criteria: (i) They are fleeing or attempting to flee domestic violence, which includes but is not limited to sexual violence, dating violence, stalking, and human trafficking; (ii) They have no other residence; and (iii) They lack the resources and support networks needed to obtain other permanent housing.

“Household”. A household is a group of one or more persons who live together. A single person living alone is considered a household.

“Large Family Project”: A Project in which at least 25% of the Units are three-bedroom or larger Units and at least an additional 25% of the Units are two-bedroom or larger Units.

“Loan Agreement”: The contract between Borrower and DOH, executed by both parties, describing the duties, conditions, and obligations of each party in connection with an AHF 12.5 loan.

“Low-Income Unit”: A Unit targeted to a household with income up to 80% of the Area Median Income (AMI) adjusted for household size with rent restricted to be affordable to that income level adjusted for Unit size, as published annually by CTCAC and HUD and posted on the DOH website.

“Lower Income Unit”: A Unit targeted to a household with income up to 60% of the Area Median Income (AMI) adjusted for household size with rent restricted to be affordable to that income level adjusted for Unit size, as published annually by CTCAC and HUD and posted on the DOH website.

“Marketing Plan”: For the purposes of this NOFA, a Marketing Plan is the Borrower’s plan for marketing the Project, to ensure that target populations, countywide and local residents and workforce populations will be aware of the housing opportunities in the Project. The Marketing Plan should include information on Borrower's plan to: (i) affirmatively market the Development to income-eligible households, particularly the populations least likely to know about the housing opportunity and (ii) comply with fair housing laws.

“Mental Health Service Act Units” or "MHSA-Units”: Units subject to a preference for households who qualify under the MHSA Housing Program who are seriously mentally ill and homeless or at risk of homelessness. Units targeted for MHSA-Eligible Households will be filled by referrals from BHRS. See Appendix B for a description of MHSA funding terms and conditions.

“Minority-Owned Business Enterprise” or "MBE": A business which is at least 51% owned by minority-group individuals or, in the case of a publicly owned business, at least 51% of the stock is owned by one or more such individuals. Minority group members are United States citizens or permanent residents who are Asian-Indian, Asian-Pacific, Black, Hispanic and Native American.

“Moderate Income Unit”: A Unit targeted to a household earning up to 120% of the Area Median Income (AMI) adjusted for household size with rent restricted to be affordable to that income level adjusted for Unit size, as published annually by CTCAC and HUD and posted on the DOH website.

“New Construction First-Time Homeownership” (FTHO) Project”: Multi-family new-construction deed-restricted permanent homeownership housing Project in which all residential Units are targeted to first-time homebuyers with Moderate Incomes or lower, where the term of occupancy is not time-limited and where the affordability of each Unit is maintained through homebuyer’s execution of a restrictive covenant. This includes a Project consisting of at least 20 new manufactured homes for sale to first-time homeowners.

“New Construction Rental (NCR) Project”: New-construction deed-restricted permanent multifamily rental housing Project where the tenants rent their units subject to income and rent restrictions and their term of occupancy is not time-limited. This includes a Project consisting of at least 20 new manufactured homes for rent.

“Note or Promissory Note”: The promissory note executed by Borrower in favor of DOH describing the terms and repayment provisions of an AHF loan.

“Predevelopment Expenses”: Expenses necessary to prepare a Project to begin construction or rehabilitation, including but not limited to, obtaining an appraisal; undertaking a market study; undertaking environmental reviews including a Phase I report, Phase II report, and NEPA report; undertaking soils and topographic surveys; undertaking a traffic study; applying for and submitting funding applications; obtaining preliminary construction cost estimates; obtaining design development documents; and obtaining construction documents.

“Project”: A multifamily affordable permanent housing project that is an Eligible Project type and the subject of an application under this NOFA.

“Relocation Expenses”: Expenses incurred under the Uniform Relocation Act to provide persons and businesses displaced by the Project with eligible relocation advisory services and payments.

“Re-syndication of an Existing Low-Income Housing Tax Credit (LIHTC) Property with Rehabilitation for Rental (RRR) Project”: An existing deed-restricted permanent multifamily rental housing previously financed with Low Income Housing Tax Credits (LIHTC) which the Applicant intends to rehabilitate with the proceeds of a new award of LIHTC and continue to rent the Units to income-qualifying households.

“Site Acquisition Expenses”: Expenses necessary to complete the purchase or rental of a site on which the Project will be developed, such as appraisals, purchase agreement deposits, option payments, other site control costs, the purchase price of the site, repayment of the loan(s) that originally financed the purchase of the site (i.e., take- out financing), and other acquisition costs such as buyer’s share of closing costs, site clearance, environmental remediation costs associated with environmental hazards, and preliminary site grading in preparation for construction of the Units. DOH will not disburse funds for acquisition costs for the land and improvements in excess of the value of the property appraised within six months of disbursement.

“Supportive Housing Project”: A Project that exceeds the Homelessness Preference Threshold Requirement by designating at least 20% of the Project’s total Units as Supportive Housing Units (in addition to the 5% of the Project’s total Units necessary to satisfy the Homelessness Preference Threshold Requirement). A Supportive Housing Project must provide coordinated on-site and off-site supportive housing services tailored to the needs of the targeted special needs households, including but not limited to case management, health services, independent living skills, or other assistance that will help the targeted special needs household become and remain successfully housed. Supportive Housing Units must be supported by a minimum services budget of $1,000 Per Unit Per Annum for each Supportive Housing Unit. Participation in supportive services and programs shall be voluntary, and a resident of a Supportive Housing Project shall not be required to receive supportive services as a condition of tenancy if the household is able to maintain their tenancy without such services.

“Supportive Housing Unit”: A Unit that is subject to a preference for one or more of the following special needs populations as defined in this Appendix A: Homeless households; Chronically Homeless households; At-risk-of Homelessness households; Disabled Families/Households/Persons with

Disabilities; Frail Elderly; Duals Demo Households; HHC (Housing Healthy California) Households; MHSA (Mental Health Services Act) Households; HOME-ARP Qualifying Populations; and Youth Transitioning out of Foster Care. Veterans qualify for Supportive Housing Units if they fall within one of the other identified Supportive Housing populations, but Supportive Housing Units may not be limited to Veterans unless required by an award of HUD-VASH Project-Based Vouchers, state Veterans Housing and Homelessness Program (VHHP) funding, or other funding or long-term lease commitment limited to Veterans housing.

“Tenant-Based Rental Subsidy”: A rental subsidy that is awarded a household to use at housing of their choice, instead of attaching to a specific Unit or a specific Project.

“Tenant Selection Plan”: The Borrower’s written policies and criteria for selecting tenants for the Project to ensure that the leasing of the Project will be conducted in a manner that provides fair and equal access under the law. The Tenant Selection Plan may be submitted with the Marketing Plan and should include information on Borrower's plan to: (i) limit occupancy to income-eligible households, (ii) describe any preferences which the Project will implement; (iii) give notice to applicants of rejection and grounds for rejection, (iv) manage applicants on a wait list for occupancy in the Project, (v) utilize Doorway, the County’s affordable housing listings portal, (vi) provide for any specialized referral methods needed for Supportive Housing Units to ensure coordination of housing with supportive services; and (vi) comply with Fair Housing laws.

“Unincorporated San Mateo County” All areas in San Mateo County that are not within incorporated city boundaries.

“Unit”: A residential dwelling Unit containing a kitchen and bathroom(s) for which the resident is required to pay some or all of the rent or purchase price. A studio/efficiency Unit qualifies as a Unit under the AHF 12.5 NOFA, but a Single Room Occupancy (SRO) unit lacking a kitchen or bathroom will not qualify unless approved by DOH.

“Very Low-Income (ELI) Unit”: A Unit targeted to a household with income up to 50% of the Area Median Income (AMI) with rent restricted to be affordable to that income level adjusted for Unit size, as published annually by CTCAC and HUD and posted on the DOH website.

“Veterans”: People who have served in the U.S. armed forces and includes veterans who qualify for the Veterans Housing and Homelessness Prevention program because of their discharge status.

“Women-Owned Business Enterprise” or “WBE”: For the purposes of this NOFA, WBE is a business enterprise in which at least fifty-one percent (51%) is owned, operated and controlled by citizens or permanent residents who are women.

“Youth Transitioning Out of Foster Care”: People between the ages of 18 and 24 who are in transition from state custody or foster care and are at-risk of homelessness.

Appendix B

DESCRIPTION OF AHF 12.5 FUNDING SOURCES

I. **MEASURE K**

A. Legal Authority for the Award of Measure K Funds for Affordable Housing. Measure K is a countywide half-cent sales tax extension passed by San Mateo County voters in November 2016 to support essential County services and to maintain or replace critical facilities, providing local funds for local needs. "Providing affordable homes for seniors, veterans, individuals with disabilities and families" is one of the stated priorities of Measure K. As part of its annual budget development process, the San Mateo County Board of Supervisors considers departmental requests for Measure K funding for stated priorities.. The Measure K Oversight Committee ensures the preparation and review of an annual audit of Measure K expenditures. https://www.smcgov.org/ceo/measure-k-oversight-committee. By resolution dated June 11, 2024, the Director of the Department of Housing has been delegated final authority to make awards under the AHF 12.5 Supplemental NOFA, with no further action required by the County's Housing and Community Development Committee or Board of Supervisors.

B. Conditions of Measure K Funding. The AHF 12.5 NOFA describes the conditions for receiving a Measure K award for affordable housing development and preservation, and Appendix D summarizes the expected Loan Terms, Regulatory Agreement, Underwriting Policies and Compliance Monitoring. Some DOH contract provisions implement federal restrictions which the County has adopted as a matter of public policy in its loan terms and loan documents. These include but are not limited to:

A. MBE/WBE contracting
B. Section 3 hiring
C. Uniform Re-location Act
D. Non-discrimination and Affirmatively Furthering Fair Housing Laws
E. Violence against Women Act
F. Right to Report from Home Act
G. Americans with Disabilities Act
H. Section 504 of the Rehabilitation Act.

There are other significant federal restrictions which the County has not incorporated in its contract documents, including the Davis-Bacon wage requirements, the Build America Buy America Act (BABAA) and the National Environmental Protection Act (NEPA). These only apply to Projects that use certain federal housing finance programs.

C. Addressing Homelessness and Other High Priority Needs. The County requires that at least 5% of a Project's Low-Income Units target people experiencing Homelessness and at least an additional 15% of a Project's Low-Income Units target affordability that does not exceed the Extremely Low-Income level. In addition, the County uses a competitive scoring rubric to prioritize the award of Measure K funds to Projects that exceed these Threshold Requirements by providing greater affordability and more Supportive Housing Units for vulnerable people who need both stable housing and coordinated supportive services. This prioritization is based on the County's experience that the critical safety net services offered to vulnerable people by the County Human Services Agency, the Behavioral Health and Recovery Services Agency, the Health Plan of San Mateo County and the Golden Gate Regional Center have a measurably greater impact when coordinated with stable affordable housing and that the stability of a vulnerable household's affordable housing is increased by the coordination of appropriate supportive services. The County also prioritizes the award of Measure K funds to Farmworker Projects and Large Family Projects.

IMPACT FEES

The County of San Mateo collects certain development impact fees because of the nexus between certain types of new development and the need for affordable housing. AHF 12.5 NOFA makes available $300,000 in Impact Fees to be awarded on the same terms and conditions as awards of Measure K funds.

II. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

A. Legal Authority for the Award of CDBG Funds for Affordable Housing. Authorized under Title I of the Housing and Community Development Act of 1974, CDBG is a federal block grant program awarded annually to states and local entitlement jurisdictions, including San Mateo County, for the development of viable communities principally for Low-Income and Moderate-Income (LMI) households. The creation of "decent housing" fulfills one of the CDBG program's National Objectives when at least 51% of the Project's Units will benefit LMI households. San Mateo County's CDBG funds are administered by DOH and implement the County's HUD-approved Consolidated Plan. The CDBG regulations can be found at 24 CFR Part 570.

B. Conditions of CDBG Funding. CDBG funds can be used for direct homeowner assistance (loans, grants, down payment and closing cost assistance.) CDBG funds can also be used to rehabilitate multi-family housing (rental or homeownership) but cannot be used for the hard or soft costs of new construction except in connection with a neighborhood revitalization, community economic development, or energy conservation project led by an organization designated as a Community-Based Development Organization (CBDO). Therefore, NCR and FTHO Projects may apply for CDBG funds but only for the cost of Site Acquisition carried out by a public or nonprofit entity unless their Project meets the narrow conditions available for new construction carried out by a CBDO.

Furthermore, at least 51% of the Units in a Project benefiting from an award of CDBG funds must be targeted to LMI households. CDBG restrictions apply to the entire Project (not to specific assisted Units) but income and rent restrictions are only enforced at the time of initial occupancy.

C. Significant Federal Requirements that Apply to CDBG-funded Projects

DOH has incorporated a number of federal requirements in its standard Loan Agreement for an award of local Measure K funds. However, there are some federal restrictions that are not incorporated but would apply because of a Project's use of CDBG funds. These include but are not limited to:

(1) **Davis-Bacon Act**. A Project using CDBG funds for construction or rehabilitation costs must comply with the obligation to pay prevailing wages as required by the Davis-Bacon Act and Related Acts when Davis-Bacon prevailing wages would exceed local and state prevailing wage requirements to which the Project is also subject.
(2) **Build America Buy America Act.** HUD has applied the Build America Buy America Act (BABAA) to projects receiving $250,000 or more of CDBG or any other federal assistance. The Buy America Preference is initially subject to iron and steel procurement but will be phased in to apply to other

construction materials and manufactured products. For more information on specific requirements and the timeline for rolling out these additional requirements, please see https://www.hud.gov/program_offices/general_counsel/BABA.

(3) **National Environmental Policy Act.** CDBG-funded Projects must comply with the National Environmental Policy Act (NEPA). DOH is the Responsible Entity for certifying a Project's compliance with NEPA to the U.S. Department of Housing and Urban Development. A Project that receives an award of funds that triggers NEPA must immediately cease all "choice-limiting" activities until the NEPA clearance is received from HUD.

Recipients of CDBG funds must also comply with 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements.

III. HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

A. Legal Authority for the Award of HOME Funds. The HOME Program is a federal block grant program designed to increase the supply of decent, affordable housing to low and very low-income households. DOH administers an annual award of HOME funds on behalf of the San Mateo County HOME Consortium pursuant to Title II of the Cranston Gonzales National Affordable Housing Act of 1990. HOME funds implement the County's HUD-approved Consolidated Plan. The federal regulations that govern the HOME Program are found at 24 CFR Part 92.

B. Conditions of HOME Funding. The three Eligible Project types (NCR, RRR, and FTHO) included under this AHF 12.5 NOFA are eligible to receive HOME funds. HOME funds can be used for new construction of both rental and ownership housing, as well as rehabilitation of an existing structure. Acquisition of vacant land or demolition of an existing structure can only be funded with HOME funds if construction will commence within 12 months. Re-location assistance required under the Uniform Relocation Act is an eligible use of HOME funds. HOME funds may be used to capitalize an operating deficit reserve for NCR and RRR Projects but only for the initial rent up period, up to 18 months. Reasonable soft costs are also eligible uses of HOME funds.

HOME-assisted Projects are subject to a subsidy layering review to establish that the Project is not over-subsidized. After the first 12 months following Project completion have passed, a Project that has already received an award of HOME funds may not receive a subsequent HOME award. The minimum award of HOME funds for a Project is $1,000 multiplied by the number of HOME-Assisted Units in the Project. In a mixed-income Project, the costs of the HOME-assisted Units can be pro-rated as a portion of the TDC if the Units are comparable in size and amenities. However, in no event can the amount of HOME subsidy exceed the maximum per unit subsidy amount adjusted for unit size as released annually by HUD.

HOME funds are targeted to create Units with income and rent limits for Lower-Income and Very Low-Income Households or lower throughout the affordability period. A Project's HOME-assisted Units must be occupied by households with incomes at or below 60% AMI and, in the case of a Project with five or more HOME-assisted Units, at least 20% of the Project's HOME-assisted Units must be occupied by Very Low-Income households or lower. Lower-Income HOME Units may be designated for "High HOME rents" (up to 65% of Area Median Income). HOME-assisted Units may be designated as "floating" to facilitate compliance over time with income and rent restrictions if the Units to which the HOME designation would float are comparable in size, quality and amenities. A Project financed with both HOME funds and Low-

Income Housing Tax Credits must use the Section 8 annual gross income definition (known as Part 5) to determine qualifying household income.

Income and rent limits must be imposed on HOME-Assisted Units for a minimum period of affordability. For NCR projects, the minimum period of affordability is 20 years: for RRR projects, the minimum period of affordability is 15 years: and for FTHO Projects the minimum period of affordability ranges from 5 years to 15 years depending on the amount of HOME funds awarded per Unit. For FTHO Projects assisted with HOME funds, the maximum purchase price of the home may not exceed 95% of the median purchase price of homes purchase in the area. Affordability and other restrictions that expire at the end of any HOME period of restrictions will be replaced by the County's Measure K income and rent restrictions for the balance of the 55-year term.

DOH must provide a 25% match for any HOME funds committed to a Project, which DOH expects to satisfy by awarding Measure K funds to HOME-eligible Projects under AHF 12.5, including HOME-eligible Projects that do not receive an actual HOME award. DOH is also responsible to award at least 15% of the HOME Consortium's HOME funds to Projects sponsored by Community Housing Development Organizations (CHDOs). DOH encourages applications from organizations that have qualified as CHDOs under the HOME program.

C. Significant Federal Requirements that Apply to HOME-funded Projects

DOH has incorporated a number of federal requirements in its standard Loan Agreement for an award of Measure K funds. However, there are some federal restrictions that are not incorporated in the County's standard Loan Agreement but would apply because of the Project's use of HOME funds. These include but are not limited to:

(1) **Davis-Bacon Act**. A Project using HOME funds for construction or rehabilitation costs of 12 or more Units must comply with the obligation to pay local prevailing wages as required by the Davis-Bacon Act and Related Acts.
(2) **Build America Buy America Act.** HUD has delayed the application of the Build America Buy America Act (BABAA) to HOME-funded projects but Applicants intending to use HOME funds for the purchase of a Project's iron, steel and other construction materials should monitor HUD's plan for phasing in BABAA. For more information on specific requirements and the timeline for rolling out these requirements, please see https://www.hud.gov/program_offices/general_counsel/BABA
(3) **National Environmental Policy Act.** HOME-funded Projects must comply with the National Environmental Policy Act (NEPA). DOH is the Responsible Entity for certifying a Project's compliance with NEPA to the U.S. Department of Housing and Urban Development. A Project that receives an award of funds that triggers NEPA must immediately cease all "choice-limiting" activities until the NEPA clearance is received from HUD.

Recipients of HOME funds must also comply with 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements.

IV. HOME-AMERICAN RESCUE PLAN (HOME-ARP)

A. Legal Authority for the Award of HOME-ARP. The San Mateo County HOME Consortium received a one-time award of federal housing funds under the HOME-American Rescue Plan (HOME-ARP) Program, pursuant to the 2021 American Rescue Plan Act. In March 2023, HUD approved San Mateo County's HOME-ARP Allocation Plan which would dedicate approximately $4,403,212 of HOME-ARP funds to the construction of permanent affordable rental housing for the HOME-ARP "qualifying populations" with a preference for people experiencing homelessness. HOME-ARP requirements are found at 21-CPD-10 and San Mateo County's HOME-ARP Allocation Plan is available on the DOH website.

B. Conditions of HOME-ARP Funding. New Construction Rental (NCR) Projects are eligible to use HOME-ARP funds. HOME-ARP funds can generally be used for the same kinds of costs as HOME funds except that, in contrast with the HOME program, which limits the amount of funds that can be used to capitalize an operating subsidy reserve, HOME-ARP funds may be used to capitalize an operating subsidy reserve (COSR) in an amount needed to cover projected operating deficits for the entire period of the HOME-ARP Unit restrictions.

HOME-ARP Units are restricted to occupancy by four Qualifying Populations: households experiencing Homelessness, households At Risk of Homelessness; households fleeing or attempting to flee domestic violence, sexual assault, dating violence, and human trafficking; and specific populations at greatest risk of housing instability. The San Mateo County HOME Consortium's HOME-ARP Allocation Plan calls for all four Qualifying Populations to be eligible for the HOME-ARP Units, but for a preference to be granted for people experiencing Homelessness. This Homelessness preference is not limited to referrals from the County's Coordinated Entry System (CES).

Like HOME funds, HOME-ARP funds restrict specific HOME-ARP Units. HOME-ARP restricts rent for HOME-ARP assisted Units to the Very Low-Income level of affordability. However, because of the ability to use HOME-ARP funds for a longer-term Capitalized Operating Subsidy Reserve than is possible under the HOME program, DOH encourages applications that would use HOME-ARP funds to create a Capitalized Operating Subsidy Reserve that would support more deeply affordable Supportive Housing Units than the Very Low Income affordability level required by HOME-ARP.

Under the terms of the HOME-ARP Allocation Plan, DOH expects to award between $150,000 to $200,000 in HOME-ARP funds per HOME-ARP Unit as needed to support more deeply affordable Units for the Qualifying Populations, and there is no Project maximum except for the total amount of HOME-ARP funds available ($4,403,212).

HOME-ARP funds must be fully expended within four years of the award and in no event later than September 30, 2030. Deposit of funds in a COSR will meet this expenditure requirement subject to specific conditions.

C. Significant Federal Requirements that Apply to HOME-ARP-funded Projects

DOH has incorporated a number of federal requirements in its standard Loan Agreement for an award of Measure K funds. However, there are some federal restrictions that are not incorporated in the County's standard Loan Agreement but apply because of the Project's use of HOME-ARP funds. These include but are not limited to:

(1) **Davis-Bacon Act**. A Project using HOME-ARP funds for construction or rehabilitation costs must comply with the obligation to pay local prevailing wages as required by the Davis-Bacon Act and Related Acts.

(2) **Build America Buy America Act.** HUD has delayed the application of the Build America Buy America Act (BABAA) to HOME-ARP funded projects but Applicants intending to use HOME-ARP funds for the purchase of a Project's iron, steel and other construction materials should monitor HUD's plan for phasing in BABAA. For more information on specific requirements and the timeline for rolling out these requirements, please see https://www.hud.gov/program_offices/general_counsel/BABA.

(3) **National Environmental Policy Act.** HOME-ARP-funded Projects must comply with the National Environmental Policy Act (NEPA). DOH is the Responsible Entity for certifying a Project's compliance with NEPA to the U.S. Department of Housing and Urban Development. A Project that receives an award of funds that triggers NEPA must immediately cease all "choice-limiting" activities until the NEPA clearance is received from HUD.

Recipients of HOME-ARP funds must also comply with 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements.

V. RDA Housing Trust Fund

A. Legal Authority for the Award of RDA Housing Trust Fund

In 2013, the San Mateo County Board of Supervisors launched the Affordable Housing Fund by making available Low-Income Housing Trust Fund dollars remaining at the time of the state's dissolution of the Redevelopment Agencies in California. Seventy-five per cent of these funds were to be awarded to affordable rental housing projects located in cities that once had a Redevelopment Agency. Due to projects not claiming amounts reserved for them, there remains a balance of $2.2 million from this source.

B. Conditions

Conditions on the use of RDA Housing Trust Fund proceeds include:

(1) Homeownership projects are **not** an Eligible Project type for the RDA funding.

(2) Affordable rental projects must be **located in a city that once included a Redevelopment Agency** except that "small-scale" rental projects designed wholly for special needs populations are not required to in city that once included a Redevelopment Agency.

(3) A percentage of the Units in an affordable rental Project must be targeted for people experiencing homelessness or other special needs populations.

(4) Funds must be spent within five years of an award.

The following cities in San Mateo County previously had a Redevelopment Agency:

- Belmont
- Brisbane
- Daly City
- East Palo Alto
- Foster City
- Menlo Park
- Millbrae
- Pacifica
- Redwood City
- San Bruno
- San Carlos

- San Mateo
- South San Francisco

VI. Local Housing Trust Fund

A. Legal Authority for the Award of Local Housing Trust Fund. A Local Housing Trust Fund (LHTF) allocation is made to the County's Affordable Housing Fund by the California Department of Housing and Community Development ("California HCD") pursuant to California Health and Safety Code Section 50843.5(a). The LHTF award is contingent on the Project receiving at least a dollar for dollar match of Measure K funding and complying with LHTF Program Guidelines found at https://www.hcd.ca.gov/grants-funding/active-funding/lhtf/docs/2020-Final-Guidelines.pdf and the additional restrictions of the Standard Agreement between the County and California HCD ("HCD LHTF Agreement"). An award of LHTF funding to a specific project requires approval of California HCD.

B. Conditions of LHTF Funding

(1) The Project is a new construction affordable rental housing project.

(2) The Project will receive an AHF Measure K award loan from the County greater than the minimum LHTF program's dollar for dollar matching requirement.

(3) In compliance with LHTF program requirements, the loan for the Project will:

(a) accrue 3% simple interest,

(b) be paid from Residual Receipts for a term of 55 years,

(c) be secured by a deed of trust,

(d) be subject to loan underwriting terms and conditions that meet the underwriting requirements for loans made with the proceeds of the LHTF program, and

(e) be subject to repayment directly to California HCD should the County Department of Housing no longer operate the Affordable Housing Fund.

(4) The Loan Agreement between the Borrower and the County sets forth the terms and conditions required to be met prior to the escrow for construction loan closing, which include, but are not limited to, requirements for escrow, title insurance, property insurance, compliance with environmental remediation requirements, and other Borrower responsibilities.

(5) The Project is subject to the Primary County Affordability Covenant, which will enforce the income and rent limits imposed by the LHTF program for a term of 55 years.

(6) LHTF program funds will only be used for eligible costs of the LHTF program, which include Pre-development, Acquisition, Construction, and Permanent Financing costs as defined for the eligible use of matching Measure K loan proceeds.

(7) As a condition of the loan of LHTF funds and the required matching funds for the Project, the Borrower shall execute and record a County Affordability Covenant which requires that 100% of the Project's Units shall be affordable to households with incomes not to exceed 60% of Area Median Income and any other income restrictions imposed as a result of the award of matching funds.

C. Additional Requirements

(1) The County requires auditing, reporting and monitoring visits necessary to verify the Project's compliance with the LHTF occupancy and rent requirements set forth in the Affordability Covenant.

(2) The Project shall be operated in accordance with the California Pet Friendly Housing Act, set forth in California Health and Safety Code Section 50466.

(3) The Borrower shall comply with state prevailing wage laws unless the Project is also subject to federal Davis Bacon wage laws, in which case the higher of the two wage standards shall govern the Project.

(4) In addition to local and federal housing discrimination, equal opportunity and Fair Housing laws, the Project is also subject to additional state laws prohibiting housing discrimination, requiring equal housing opportunity, and Fair Housing compliance.

(5) The Borrower shall acknowledge the assistance of the California Department of Housing and Community Development to the Project in any advertising, marketing, public presentations, press releases, written materials, or project descriptions. In addition, the Project must display signage as described below.

(a) The Borrower shall acknowledge California HCD's assistance to the Project by listing it as a funder on any temporary construction signage.

(b) Should the Project include any permanent plaques, signs or other markers identifying the Project's funders, the Borrower shall acknowledge California HCD's assistance to the Project by listing it as a funder.

VII. Permanent Local Housing Allocation

A. Legal Authority for Award of Permanent Local Housing Allocation Funds. An Award of Permanent Local Housing Allocation (PLHA) funds is made pursuant to a Standard Agreement between the County and the California Department of Housing and Community Development , which authorized the deposit of PLHA funds into the County's Affordable Housing Fund ("AHF") and the use of a portion of the PLHA funds for loans for specific qualifying AHF activities. In addition to complying with the requirements of the County's Affordable Housing Fund with respect to Measure K fund, the Borrower shall comply with additional PLHA program requirements applicable to borrowers of PLHA funds as set forth in PLHA Final Program Guidelines found at https://www.hcd.ca.gov/grants-funding/active-funding/docs/plha-final-guidelines-11-19.pdf, which may be updated periodically.

B. Conditions

(1) The Project must qualify under PLHA Activity 1 “Affordable Rental Housing”.

(2) PLHA funds may only be used for eligible costs as set forth below:

(a) The Project’s costs for Pre-development, Acquisition, Construction, and Permanent Financing as defined for the use of Measure K proceeds;

(b) The Project’s necessary operating subsidies are in an amount approved by the County;

(c) Capitalized reserves for services connected to the creation of new Permanent Supportive Housing represented in the Project are in an amount approved by the County.

(3)PLHA funds may not be disbursed until the County has secured California HCD’s approval of the loan documents and the construction loan closing.

(4) PLHA funds may only be used for reimbursable expenses incurred during allowable periods set forth in the Standard Agreement with California HCD. Any funds not expended within this eligible period must be returned to the County.

(5) The Project must apply the core components of Housing First practices described in Section 8255(b) of the California Welfare and Institutions Code and

(6) The Project must be maintained in habitable condition for the 55-year term of the PLHA loan.

(7) 100% of the Project’s Units shall be affordable to households with incomes not to exceed 60% of Area Median Income. This and any additional affordability restrictions agreed to as a condition of receiving PLHA funding shall be included in an Affordability Covenant for a term of at least 55 years from the Project Completion Date.

C. Additional Requirements

(1) The County will require reporting and monitoring visits necessary to verify the Project’s compliance with the PLHA occupancy and rent requirements set forth in the Affordability Covenant, compliance with PLHA reserve requirements, and compliance with PLHA habitability standards.

(2) The Project shall operate in accordance with the California Pet Friendly Housing Act, set forth in California Health and Safety Code Section 50466.

(3) The Borrower shall comply with state prevailing wage laws unless the Project is also subject to federal Davis Bacon wage laws, in which case the higher of the two wage standards shall govern the Project.

(4) In addition to local and federal housing discrimination, equal opportunity and Fair Housing laws, the Project is also subject to additional state laws prohibiting housing discrimination, requiring equal housing opportunity, and Fair Housing compliance.

VII. Mental Health Services Act (MHSA)

A. Overview

The San Mateo County Behavioral Health and Recovery Services (BHRS) and the County of San Mateo Department of Housing (DOH) have jointly agreed to collaborate in the creation of affordable housing units targeted to serve persons who are seriously mentallyill and homeless or at risk of homelessness. BHRS has agreed to contribute to the Affordable Housing Fund 12.5 (AHF 12.5) administered one-time Mental Health Services Act funds for this purpose ("MHSA funds"). Such contributed funds are for the purpose of financing the acquisition, development, and/or rehabilitation of permanent affordable supportive housing in the County for persons who are seriously mentally ill and homelessor at risk of homelessness with a minimum of 6 units per development. This use is an authorized purpose pursuant to W&I Code section 5892.5(a)and CCR 3630.5, 3630.10,3630.1.

B. Conditions of MHSA Funding

A borrower must satisfy the following conditions in order to be awarded a loan comprised in whole or in part of MHSA funds:

- A demonstrated interest in and commitment to the acquisition, rehabilitation and/or construction of housing in the County for persons who are seriously mentally ill and homeless or at risk of homelessness ("BHRS clients");
- An understanding that a certain number of Units must be restricted to persons who qualify under the MHSA Project Based Housing Program ("MHSA Units") for a period of 55 years, but MHSA Units of all sizes will be acceptable;
- An understanding that the MHSA Units will be floating units in order to ensure that the development maintains the initial number of the MHSA Units over time;
- A willingness to impose an affordability restriction on the MHSA Units for a minimum period of 55 years from the date of construction completion for Multifamily New-Construction Affordable Rental Housing Projects and Multifamily Re-Syndication-Rehabilitation Projects with MHSA Units restricted and affordable to households at or below 30% of

Area Median Income (AMI) for San Mateo County as published annually by the United States Department of Housing and Urban Development (HUD);

- An agreement to the following loan terms: 55-year term; 0%-3% simple interest, accrued and deferred; annual payments consisting of the lesser of: (a) 50% of residual receipts, or (b) equal annual payments amortized to pay the loan in full by Note maturity;subject to the affordability and occupancy restrictions identified above;
- A willingness to apply for rental and or operating subsidies from all other applicable and appropriate sources including project-based Section 8 and HUD McKinney programs and local rental subsidy programs when available;
- A willingness to maintain, tenant payment records, leasing records and/or financialinformation for audit by the California DCHS.

C. Use of MHSA Funds

The following are eligible uses of MHSA funds:

- Acquisition costs
- Pre-development costs
- Construction soft and hard costs

D. Other Terms

(1) It is recommended that the Applicant consult with BHRS prior to submitting a funding application.

(2) BHRS will execute a separate memorandum of understanding with the selected Borrower(s) regarding each party's role and responsibilities vis a vis support services, tenant selection, tenant referrals, etc. includingand/or subject to the following provisions:

a. Timeline for Execution: BHRS will ensure in the case of new construction and rehabilitation projects that this memorandum of understanding is executed within six months following the commencement of construction/rehabilitation work.

b. Tenant Selection: BHRS has developed a universal tenant referral and certification process and maintains a referral wait list of eligible clients. Oncea prospective tenant is referred by BHRS for an available unit, BHRS agreesthat the borrower, the property manager for the development with MHSA- restricted units, and the primary service provider will conduct the resident screening and selection for the MHSA-restricted units.

c. Unit Vacancy: BHRS agrees that when a BHRS client occupying an MHSA-restricted unit notifies the borrower that he/she is moving out, the borrowerwill then notify BHRS within seven days of notification. BHRS will thenprovide the name of at least three BHRS clients from the referral wait list, and the housing provider will screen the applicant using their usual screening selection criteria and notify BHRS of the outcome. If there is no viable BHRS client from the initial referrals, the next three appropriate referrals off the wait list will be provided. BHRS agrees to recertify BHRS clients on the wait list periodically to ensure that the referral list is current, candidates for housing can be located and those on the referral list remaineligible to enable the borrower to fill a vacancy and continue to collect rent for that MHSA-restricted unit.

d. Continuation of Services: BHRS agrees to provide mental health and substance use services and arrange with the selected borrower for the provision of additional housing-related support services (service coordination, transportation, development of skills to maintain housing, support on wellness, and recovery goals, etc.), to BHRS clients who are residents for a period of at least 20 years upon referral and acceptance of housing. BHRS further agrees that it will engage in good faith, reasonableefforts to continue providing services or arranging for the provision of services to BHRS clients who are residents through the remainder of the 55-year period of the Restrictive Covenant.

VIII. Moving to Work Reserve Funds

A. ELIGIBLE PROJECT COSTS

HACSM's Moving to Work reserve funds may only be used for the following eligible costs necessary for the acquisition, construction and rehabilitation of the Project:

(1) **Pre-development expenses,** which are necessary to prepare a Project to begin construction or rehabilitation, including but not limited to, obtaining an appraisal; undertaking a market study; undertaking environmental reviews including a Phase I report, Phase II report, and NEPA report; undertaking soils and topographic surveys; undertaking a traffic study; applying for and submitting funding applications; obtaining preliminary construction cost estimates; obtaining design development documents; and obtaining construction documents.

(2) **Site Acquisition expenses,** which are necessary to complete the purchase or rental of a site on which the Project will be developed, such as appraisals, purchase agreement deposits, option payments, other site control costs, the purchase price of the site, repayment of the loan(s) that originally financed the purchase of the site (i.e., take- out financing), and other acquisition costs such as buyer's share of closing costs, site clearance, environmental remediation costs associated with environmental hazards, and preliminary site grading in preparation for construction of the Units. DOH will not disburse funds for acquisition costs for the land and improvements in excess of the value of the property appraised within six months of disbursement.

(3) **Construction expenses,** including the cost of demolition; on- and off-site improvements; architectural and engineering fees, local permit and impact fees, legal fees, eligible consultant and professional fees, construction period interest, property taxes and insurance; and construction of new residential Units (or rehabilitation of existing residential Units) and non-- commercial common areas that are an integral part of a residential development and eligible to be included in basis for purposes of the Low-Income Housing Tax Credit; and other direct construction costs.

(4) **Re-location expenses** which are expenses incurred under the Uniform Relocation Act to provide persons and businesses displaced by the Project with eligible relocation advisory services and payments.

(5) **Capitalized Reserves** in amounts approved by the County as follows:

(a) **Capitalized Operating Reserve:** Funding set aside at the beginning of a rental Project and included in the proposed development budget sufficient to cover three months operating expenses and debt service.

(b) **Capitalized Operating Subsidy Reserve (COSR):** Funding set-aside at the beginning of a Supportive Housing Project and included in the proposed development budget to cover operating deficits projected to result from lower rents, higher vacancies, and higher supportive services costs because the Project includes Supportive Housing Units.

(c) **Capital Replacement Reserve:** A reserve for capital replacements of the Project improvements in an amount of $300 per Unit per year (increasing annually by three percent (3%)), and any changes to the amount deposited into this replacement reserve shall require DOH approval. Exceptions may be granted to address the requirements of other lenders or investors in the Project. Replacement reserve deposit amounts for rehabilitation Projects must be based on a twenty- year physical needs assessment of the Project, after accounting for the balance of any existing reserves.

(6) **Developer Fees,** consisting of all the categories of fees in the CTCAC definition of Developer Fees (Section 10302) subject to the following terms:

(a) The amount of Developer Fees may not exceed the maximum allowed by CTCAC for either a 9% LIHTC Project or 4% LIHTC Project as applicable. (See, 25 CCR Section 8312.)
(b) In the case of Projects not utilizing Low-Income Housing Tax Credits, the Developer Fees shall be reasonable in DOH's discretion comparing the Project to similar projects of that size and type.
(c) With respect to the cash portion of the Developer Fee, in an amount not to exceed Two Million Two Hundred Thousand Dollars ($2,200,000), the County has approved the following payment schedule: 20% at construction completion; and the balance no earlier than three months of stabilized occupancy.
(d) Any Developer Fee deferred for the purpose of paying other development costs is limited to the amount allowed to be deferred by CTCAC and may not be deferred for more than the deferral period allowed by CTCAC.
(e) With the exception of the Net Developer Fee, any portion of the Developer Fee approved for deferral will be paid from the Borrower's share of Residual Receipts.

(7) **Permanent Financing:** Long-term financing to which approved pre-development and construction loans will convert upon submission of all required documents to evidence satisfactory completion of construction, certificate of occupancy, and lease-up of a Project.

II. AFFORDABILITY RESTRICTIONS

(1) A Project must satisfy minimum standards of affordability described below:

(a) 100% of the total Units (excluding the manager's unit) must have income and rent restrictions for households up to Low Income (80% of Area Median Income).

(b) At least 15% of the total Units must have income and rent restrictions for households up to Extremely Low-Income (30% of Area Median Income). (These Units are in addition to the Units which must be Extremely Low-Income in order to meet the Homelessness Preference requirement described in Section Ill below.)

(2) If, as a condition of receiving an award of HACSM funding, the Project's affordability shall exceed the minimum County affordability requirements, then the Project shall be subject to those greater affordability restrictions.

(3) Income-restricted Units must establish rent limits adjusted for unit size which are affordable for that maximum income level, in accordance with U.S Department of Housing and Urban Development (HUD) or California Tax Credit Allocation Committee (CTCAC) income and rent limits, depending on the funding source that restricts the Units. Units not funded by CTCAC or HUD and Units funded both by CTCAC and HUD are subject to the more restrictive of CTCAC or HUD definitions. HUD and CTCAC income and rent limits for San Mateo County are updated periodically on the DOH website at https://www.smcgov.org/housing/income-rent-limits.

(4) After initial qualification and upon recertification of household income, a household occupying an assisted Unit may have its rent increased as a result of increases in household income, consistent with CTCAC requirements, as applicable, and in compliance with applicable laws and regulations governing rent adjustments.

(5) Upon recertification of household income, if a household no longer qualifies to occupy its Unit at the initially targeted affordability level for that Unit, then the next available comparable Unit shall become designated for households at the same initially targeted affordability level as the recertified household's Unit. The objective is to ensure the Project maintains over time the initial Unit Affordability Matrix set forth in Section 1.8 of Attachment A.

(6) The affordability restrictions shall be set forth in a regulatory agreement between the Borrower and the County with a 55-year term executed and recorded in the real property records of the County of San Mateo, which shall be subject to specific performance and have a second lien position on the Property, behind only the regulatory agreement in favor of California Housing Finance Agency, unless the County has agreed in writing to subordinate the regulatory agreement to another lien. Any Units subject to income and rent restrictions as a condition of County funding will be restricted by the County Regulatory Agreement even when another lender's regulatory agreement imposes income and rent restrictions that overlap with the County's restrictions.

Ill. SPECIAL POPULATIONS

(1) Unless an alternative requirement is adopted for the Project to create housing for special populations, the Borrower acknowledges and agrees that the greater of two (2) Units or five percent (5%) of the total Units shall be subject to a preference for extremely low-income homeless households with a tenant-based rental subsidy ("Homelessness Preference Units") referred by HACSM pursuant to Section 2 below.

(2) The following provisions shall apply with respect to any Homelessness Preference Units, including any Units designated as Homelessness Preference Units in addition to the minimum number required in Section 1 above:

(a) Homelessness Preference Units shall be filled by referrals of income-qualifying Homeless households with tenant-based rental assistance voucher from HACSM. HACSM maintains on- going wait lists for its subsidized housing programs, and through its partnership with the Coordinated Entry System maintained by the Center on Homelessness, is actively involved with the Homeless Outreach Teams, emergency shelters and Core Service agencies as they reach out, connect with, and provide services to Homeless households. Through the San Mateo County Continuum of Care (CoC), HACSM handles all referrals to the subsidized housing programs and coordination with supportive service providers for each household. HACSM has agreements with numerous supportive service agencies which provide services to individuals and families in HACSM's subsidized housing programs, including BHRS, County Department of Alcohol and other Drug (AOD), Mental Health Association (MHA), Golden Gate Regional Center, LifeMoves, and Samaritan House.

(b) Both during initial rent-up and when Homelessness Preference Units subsequently become available, HACSM will promptly provide a list of names of Homeless households who are currently receiving supportive services from a HACSM-approved supportive services provider to the Project's property manager. These referred households shall have been pre-determined to be eligible for tenant-based rental assistance programs administered by HACSM and shall be referred to the Project with a tenant-based rental assistance voucher. Examples of some of these programs are: Permanent Supportive Housing Program, Housing Readiness Program (a time- limited voucher program with case management services which help non-chronic homeless households obtain housing and increase their income over time to afford unsubsidized rent upon program graduation), the Veteran's Affairs Supportive Housing (VASH) Program, FUP, the Mainstream Program, and other rental assistance programs that HACSM uses to provide housing opportunities for Homeless households.

(c) The Project's property manager will then meet the referred households and determine whether they meet the Project's eligibility criteria, including reviewing for criminal background, rental history, prior evictions, credit history and/or other occupancy standards, subject to Borrower's agreement to apply Housing First core principles requiring low barriers to entry on the basis that the applicant will receive supportive services to help with transitioning to and maintaining stable housing.

(d) After screening applicants using Housing First principles, the property manager will return the referral list to HACSM, identifying the households who were approved or denied for occupancy at the property. Applicants who are denied for occupancy must be notified in writing and a copy of the denial letter sent to HACSM and any supportive service provider identified as assisting with the application. The denial letter shall state the specific reasons for denial of the application and the process for appealing the determination.

(e) Should HACSM fail to provide a list of qualifying referrals to the property manager within sixty (60) days of written notification of a vacancy by the property manager, the property manager may proceed to fill the vacancy from the primary Project waiting list and shall provide HACSM the opportunity to fill the next available extremely low Income unit of the same size, which shall then be deemed to be the Homelessness Preference Unit.

(f) The income of a formerly Homeless household occupying a Homelessness Preference Unit may increase without the Unit losing its status as a required Homelessness Preference Unit until the tenant's income increases to 50% AMI or higher. In that event, the Unit will no longer qualify as a Homelessness Preference Unit, and when the next vacancy of a Unit of similar size occurs, it must be filled with a Homeless household qualifying as Extremely Low Income through the process described above for Homelessness Preference Units.

(g) The Project's property manager may rely on a certification provided by HACSM or a designated service provider that the household qualifies as Homeless and that the household meets eligibility standards for the specific tenant-based rental subsidy program awarded by HACSM to the applicant referred for the Homelessness Preference Unit.

(h) The rent limits for Homelessness Preference Units shall be subject to the terms of the specific tenant-based rental subsidy program awarded by HACSM to the applicant referred for the Homelessness Preference Unit.

(3) The restrictions for housing special populations at the Project shall be set forth in a Regulatory Agreement with a 55-year term executed and recorded in the real property records of the County of San Mateo, which shall have a second lien position on the Property, behind only the regulatory agreement in favor of California Housing Finance Agency, unless the County has agreed to subordinate the County Regulatory Agreement to another lien.

IV. SUPPORTIVE SERVICES

(1) The Project shall implement a Supportive Services Plan approved by HACSM as a condition of an award of HACSM funds, with a budget approved for such services.

(2) General resident services shall initially be budgeted at not less than $500 per Unit per Annum, and the budget shall increase at a rate of 3.5% or greater annually.

(3) Supportive services for Homelessness Preference Units or other special populations shall initially be budgeted at not less than $1,000 per Unit per Annum, and the budget shall increase at a rate of 3.5% or great annually. Such additional services shall be tailored to the specific needs of the qualifying population served and shall be coordinated to the greatest possible extent with other County-funded services that may be offered to the qualifying population.

(4) Supportive services shall be actively promoted to the tenant population but shall be voluntary and participation in such services shall not be a condition of tenancy.

(5) Services for Homelessness Preference Units or other Units for special populations shall comply with Housing First principles set forth in California Welfare and Institutions Code Section 8255.

V. OTHER COUNTY REQUIREMENTS FOR ASSISTED UNITS

(1) Units assisted with HACSM funds shall to the extent feasible consist of the different Unit sizes available in the Project and located throughout the entire development, except that Homelessness Preference Units or other Units reserved for special populations may target specific Unit sizes based on the typical size of households eligible for the preference as approved in writing by HACSM or the referring service provider.

(2) The Project is subject to a program of ongoing reporting and monitoring for compliance with HACSM terms.

(3) As a condition of receiving Section 8 Project-Based Vouchers for some of the Units assisted by HACSM funding, the Borrower agrees to comply with the Pooled Transition Reserve requirements implemented by the California Department of Housing and Community Development in order to mitigate

the impact of the expiration of the Project-Based Voucher rental assistance, found at https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/hcd-administrative-memo-transition-reserve-policy.pdf.

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Appendix C

Over-the-Counter NOFA Process for Re-Programmed Funds (NONE)

Because of the schedule of the Supplemental NOFA in relation to the expected schedule for the next regularly scheduled AHF NOFA, DOH does not plan for the release of any re-programmed funds in an Over the Counter NOFA process. Instead, it is expected that any such funds would be allocated to the next regularly scheduled AHF NOFA.

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APPENDIX D
LOAN TERMS, REGULATORY AGREEMENT, UNDERWRITING POLICIES AND COMPLIANCE MONITORING

A. Loan Terms. In addition to the Regulatory Agreement described in Section B below, an award of funds under an Affordable Housing Fund (AHF) NOFA shall be evidenced by a Loan Agreement and a Promissory Note secured by a nonrecourse Deed of Trust which may in DOH's sole discretion be subordinated to other financing necessary for the development of the Project. In no event will DOH agree to subordinate its deed of trust to the lien of a lender affiliated with, controlled by, or controlling the Borrower, a general partner of the Borrower, or any entity or person controlled by or controlling the Borrower. The Loan Agreement, Promissory Note, Deed of Trust, Regulatory Agreement and other documents that may be required by the County in connection with the AHF Award (Loan Documents) as summarized here are subject to and shall be in a form and in substance agreeable to the County in its sole discretion.

(1) Interest and Residual Receipts

(a) The Loan Agreement is expected to provide for the Promissory Note to accrue simple interest at a rate of 3% annually. Interest accrued on any loan disbursements made prior to or at construction loan closing or during construction will accrue without increasing the original principal amount of the loan. Any interest accrued prior to permanent loan closing is subject to repayment from Residual Receipts prior to the application of Residual Receipts to payment of the principal amount of the loan.

(b) The Loan Agreement will require annual loan payments to DOH in an amount not less than 50% of the Project's Residual Receipts for a term of 55 years from the Project's completion date. As further defined in the loan documents, Residual Receipts refers to the net cash flow after payment of annual operating expenses, required reserve deposits, debt service payments, and current year Partnership Management fees and Asset Management Fees in amounts approved by DOH.

(c) When the Project includes other public sector or nonprofit subsidy lenders whose loans are also repayable from Residual Receipts, DOH may in its sole discretion request that two-thirds (66.67%) of any Residual Receipts (rather than 50%) will be allocated to such subsidy lenders who will share in that portion of the Residual Receipts in proportion to each subsidy lender's respective loan amounts. DOH must be included in any negotiations of the distribution of Residual Receipts with other subsidy lenders, the results of which may be documented in an Intercreditor Agreement among all the affected subsidy lenders.

(d) Any remaining Residual Receipts may be distributed to the Borrower. The Borrower's share of Residual Receipts is the sole source of payment of deferred Developer Fees, deferred Partnership Management fees, deferred Asset Management fees and any incentive fees.

(2) Limits on Disbursement. Funds may be drawn for pre-development, acquisition, construction, and permanent financing, including eligible expenses incurred prior to the award of AHF fund, but no funds will be disbursed until all required loan documents have been executed. In addition:
(a) Disbursements are for reimbursement of paid expenses, except for expenses, such as land acquisition, that will be paid through a third party escrow.
(b) Until the Applicant (or Borrower) acquires title to the real property and may convey a Deed of Trust to secure the AHF 12.5 Promissory Note and record a Regulatory Agreement as described in Section B below,

DOH may in its sole discretion accept as security for its loan a security agreement conveying an interest in the Project's architectural and engineering agreements, plans, drawings, and construction agreements, drawings, and documents. The Borrower shall secure the written consent of the affected independent contractors to the security agreement, and a UCC-1 notice shall be required.
(c) In no event will the disbursement of funds committed to a Project exceed the lesser of Two Million Dollars and zero cent ($2,000,000.00) or 3% of Total Development Costs ("TDC") before the close of escrow for the Project's construction financing.

(3) Termination of Award Letter or Loan Agreement. An AHF Award Letter or Loan Agreement is conditional and subject to termination in DOH's sole discretion for the Borrower's failure to meet any required conditions on the approved schedule and in any event if construction of the Project has not commenced within three years of the Award Letter Date. After closing of the construction loan, the loan is subject to termination if construction has not been completed and the construction loan converted to a permanent loan within two years of the construction loan closing unless a longer period is specifically provided for in the Loan Agreement. Failure to meet the deadline imposed by California Tax Credit Allocation Committee for placing the project in service shall also result in termination of the Loan Agreement. In the event of any termination, DOH may utilize the rights and remedies granted to it by the Loan Agreement, Promissory Note, Deed of Trust, Security Agreement or other loan documents.

(4) Misrepresentations or Material Changes. Any changes in the borrowing entity or the Project design, unit count, unit configuration, population served, income targeting, development timeline, or financing plan for the Project are subject to DOH's prior approval and without such prior approval will result in termination of DOH's loan commitment. Any material misrepresentation made with respect to the borrowing entity or the Project is grounds for immediate termination by DOH without providing an opportunity to cure.

B. Regulatory Agreement. As a condition of the loan of AHF funds, the Borrower shall execute and record a Regulatory Agreement in favor of DOH in a senior lien position, which imposes long-term income, rent, unit size, and target population restrictions on the Project's AHF-Restricted Units and authorizes DOH specifically to enforce performance of those restrictions, as set forth in the AHF Award Letter and subsequently included in the AHF Loan Agreement. As described in Section B.5 below, Units designated as HOME Units or HOME-ARP Units may be restricted by a program-specific Regulatory Agreement, but at the end of the term of such program-specific Regulatory Agreement, those Units shall then be subject to the primary DOH Regulatory Agreement.

(1) Total Number of Restricted Units. Subject to any limitations imposed by federal or state requirements, the Regulatory Agreement shall restrict 100% of a Project's Units as AHF-Restricted Units. As set forth in the Award Letter, Units shall be restricted at the income and rent levels for different Unit sizes and for different tenant populations.

(2) Floating Units. Among other terms, the Regulatory Agreement shall describe how the number and type of AHF-Restricted Units will be maintained over time by designating Units as "floating units". Floating units allow a tenant whose income has increased above the original qualifying income level to remain in their Unit and the property manager to designate another Unit to fulfill the applicable income category. For example, when an Extremely Low-Income Unit is occupied by an Extremely Low-Income household whose income later increases, the household shall be allowed to continue to occupy the Unit. When the household's income reaches Very Low Income, the next available vacant Unit at the Project of the same size shall then be restricted to be affordable to Extremely Low-Income households, and the household whose income increased shall be allowed to continue to occupy their original Unit, which shall then be designated a Very Low-Income Unit.

(3) Seniority of the Regulatory Agreement. Unless DOH grants an exception in its sole discretion to facilitate the Borrower securing another long-term, low-interest, deferred payment public sector or nonprofit subsidy loan, DOH's Regulatory Agreement shall be recorded in a first lien position senior to any other liens, including any conventional first mortgage, and shall authorize DOH specifically to enforce the restrictions of the Regulatory Agreement for the term of the Regulatory Agreement. DOH in its sole discretion may consider a request by a conventional first mortgage lender to amend its Regulatory Agreement to allow a specific increase in a Project's income and rent restrictions up to 60% of Area Median Income in the event of foreclosure if DOH determines that this modification would facilitate the Project benefiting from a conventional first mortgage loan.

(4) Term of Regulatory Agreement. The Regulatory Agreement must be recorded when the Borrower acquires title to the real property and not later than the Project's construction loan closing. If the Regulatory Agreement is recorded after an existing lien, the lienholder must agree to subordinate the existing lien to the Regulatory Agreement so that the seniority of the Regulatory Agreement is maintained. The Regulatory Agreement shall expire 55 years from the date of Project completion. However, restrictions required by certain federal funding sources (HOME or HOME-ARP) for Units assisted by such funding may be limited by a Regulatory Agreement with a term less than 55 years. Upon expiration of the shorter term of any HOME or HOME-ARP Regulatory Agreement, those Units shall then become AHF-Restricted Units for the balance of the 55-year period of AHF restrictions.

(5) Specific Performance of the Regulatory Agreement. The Regulatory Agreement will authorize specific performance by DOH until the Regulatory Agreement expires 55 years from the date of the Project's completion, even if the DOH Promissory Note is canceled and the Deed of Trust is re-conveyed and even if the Borrower is in default of any other note and deed of trust such that the lien of the DOH Deed of Trust is foreclosed.

(6) Tenant Protections: DOH's Regulatory Agreement will require that tenants be offered an initial one-year lease term. Leases shall be subject to compliance with "just cause" eviction protections and tenants shall be protected from waiver of their rights. Tenants shall be afforded the protection of the Violence Against Women Act (VAWA) and the Right to Report from Home law even if the Project does not benefit from a federal housing finance program.

(7) Local Live-Work Preferences. DOH's Regulatory Agreement will allow for the implementation of city-imposed live-work preferences in filling vacant Units only under the following conditions. DOH's prior approval is required for any city-imposed live-work preference, and after reviewing the demographic analysis of the live-work preference area compared to the demographic analysis of the Project's housing market area, DOH will not approve a city-imposed live-work preference unless it has been determined to comply with Fair Housing requirements. Furthermore, DOH will not approve a city-imposed live-work preference for:

(a) any HOME-assisted or HOME-ARP-assisted Units or
(b) any Units benefiting from Project-Based Vouchers or other county rent subsidy program or
(c) any Units required to be filled from a specific county referral program.

Subject to these exclusions, DOH's Regulatory Agreement will allow implementation of a city-imposed live-work preference on a percentage of the Project's total Units equal to the city's percentage of the sum of the city and county financial contributions to the Project. In calculating the city's financial contribution to the Project, donations or below-market-rate sale or leasing of land and the waiver of city development or impact fees shall be counted.

(8) Enforcement of Homeowner Resale Restrictions. In the case of a First Time Home Ownership Project, DOH shall in lieu of a Regulatory Agreement have the right to review and approve the terms of a thirty-year re-sale restriction proposed to be included in the conveyance of homes to first-time homebuyers to ensure continued affordability of the home for Moderate Income households for at least 30 years. Draft homebuyer legal documents shall be submitted to DOH for its review and approval prior to any disbursement of funds. DOH shall have the right to enforce homebuyer resale restrictions if it determines that the Applicant has ceased operations or no longer monitors and enforces the re-sale restrictions.

C. Underwriting Policies. DOH has adopted the following underwriting policies for affordable rental Projects and may apply different policies for First Time Homeownership Project Projects. The proposed sources and uses of funds, operating expense budget, and 30 year cash flow projections submitted by the Applicant for the Project under the AHF 12.5 NOFA shall conform to these underwriting policies.

(1) Tax Credit Investment Ratio. The expected investment for each dollar of tax credit investment shall be reasonable in DOH's judgment, but not less than $.80 per dollar of credit.

(2) Debt Service Coverage Ratio of 1.15. The Project must in its first year of operations demonstrate annual net operating income after payment of operating expenses that equals or exceeds 115% of debt service on all debt that requires fixed payments of principal and interest (not payable from Residual Receipts). After the first year, the Project must demonstrate sufficient net operating income to cover all required debt service, unless an exception is made for a Permanent Supportive Housing project with an approved Capitalized Operating Subsidy Reserve.

(3) Vacancy Rate. The Project must be financially feasible assuming a vacancy rate of 5%, which may be increased depending on the percentage of Supportive Housing Units in the Project but in no event more than 10% for a Project which is 100% Supportive Housing Units.

(4) Wage Assumptions. State prevailing wage rates and San Mateo County Living Wage requirements shall be satisfied, except that, if higher than state prevailing wage rates or local Living Wage rates, Davis Bacon wage rates will apply to a Project if required by specific federal financing programs.

(5) Minimum Operating Expenses. The Project's operating expense assumptions must be reasonable and satisfy CTCAC minimum requirements based on type of Project. The Project must be able to operate on a break-even basis with any allowable Capitalized Operating Subsidy Reserve or available rent subsidies and with an expense category of at least $500 Per Unit Per Annum (PUPA) for general resident services and at least $1,000 PUPA for services supporting Supportive Housing units.

(6) Lease-Up Expense and Marketing Expense. A reasonable expense for negative cash flow during the initial lease-up period of the Project should be included in the sources and uses of funds, with an explanation of the assumptions used to estimate this amount. Any balance remaining upon achieving Permanent Financing Conversion shall be included in construction cost savings that are subject to distribution as provided in Section D(5)(a). Marketing Expenses may be charged to County sources of funds up to a reasonable amount as determined by DOH in its sole discretion but should be documented in a separate line item and not used to calculate negative cash flow during lease-up.

(7) Loan to Value Ratio: Loan proceeds from all sources shall not exceed 75% of current appraised value assuming completion of the planned improvements.

(8) Developer Fees. Developer Fees are defined to include all the categories of fees in the CTCAC definition of Developer Fees (Section 10302). In addition:

(a) The amount of Developer Fees may not exceed the maximum allowed by CTCAC for either a 9% LIHTC Project or 4% LIHTC Project as applicable. (See, 25 CCR Section 8312.)
(b) In the case of Projects not utilizing Low-Income Housing Tax Credits, the Developer Fees shall be reasonable in DOH's discretion comparing the Project to similar projects of that size and type.
(C) The Developer Fee payment schedule is subject to DOH's approval.
(d) Any Developer Fee deferred for the purpose of paying other development costs is limited to the amount allowed to be deferred by CTCAC and the period of deferral allowed by CTCAC. Any portion of the Developer Fee approved for deferral will be paid from the Borrower's share of Residual Receipts but only during the approved period of the deferral.

(9) Partnership Management, Asset Management and Similar Partner Fees. Partnership Management, investor Asset Management and any similar Partner Fees are allowed for rental Projects that are financed with Low Income Housing Tax Credits, but the amount of such fees must be reasonable in DOH's discretion considering the size of the Project and in any event may not exceed in the aggregate $39,300 annually beginning in calendar year 2024 and increasing at a rate of 3.5% annually thereafter. Partnership Management, investor Asset Management and similar Partner Fees are payable from the current year's net cash flow remaining after payment of other operating expenses, deposits to reserves and debt service payments. Any amount that is unable to be paid in the current year shall accrue and be deferred for payment in a subsequent year solely from the Borrower's share of Residual Receipts. Any investor-required Asset Management fees, including any accrued and unpaid fees, shall terminate when the limited partner investor withdraws from the partnership unless the Borrower establishes to DOH's reasonable satisfaction that continuing duties not related to tax credit compliance justify continued payment of the fee.

(10) Property Management Fees. Property Management Fees are allowed for rental Projects and may not exceed HUD's most current published schedule (basic rate plus any applicable add-ons). DOH may approve a higher property management fee for Supportive Housing Projects, not to exceed the HUD maximum (24 CFR Part 990).

(11) Annual Increases of Income and Operating Expenses. The Project must be financially feasible allowing for annual increases of income and operating expenses (not including reserves, debt service, deferred Developer Fees, Partnership Management Fees, Asset Management Fees, other incentive payments). In general, income is expected to increase at a rate of 2.5% annually, and operating expenses including partner fees are expected to increase at a rate of 3.5% annually.

(12) Payment and Performance Bond. DOH requires a Payment and Performance Bond issued by a company acceptable to DOH in the amount of one hundred (100%) percent of the construction contract amount naming the Borrower and Lender as dual obligees; or a letter of credit issued by a bank acceptable to DOH in an amount equal to ten percent (10%) of the amount for which Contractor has agreed to complete the Project which shall not expire prior to the substantial completion of the Project.

(13) Capitalized Operating Reserve (COR). All rental Projects shall provide for a Capitalized Operating Reserve equal to the sum of three months of operating expenses and three months of debt service unless the senior lender imposes a requirement for a higher Capitalized Operating Reserve.

(14) Capitalized Operating Subsidy Reserve (COSR). DOH may approve in its sole discretion the use of the AHF funding source to create an additional Capitalized Operating Subsidy Reserve (COSR) in order to facilitate a greater number of Extremely Low-Income or Supportive Housing Units than the number required to meet Threshold Requirements. The COSR shall be in addition to the COR required of all rental Projects and shall be sized for a fifteen year term, assuming rents not higher than for Extremely Low-Income households. If some Units are designated for Acutely Low Income households or households with higher supportive service needs, the COSR shall be sized accordingly. The COSR funds shall in DOH's sole discretion be held in a DOH-controlled account or be held in an interest-bearing account with interest re-invested in the COSR, granting DOH the right to approve annual requests to draw on the funds in the COSR. Any balance of a COSR funded by DOH shall at the expiration of its term be maintained solely to benefit the Project or at the direction of DOH shall be returned to DOH and may not be distributed to partners when the invested limited partner exits from the Project.

(15) Capital Replacement Reserves. All rental Projects shall provide for a reserve for capital replacements of the Project improvements not less than $250 per Unit per year, and any changes to the amount deposited into this replacement reserve proposed in order to meet the requirements of another lender or an investor shall require DOH's prior approval. Replacement reserve deposit amounts for rehabilitation Projects must be based on a twenty- year physical needs assessment of the Project, after accounting for the balance of any existing reserves.

(16) Loan Origination Fee. DOH will charge a loan origination fee of two percent (2%) of the total amount of Measure K and Impact Fee funding provided through the AHF 12.5 loan which must be paid in full at the time of the construction loan closing.

(17) DOH Legal Counsel Fees. DOH's legal counsel fees are an eligible Project expense which shall be paid from the Project construction loan closing proceeds or permanent closing. Such fees shall not in the aggregate exceed $50,000, depending on the size and complexity of the Project and the number of financing sources provided by DOH. DOH will provide Borrower with an estimate of its legal counsel expenses upon request.

(18) General Contractor General Conditions, Overhead and Profit. The cost of General Conditions, Overhead, and Profit shall together not exceed more than 14% of the cost of construction as limited by CTCAC (Section 10327(c)(1). In addition, if the general contractor for construction of the Project is a related entity to the Applicant or Borrower or any member of the Applicant Team, this relationship must be disclosed to DOH for DOH's assessment of the reasonableness of the budget for general conditions, overhead and profit and other terms and conditions.

(19) Insurance Requirements. During development, comprehensive general liability and property insurance coverages must be maintained in a minimum amount of $2 million. DOH will also require property damage or builder's risk insurance with coverage equal to 100% of the replacement costs of the improvements, and a lender's loss payable endorsement in favor of DOH. Construction contractors will be required to maintain liability and builder's risk insurance coverage of at least $2 million. Automobile insurance, professional liability, workers' compensation, and employer's liability insurance shall also be maintained by all members of the Applicant Team, including the Managing General Partner, the Property Management company, and the Supportive Services agency.

(20) Contingency. Funds for contingency may be budgeted as follows:

(a) Hard Costs: (I) For New Construction, a minimum of 5% and a maximum of 10% of hard costs. (ii) For rehabilitation, a minimum of 10% and a maximum of 15% of hard costs.

(b) Soft Costs: A minimum of 3% and a maximum of 10%, with higher amounts allowed during the early stages of a Project, with the expectation that the contingency will decrease as the timeline approaches construction loan closing.

(c) Excess Contingency: Any balance of contingency funds remaining at the permanent loan conversion shall be included in the calculation of cost savings to be allocated among lenders as set for in Section D.

D. Reporting, Compliance Monitoring, and Loan Servicing. An award of AHF 12.5 funds is subject to a detailed program of reporting, inspections, and compliance monitoring, including regular written reports, expenditure reports, and onsite inspections of the Project and Project records.

(1) Reporting Start Date. Borrower shall submit quarterly progress reports from the date of the Borrower's acceptance of the Award Letter under this AHF 12.5 NOFA until the completion of the new construction/rehabilitation work. DOH shall supply the reporting forms for such quarterly progress reports, which are expected to be completed in CDS. This reporting is necessary for DOH to monitor progress and changes in the Project, and failure to comply with quarterly progress reporting is grounds for DOH to terminate its commitment.

(2) Loan Draws and Change Orders. Requests for reimbursement of expenses authorized under the executed Loan Agreement shall be made quarterly using the forms supplied by DOH, which are expected to be completed in CDS, and may be submitted monthly during the construction period. DOH's prior written approval is required for any proposed change order that will exceed $100,000. In addition, the Borrower must request DOH's prior approval of any construction change order greater than $25,000 in the case of any Project in which DOH is the sole construction lender or its loan amount is 50% or more of the TDC. Copies of all change orders shall be provided to the County on a monthly basis, whether positive or negative. A no-cost change order shall also be submitted for prior approval by DOH in the event of any construction schedule change that would extend the Project Completion date set forth in the schedule of performance in the Loan Agreement.

(3) Monitoring During Construction/Rehabilitation. DOH reserves the right to undertake periodic monitoring of the Project during the construction/rehabilitation period for AHF program compliance, including site visits. Borrower shall be given adequate notice of any monitoring.

(4) Monitoring and Reporting for Labor-Related Compliance. In order to (a) ensure compliance with state prevailing wage laws or federal Davis Bacon requirements if applicable, and (b) to further DOH's goals to promote the hiring of (1) MBE, WBE, DBE contractors, sub-contractors, and suppliers participating in the development of County-owned property and properties that benefit from County funding; and (2) promote the hiring of certain disadvantaged workers, the Borrower shall report on and DOH shall monitor compliance with prevailing wage requirements and efforts undertaken by Borrower to broaden the invitation(s) to contractors, subcontractors, and suppliers to submit bids for the Project so that invitation(s) are inclusive of MBEs. WBEs and DBEs, and to promote the hiring of disadvantaged workers (such as by advertisement of available job contracts at trade unions, non-profit organizations, public sites, including County public sites, job training sites, community colleges, etc.).

(5) Monitoring and Reporting Prior to Permanent Loan Conversion. Prior to Permanent Loan Conversion, the Borrower shall submit to DOH:

(a) an audited accounting of actual sources and uses of funds, reporting on any construction cost savings, including any savings in expenditure of the funds budgeted for negative cash flow during lease-up, any savings as a result of excess contingency funds, and any other construction cost savings. Such construction cost savings shall be distributed to DOH and other lenders in proportion to their share of Residual Receipts. DOH shall apply any construction cost savings to accrued interest before reducing the principal amount of its loan.

(b) a tenant profile, reporting on certain demographic and income information in a form satisfactory to DOH.

(C) a project completion report in a form satisfactory to DOH.

(6) Monitoring and Reporting during Lease-Up. The Borrower is required to submit for DOH's prior approval a Marketing Plan and Tenant Selection Plan at least six (6) months prior to the projected date of construction completion. The Marketing Plan shall include advertising the Project on the County's Doorway website both to list the Project and to gather tenant applications for the Project subject to any additional outreach and referral mechanisms necessary to serve the population targeted for the Supportive Housing Units. Any provision of the Tenant Selection Plan which implements a city-required resident preference is subject to DOH's prior review and approval of its Fair Housing impact. In addition, DOH will generally limit the application of any city-required residency preference to a percentage of the Project's total Units equal to the city's percentage (including donated land value, loans of city funds, and city fee waivers) of the Project's total city and County funds. During the marketing and lease-up period and continuing after the Project's lease-up, DOH may request reports or ask to review Project records to verify compliance with these marketing and tenant selection requirements.

(7) Monitoring and Reporting During Operations. DOH will undertake periodic monitoring of the Project for AHF program compliance and the Borrower shall be required to submit certain annual reports.

(a) Monitoring may consist of reviewing documents and records related to tenant income, occupancy of targeted Units by qualifying populations, funding for and delivery of on-site resident services and service coordination, ongoing compliance with the Marketing Plan and the Tenant Selection Plan, and information relevant to the financial condition of the Project to ensure long-term viability. The submitted documents must be sufficiently detailed for DOH to confirm whether the Project and the AHF-Restricted Units comply with the requirements of the Loan Agreement, the Promissory Note, the Deed of Trust, and the Regulatory Agreement.

(b) The Borrower shall submit an annual compliance report to DOH that will include a tenant roster listing household size, income, and rent for each tenant and showing compliance with any required targeting to special populations in an AHF-Restricted Unit. Additional categories of reporting may result from the use of certain federal funds. DOH shall review reports for compliance with the AHF program requirements, shall require the Borrower to correct violations of those requirements, and may request additional documentation from the Borrower.

(c) Annual financial reports shall be submitted based on an annual independent audit of the Project and showing the calculation of Residual Receipts. The independent Project audit shall clearly demonstrate the basis for calculating the amount of Residual Receipt payments due to each lender. Failure to provide an independent Project audit with information that enables DOH to verify the calculation of Residual Receipts is an event of default.

(d) DOH may conduct periodic site visits to AHF Projects. During visits to rental housing projects, DOH representatives may interview the resident manager, review a sample of the on-site tenant files, inspect a sample of the Units of varying size and affordability, and tour the common areas and grounds of the Project.

(8) DOH Loan Servicing and Monitoring Fee. After the Project is placed in service, DOH will assume all loan servicing tasks on behalf of the County. DOH charges an annual loan servicing and monitoring fee of $250 per AHF- Restricted Unit, capped at $10,000 annually for each Project, for the provision of these services.

(9) DOH Re-Subordination and Loan Re-structuring Fees. Should the Borrower request that DOH re-subordinate or re-structure its loan after the Project has been placed in service, DOH shall evaluate the impact of the request on the security of its Deed of Trust and the Borrower's ability to comply with the restrictions of the Regulatory Agreement and may grant or withhold its approval in the reasonable exercise of its discretion. In no event will DOH agree to any request that adversely affects the lien position of its Regulatory Agreement or the ability of the Borrower to continue to meet the restrictions of the Regulatory Agreement. In no event will DOH agree to subordinate its Deed of Trust to the lien of a lender affiliated with, controlling, or controlled by the Borrower or any general partner or controlling person of the Borrower. Furthermore, as a condition of granting its approval, DOH may require that the remaining term of the Regulatory Agreement restrictions be extended for 55 years from the loan re-structuring closing. DOH shall charge Borrower a reasonable fee based on the size of the Project and the complexity of the request, but not less than $1,000, to be paid through the loan re-structuring closing.

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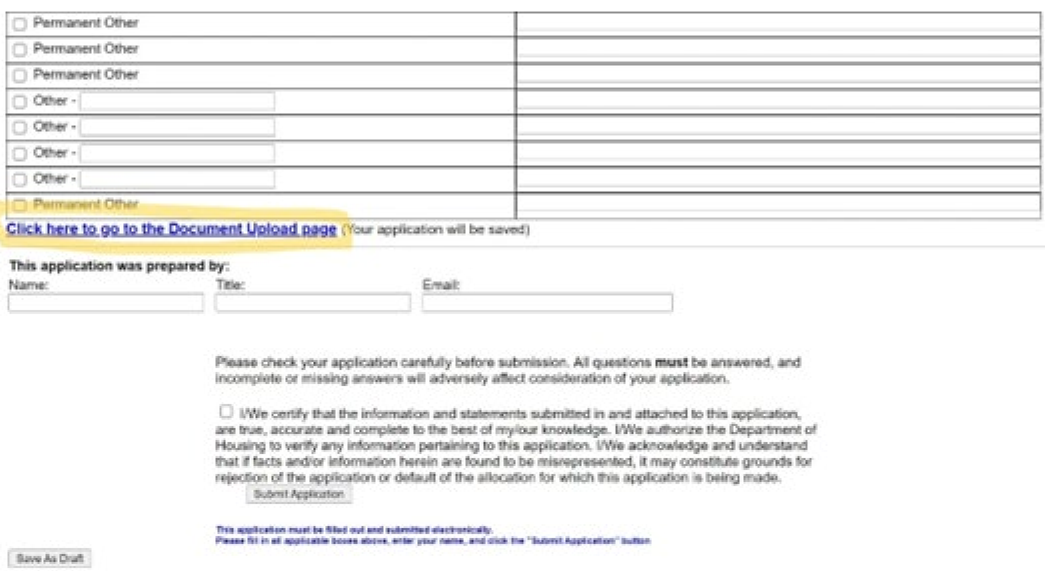
APPENDIX E

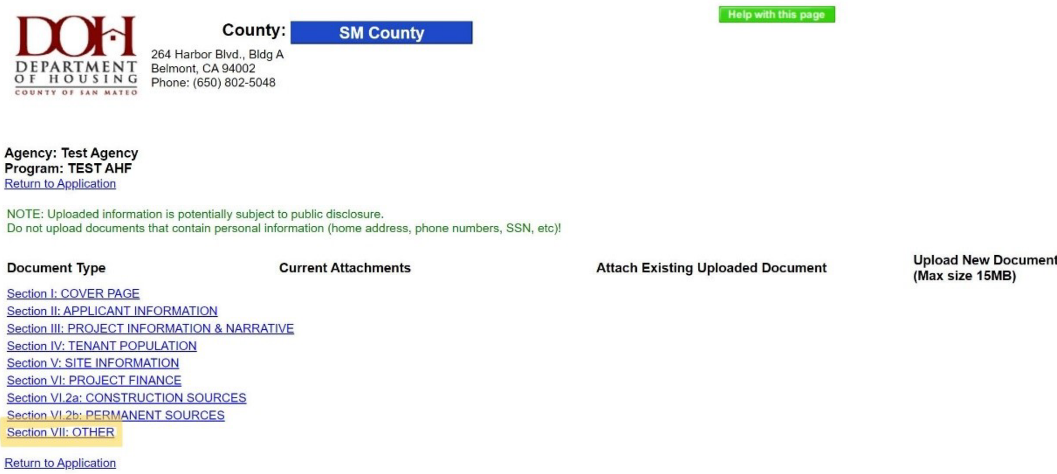
HOW TO UPLOAD TAX CREDIT APPLICATIONS AND OTHER SUPPLEMENTAL DOCUMENTS TO CDS

To upload the **Tax Credit Application files**, please follow these instructions:

1. **Locate the Attachment Section in the Application:**
   - Scroll down to the attachment section in your application form.
2. **Access the Document Upload Page:**
   - Below the attachments table, there will be a link labeled "Click here to go to the Document Upload page." Click on it.
   - Scroll to the end of the attachments table, where you will find the "Other" section in your application form.

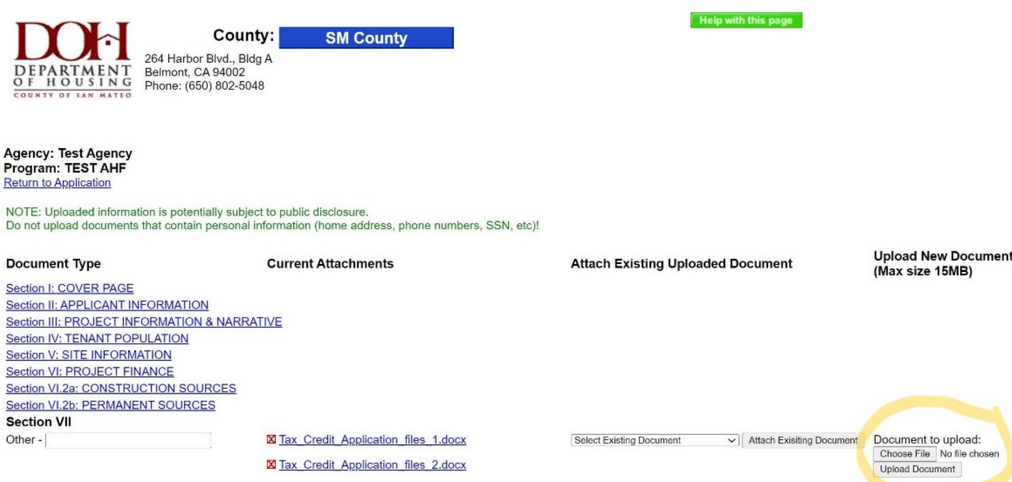


3. **Locate the "Section VII: OTHER" Section:**
   - Find the "Section VII: OTHER" section and click on it.



4. **Select the Upload Option:**

o Choose one of the “Other –” boxes, and on the right side, click “Choose File.”

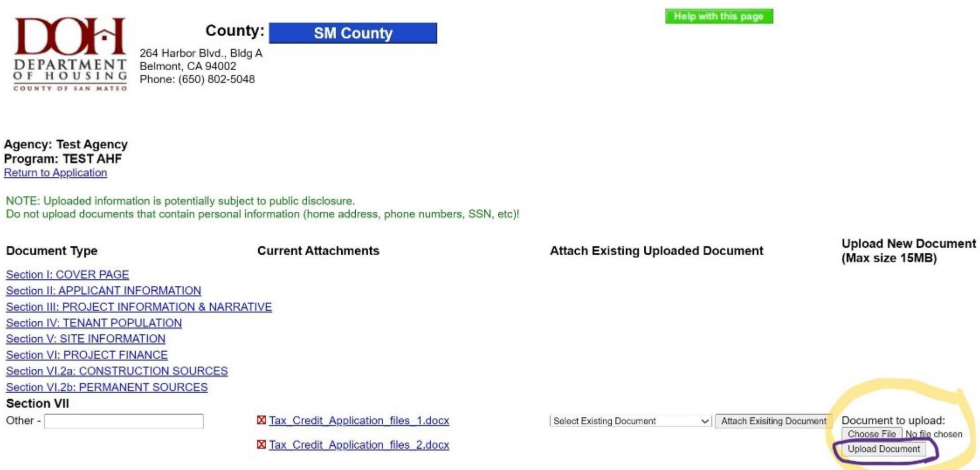


5. **Choose the Document:**

o Click on the “Choose File” link, which will prompt you to select files from your computer. Locate and select the relevant Tax Credit Application file.

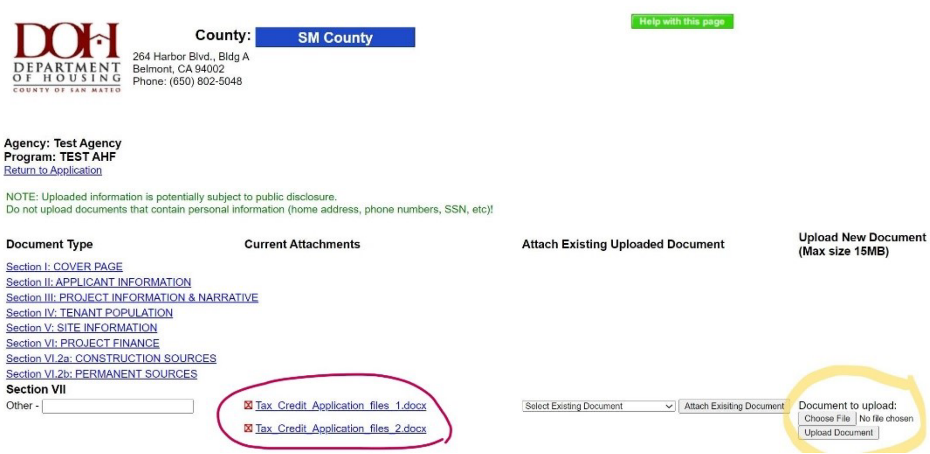
6. **Upload the Files:**

o After selecting the file, confirm the upload by clicking the "Upload Document" button.



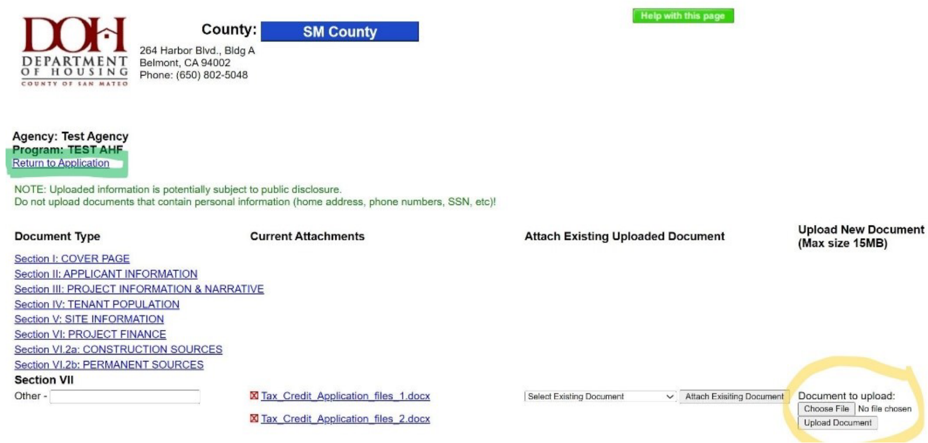
7. **Verify the Upload:**

o Once uploaded, the file should appear in blue text in the middle of the section. You can add more files by repeating the same process. Confirm that all required files are visible in this section to ensure successful upload.



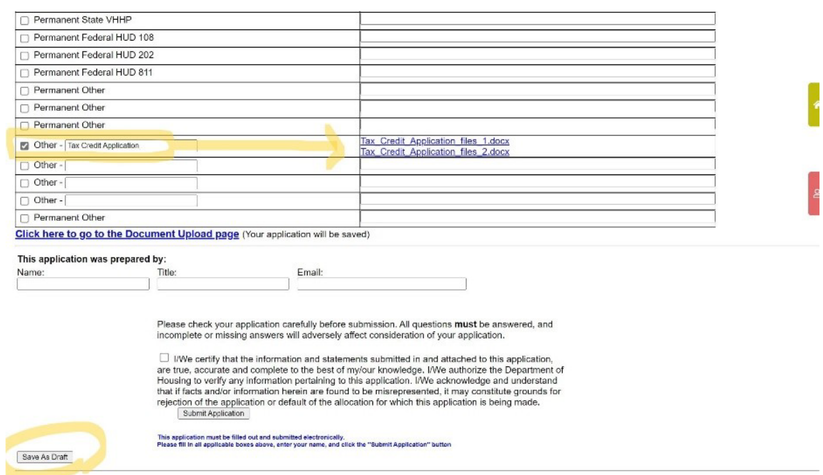
8. **Return to Application:**

o Click on “Return to Application” to go back to the main application form.



9. **Label the Uploaded Files:**

o In the “Other –” box in front of your uploaded files, add the label “Tax Credit Application (4% or 9%)” for clarity.



10. **Save Progress:**

- Remember to click "Save as Draft" if you are still working on the application, or "Submit Application" if you have completed all sections.

Following these steps will ensure your Tax Credit Application files are properly uploaded and accessible as part of your submission.

One paragraph instruction to add or delete files:

To add or delete files, start by navigating to the attachment section in your application form and scroll down. Click the link labeled "Click here to go to the Document Upload page" beneath the attachments table. On the upload page, locate and click on the relevant section (Section I to Section VII) and scroll down to see your files. To delete a file, simply click the red icon next to it. To add a file, find the appropriate section and click on it, then select “Choose File” on the right side. This will prompt you to locate the desired file on your computer; once selected, confirm the upload by clicking the "Upload Document" button. The uploaded file should appear in blue text within the section. Repeat this process to add more files as needed, verifying that all required files are present. When finished, click “Return to Application” to go back to the main form, scroll down to the attachment section, and confirm that the correct files are added or deleted. Finally, remember to click "Save as Draft" if you’re still working, or "Submit Application" if the form is complete. These steps ensure that your files are properly updated and accessible as part of your submission.