

**County of Humboldt
Housing Trust Fund and Homelessness
Solutions Committee**

**Policies and Procedures
Manual**

**Governing the Humboldt County
Affordable Housing Trust Fund**

February 26, 2019

Board of Supervisors, County of Humboldt, State of California

Resolution No. _____

County of Humboldt
Housing Trust Fund and Homelessness Solutions Committee
Policies and Procedures Manual
Governing the Humboldt County Affordable Housing Trust Fund

HTFHSC Adoption: February 26, 2019

Section 1. Authorizing Legislation and Governing Policies

The Housing Trust Fund and Homelessness Solutions Committee (HTFHSC) is established pursuant to Government Code § 31000.1 by the Board of Supervisors, County of Humboldt Resolution 18-73, which rescinds and supercedes Board of Supervisors, County of Humboldt Resolution 18-14. The HTFHSC was established in response to the County’s direction to create an Affordable Housing Trust Fund, also known as the Housing Trust Fund. The HTFHSC adopted ByLaws governing the HTFHSC on December 4, 2018.

County Resolution 18-73 and subsequent HTFHSC ByLaws sets forth the establishment of the Housing Trust Fund, its administration and use of its funds for housing and homelessness solutions. Use of these funds is subject to the approval of the County of Humboldt Board of Supervisors after HTFHSC recommendation based on the criteria set forth in this Policies and Procedures Manual. Applicants for funding are advised to review and comply with Resolution 18-73, the HTFHSC ByLaws and this Policies and Procedures Manual, all which are available at <https://humboldt.gov/DocumentCenter>

Section 2. Overview and Purpose

The Housing Trust Fund is administered by the Humboldt County Planning Department or its designee. Housing Trust Fund loans are ultimately approved by the Humboldt County Board of Supervisors.

These Policies and Procedures, together with each of its attachments, shall ensure that Housing Trust Fund monies are used to assist the County of Humboldt in meeting its affordable housing and homelessness solutions goals, and to implement the policies, objectives, and programs set forth in the Housing Element of the County’s General Plan.

The Housing Trust Fund offers several different types of loans, designed to mitigate Humboldt County’s lack of affordable housing and its homelessness crises. HTFHSC recognizes that these problems cannot be addressed in a vacuum, but rather must be addressed by the HTFHSC and

County in a comprehensive strategic manner. Accordingly, the HTFHSC seeks to utilize “all available funds” to provide solutions to mitigate homelessness and to support the development and preservation of affordable housing in our County. “All available funds” include current funding sources that are or will be deposited into the Housing Trust Fund, and all new housing and homelessness revenue sources that may be sought by the County in the future.

The HTFHSC will develop strategies to create non-traditional sources of funds, to identify other federal, state and local funds as they become available, and to encourage the County to obtain and deposit such funds in the Housing Trust Fund. The HTFHSC maintains and will update, as necessary, its List of Current Available Funds. (See Attachment A – List of Current Available Funds).

The HTFHSC further strives to implement uniform definitions related to their mission and these policies and procedures. HTFHSC maintains and will update, as necessary, governing definitions which are applicable to its authority, mission, and the policies and procedures set forth in this Manual. (See Attachment B – Project and Program Definitions.) The use of the term “project” in this Manual refers to any building development/rehabilitation, social program, or individual activity designed to meet the goals and objectives set forth in this manual, and such usage is not limited to any definition of project set forth in the California Government Code or other applicable law or authority.

The Housing Trust Fund offers “gap” financing, via long-term secured loans or short-term pre-acquisition unsecured loans, for the development and rehabilitation of affordable housing in the County of Humboldt, and provides forgivable loans for programs and projects that provide solutions or mitigate the harmful effects of living without housing. HTFHSC will prioritize those projects and programs that meet the very-low income needs assessment and goals and objectives set forth in the County’s Housing Element of its General Plan, and satisfy all other criteria set forth in this Policies and Procedures Manual.

All long-term secured loans financed by the Housing Trust Fund will carry permanent affordability requirements recorded against the real property and on all units assisted with Housing Trust Fund monies. These loans will be made for construction and permanent financing only. Due to the contingent nature of commitments made by the Housing Trust Fund, loan agreements will not be executed until all project funding is in place and until the construction closing is imminent. However, in no event will the Housing Trust Fund be required to execute a loan agreement if, after the specified funding cycle has elapsed, a funding gap exists for any reason, including cost increases, withdrawals or reduction of a previous commitment, or increases in deferred costs or fees.

Unless otherwise entirely funded by reserves, project applications must demonstrate viable leveraging of a key funding source, e.g. LIHTC, USDA/RDA, HCD and/or HUD funds; provided, however, that the funding source meets the income limitations set forth in these Policies and Procedures. Secured loan commitments will automatically expire at the earlier of two failed

attempts to leverage the identified key funding source, or 24 months after Board of Supervisor approval, whichever occurs first. Failure to submit an application constitutes a failed attempt. Due to the limited amount of available funds, no exception will be made to extend the loan commitment and the applicant must reapply during the next Request for Proposal (RFP) or Notice of Housing Trust Fund Funding Availability (NOFA) cycle.

Unsecured short-term and forgivable loans financed by the Housing Trust Fund will be made pursuant to the criteria set forth in this Policies and Procedures Manual. The HTFHSC reserves the discretion to ensure affordability and/or income level requirements on Housing Trust Fund monies used for short-term and forgivable loans, consistent with the requirements set forth in this Manual. Unsecured and forgivable loan commitments will automatically expire if the project or program presented to the HTFHSC is not implemented within nine months of Board of Supervisor approval. Implementation criteria for use of the Housing Trust Fund will be established by the HTFHSC at the time a Housing Trust Fund award is recommended, and will be part of the funding package submitted to the Board of Supervisors for approval.

All affordability covenants and restrictions imposed on Housing Trust Fund awards are subject to annual reporting and monitoring requirements.

The application process is open and commences when the HTFHSC releases either a RFP or NOFA. RFPs and/or NOFAs will identify the amount of loan funds available and will further specify the type of project or program that will be considered by the HTFHSC. Selection criteria may designate a specific housing need to be met, a particular location or parcel located in the County, or fulfillment of a goal or objective set forth in the County's adopted Housing Element. The duration of the RFP or NOFA is determined by the HTFHSC at initial release of the RFP or NOFA, and may be time limited or remain open until the funding is fully awarded. Applications are submitted to the HTFHSC Chair, c/o the Humboldt County Administrative Office, 825 5th Street, Eureka CA 95501. Applications are accepted in person and via US Mail or overnight delivery service. Email submissions are not accepted.

Following the release of an RFP or NOFA, there is a multi-stage review process that is set forth in Section 7 of these policies and procedures. As detailed in Section 7, there is a pre-application meeting process, and approval of a pre-application is necessary to move forward any recommendation to the Board of Supervisors. The application process entails submitting all materials required to support the project or program, including proof of leveraged funds (or application thereto), development approvals, business plans, land commitments, etc., as required by the HTFHSC.

Section 3. Program Objectives, Goals and Priorities

HTFHSC's objective is to provide homelessness solutions and utilize the Housing Trust Fund for those most in need in Humboldt County. The Housing Trust Fund monies are targeted for projects and programs that are designed to serve persons at 30% of Area Median Income (AMI)

or less, as defined annually by the California Department of Housing and Community Development (HCD). Further priority for the use of the Housing Trust FUND is provided to funding proposals targeting programs and projects that benefit persons and households earning 10% AMI or less.

At least fifty percent (50%) of Housing Trust Fund must be used for “bricks and mortar” projects, such as new development, acquisition of land and/or buildings, and rehabilitation of existing development, or preservation of existing at-risk rental housing. At least forty percent (40%) of the Housing Trust Fund must be used for temporary housing and/or related services to serve people who are homeless or at risk of homelessness. The remaining ten percent (10%) of the Housing Trust Fund is set aside for discretionary project or program approval.

With these goals as background, the Housing Trust Fund will seek to prioritize projects and programs that (1) help the County to meet its very low income needs as set forth in its Regional Housing Needs Assessment (RHNA); (2) are consistent with the goals and objectives of the Housing Element of the General Plan and to help the county meet its very-low income fair share housing goals as set forth in the Housing Element; (3) facilitate the County’s zoning programs, including promotion of SB 2 zones set forth in the Housing Element; (4) most effectively leverage the Housing Trust Fund’s resources by securing leveraged funds; and (5) satisfy all other criteria set forth in this Policies and Procedures Manual.

The following requirements and/or limitations apply to all applications reviewed by the HTFHSC:

- (1) If affordable restrictions are required, affordability covenants must be recorded and remain in effect for at least 55 years (or perpetuity if desired);
- (2) Any project or program restricted to seniors must permit persons who are 55 years and older, and people with disabilities regardless of age.

Section 4. Eligible Uses of the Housing Trust Fund

The Housing Trust Fund may be used in a variety of ways, provided that each meets the priorities and targets outlined in this Manual. Eligible uses include:

- Acquisition of real property or building sites, provided that the acquisition results in housing affordable to the priority target group and that deed restrictions are recorded against the property, including (1) the purchase and build-out of vacant land; (2) the purchase and/or rehabilitation of existing buildings; and (3) predevelopment costs related to the purchase of land;
- Construction of new building or structures, provided that the construction is affordable to the priority target group;

- Improvement of real property with existing structures, provided that the improvements are part of new construction or rehabilitation of housing affordable to the priority target group;
- To provide subsidies, including vouchers, for people earning 30% AMI or less, adjusted for household size, to ensure affordability of housing units on the open market;
- To maintain the community's supply of mobilehomes and RVs used as a permanent source of housing, including preservation of mobilehome and special occupancy (including Recreational Vehicle) parks;
- Preservation of the affordability and availability of assisted or subsidized housing developments that are threatened with imminent conversion to market rate;
- To support the donation of county facilities or land to non-profit organizations for effective provision of services to persons experiencing a lack of housing or risk of homelessness; and
- Other projects and programs meeting the goals and priorities set forth in this Manual.

Section 5. Funding Mechanisms

The Housing Trust Fund provides several different loan options. Loans may be longer-term and secured, or short-term unsecured loans, depending on the amount financed. Forgivable loans are available for individual projects or programs designed to address homelessness solutions. Administrative fees of up to 2% may apply on all loans.

A. Long-Term Secured Loans

Subject to the parameters set forth in the RFP or NOFA, low interest loans may be used to finance construction, and permanent financing, provided that the loan is for an eligible activity to assist an eligible rental housing project. Loan financing may not exceed 25% of the Housing Trust Fund balance at one time. The balance of the Housing Trust Fund is determined by the amount of funds at hand and any outstanding loans.

Long-term secured loans will be offered at a 3% fixed rate or the current federal reserve interest rate, whichever is higher. Loans must be secured by a promissory note and recorded Deed of Trust, and can be subordinated to new or existing financing. The principal amount of the loan shall be based on 150% of anticipated appraised value for vacant land, or 80% loan-to-value for existing land and buildings. Repayment of principal may be deferred for the term of the loan; however, interest-only payments must be made on a monthly basis. Secured loans must be long-term, with an initial due date of at least 15 years, and can be amortized over 30

years. Other terms include no prepayment penalty, a due-on-sale clause, and closing costs (recording, loan processing, escrow fees, etc.) to be paid in advance by the borrower.

Due to the contingent nature of commitments made by the Housing Trust Fund, loan agreements will not be executed until all project funding is in place and until the construction closing is imminent. However, in no event will the Housing Trust Fund be required to execute a loan agreement if, after the specified funding cycle has elapsed, a funding gap exists for any reason, including cost increases, withdrawals or reduction of a previous commitment, or increases in deferred costs or fees.

Unless otherwise entirely funded by reserves, project applications must demonstrate viable leveraging of a key funding source, e.g. LIHTC, USDA/RDA, HCD and/or HUD funds; provided, however, that the funding source meets the income limitations set forth in these Policies and Procedures. Secured loan commitments will automatically expire at the earlier of two failed attempts to leverage the identified key funding source, or 24 months after Board of Supervisor approval, whichever occurs first. Failure to submit an application constitutes a failed attempt. Due to the limited amount of available funds, no exception will be made to extend the loan commitment and the applicant must reapply during the next Request for Proposal (RFP) or Notice of Housing Trust Fund Funding Availability (NOFA).

B. Short-Term Unsecured Loans

Short-term unsecured financing of up to \$50,000 is available for predevelopment or site acquisition until permanent financing is in place. The applicant must demonstrate both an established history in the existing community and creditworthiness. Any administrative costs, including processing fees, must be paid by the borrower.

Unsecured short-term loans financed by the Housing Trust Fund will be made pursuant to the criteria set forth in this Policies and Procedures Manual. The HTFHSC reserves the discretion to ensure affordability and/or income level requirements on Housing Trust Fund monies used for short-term loans, consistent with the requirements set forth in this Manual. Unsecured loan commitments will automatically expire if the project or program presented to the HTFHSC is not implemented within nine months of Board of Supervisor approval. Implementation criteria for use of the Housing Trust Fund will be established by the HTFHSC at the time a Housing Trust Fund award is recommended, and will be part of the funding package submitted to the Board of Supervisors for approval.

C. Forgivable Loans

Forgivable loans are available to finance an individual project, services, specialized programs, or other programmatic solution. The entirety, or a portion, of the forgivable loan can be forgiven or deferred for a period of time when certain conditions are met. The time limitations and conditions will be governed by this Manual, the RFP or NOFA, or the submitted application for Housing Trust Fund monies. The maximum amount of a forgivable loan is \$10,000, and the

applicant/recipient must have an established history in the existing community and demonstrated creditworthiness. Any administrative costs, including processing fees, must be paid by the recipient.

Forgivable loans financed by the Housing Trust Fund will be made pursuant to the criteria set forth in this Policies and Procedures Manual. The HTFHSC reserves the discretion to ensure affordability and/or income level requirements on Housing Trust Fund monies used for forgivable loans, consistent with the requirements set forth in this Manual. Forgivable loan commitments will automatically expire if the project or program presented to the HTFHSC is not implemented within nine months of Board of Supervisor approval. Implementation criteria for use of the Housing Trust Fund will be established by the HTFHSC at the time a Housing Trust Fund award is recommended, and will be part of the funding package submitted to the Board of Supervisors for approval.

Section 6. Project and Program Evaluation

The Housing Trust Fund will seek to prioritize projects and programs that (1) help the County to meet its very-low income needs as set forth in its Regional Housing Needs Assessment (RHNA); (2) are consistent with the goals and objectives of the Housing Element of the General Plan and to help the county meet its very-low income fair share housing goals as set forth in the Housing Element; (3) facilitate the County's zoning programs, including promotion of SB 2 zones, and identified special needs as set forth in the Housing Element; (4) most effectively leverage the Housing Trust Fund's resources by securing leveraged funds; and (5) satisfy all other criteria set forth in this Policies and Procedures Manual.

Competitive projects will increase the supply of rental housing or temporary housing for persons in the identified AMI priority groups and meet special housing needs identified in Housing Element. Applicants are also encouraged to leverage funds to ensure maximum use of the Housing Trust Fund.

Section 7. Avoidance of Conflicts or the Appearance of Conflict

The HTFHSC shall avoid any conflict, and the appearance of conflict, at all times during the application process. Accordingly, any HTFHSC member who submits an application or intends to submit an application, or has a relationship with any applicant or intended applicant, is deemed to have a conflict. HTFHSC members must declare any conflicts, or the appearance of conflict, at the earliest time when the conflict becomes known.

As more fully discussed in Section 8, the conflicted member may not serve on the *ad hoc* Selection Committee or take part in any HTFHSC action related to their application or a competitive application. The conflicted member may participate in any HTFHSC action item for the sole purpose of presenting their project or program proposal to the entire HTFHSC. Similarly, the conflicted member may participate in any future HTFHSC action item, such as a

motion to consider loan forgiveness, for the purpose of presenting any necessary information about an approved application.

Section 8. Process and Timelines

Upon obtaining sufficient funds in the Housing Trust Fund, the HTFHSC shall issue a RFP and/or NOFA. Within five days after closing the RFP/NOFA application period, the HTFHSC shall establish a sub-committee of HTFHSC members called the Selection Committee. The Selection Committee is limited to three HTFHSC members without any conflict with, or relationship to, any applicant for Housing Trust Fund monies. HTFHSC members or their organizations are not prohibited from applying for Housing Trust Fund loans, but may not, at any time, sit on the Selection Committee that is reviewing their application or take part in any votes related to their application.

To begin the process, an application must be submitted to the HTFHSC in response to an issued RFP or NOFA. The application form is attached as Attachment D. The application and supporting materials must be submitted to the HTFHSC Chair, c/o the Humboldt County Administrative Office, 825 5th Street, Eureka CA 95501. Applications must be made in person, via US Mail or by overnight delivery service. Email submissions are not acceptable.

Within two weeks after receipt of a timely submission, the application is reviewed by the Selection Committee and any necessary County staff to evaluate the project or program against HTFHSC priorities, funds availability, project readiness, lending priorities, and other criteria set forth in the RFP or NOFA. The Selection Committee will then meet with the applicant for the purposes of conducting an informal pre-selection meeting. At the meeting, the Selection Committee will discuss the proposed project or program with the applicant. If necessary, the Selection Committee will also discuss the proposed project with Humboldt County planning staff and/or request that planning staff attend the pre-selection meeting.

Within 10 business days of pre-selection meeting, the Selection Committee will issue a letter regarding whether the proposed application meets the required criteria. If the proposed project or program does not meet the necessary criteria, the Selection Committee's letter will provide feedback identifying issues that likely inhibit the project or program from receiving funds. If the Selection Committee determines that the proposed project or program meets the HTFHSC criteria, it will accept the application for the next level of consideration.

Within 7 business days of acceptance of the application, the Selection Committee shall notify the applicant of its decision to bring the application forward for consideration of the entire HTFHSC. The applicant will be invited to attend the HTFHSC meeting and discuss the application before the entire Committee before a final vote is taken.

The application will be brought forward to the full HTFHSC for consideration at its next regular meeting. The Selection Committee may, but is not required to, make recommendations to the HTFHSC. The HTFHSC will determine whether it shall recommend approval of the application to the Board of Supervisors. Any HTFHSC member who is an applicant or otherwise has a conflict with a proposed application must abstain from voting on that project or program and any competitive application, and may not participate in any related action, present or future, taken by the HTFHSC. A conflicted HTFHSC member may participate in the agenda item for the sole purpose of presenting their project or program proposal to the entire HTFHSC, or if their accepted application is brought before the HTFHSC for any subsequent action.

Within two weeks of the HTFHSC meeting, the HTFHSC will recommend its approval to the Board of Supervisors if it was determined that such recommendation should be made.

Note: Applications may be submitted at any time without issuance of an RFP or NOFA; however, unsolicited applications are not subject to the timelines set forth in this Manual and may take longer to review.

Section 9. Enforceability

The repayment of loans, whether secured, unsecured, or partially forgivable, must be deposited back into the Housing Trust Fund. Failure to repay loans pursuant to the funding agreement is subject to collection by any method permitted by law.

All secured, unsecured, and forgivable loans are subject to annual reporting and monitoring requirements to ensure the income levels of tenants, residents or other beneficiaries of the Housing Trust Fund. If it is determined that the loan recipient is not assisting eligible income groups consistent with its loan application, the loan is subject to immediate repayment and/or enforcement via misdemeanor/fines, regulatory agreement and resale controls by civil action, injunctive relief, foreclosure, or any other method permitted by law.

This provision may be enforced by either the County or a low-income person who is otherwise eligible for the housing or provisions funded by the Housing Trust Fund.