

Community Placement Plan (CPP)/Community Resource Development Plan (CRDP) Housing Guidelines

Multifamily Housing Proposal

This attachment provides specific guidance and procedures related to the regional center submission of a CPP/CRDP Multifamily Housing Proposal.

The regional center must submit a Multifamily Housing Proposal to the Department of Developmental Services (Department) when a housing developer organization (HDO) agrees to set aside at least one unit that will be restricted for occupancy by individuals supported by the regional center in a multifamily housing project (project). A project is defined as a structure or set of structures with common financing, ownership, and management and which collectively contains five or more units. For these Housing Guidelines, a unit includes, but is not limited to, an apartment, townhouse, single-family residence, etc., but does not include a bedroom within a unit.

The Multifamily Housing Proposal describes how the regional center plans to use Department-approved CPP/CRDP funds to increase affordable and accessible “set-aside” units as part of a project that are restricted in use for eligible individuals supported by the regional center. The regional center must contract with the ownership entity to create these units.

Multifamily Housing Proposal Process Overview

Prior to developing a project, the regional center must receive approval by the Department following submission of: 1) its CPP/CRDP; 2) a Multifamily Housing Proposal; and 3) the HDO’s multifamily funding application (e.g., for the Tax Credit Allocation Committee, California Debt Limit Allocation Committee, etc.), as applicable, and due diligence items.

The regional center must contact the Department within 60 calendar days from the date of the Department’s approval of the regional center’s CPP/CRDP due to the additional planning and workload associated with the review of a Multifamily Housing Proposal. The Department and the regional center will engage in a collaborative process to ensure that the regional center informs the Department of the nature, scope, and feasibility of the project. If the regional center hires counsel to facilitate the transaction, the regional center must ensure that the hired counsel is charged with accomplishing the multifamily housing transaction to meet the requirements of these Housing Guidelines and as otherwise specified by the Department.

Note: For an approved project, the Department may consider on a case-by-case basis a regional center's request for different requirements than specified in the CPP/CRDP Guidelines to post a Request for Proposal and execute the RC-HDO contract. The Department may waive the requirement for a Request for Proposal if the regional center is working with an HDO, consistent with the regional center's Board-approved policies, on an approved multifamily project to avoid adversely affecting project development. If approved, the Department will issue a written approval letter to the regional center that specifies the agreed upon timeframes for completing the project requirements.

Multifamily Housing Proposal Requirements

The Multifamily Housing Proposal must:

- Describe the proposed project including sufficient detail of the intended use of the requested funds, the number of units restricted to individuals, unit type, income restrictions, the proposed HDO, developer and borrower, the proposed management agent and service provider(s), the proposed timeline for development, the proposed location of the project.
- To ensure community integration, demonstrate that not more than 25 percent of the total units in a project can have occupancy restrictions for individuals with developmental or intellectual disabilities. On a case-by-case basis, the Department may consider a different percentage related to community integration.
- Include a commitment letter from the proposed HDO/developer that agrees to develop a project for consumers and using CPP/CRDP funds consistent with these Housing Guidelines and this Attachment.
- Identify all sources and uses of all funds, including a commitment letter from each source, if available.
- Demonstrate the developer's experience in developing projects; the developer must have experience in developing at least one multifamily housing project that offers supportive services to individuals with special needs, i.e., those with disabilities, chronic health conditions, etc.
- Identify the proposed ownership entity including the organizational structure of its affiliate; must also identify the organization with ultimate responsibility; (additional organizational documents will be required to be submitted at the time of application submission).
- Describe the process that will be implemented by the regional center to ensure that the units are occupied by consumers.
- Invite the Department to regular meeting updates about the project, including but not limited to, conference calls, meetings, document distribution, changes or modifications to the proposed project. The Department may participate in meetings with other parties (e.g., lenders) involved in the project.

Multifamily Funding Application Requirements

Once the Department approves a Multifamily Housing Proposal, the Department will issue a Letter of Conditional Approval authorizing the regional center to identify a property that will be developed. Subsequently, but not less than 30 days prior to the close of escrow, the regional center must submit the HDO's multifamily funding application to the Department for review. It is at this time that the regional center must submit to the Department the following due diligence items for construction financing or for permanent financing:

Due Diligence Items

Construction Financing

The Department's Multifamily Housing Checklist provides guidance on due diligence items at the time of construction financing, including but not limited, to:

- Project Summary – this is a summary of the MFH project : Address, description of development (i.e., garden style or high rise, # of stories, mixed use); total number of units; # of CPP units set aside; other special needs restriction (e.g., senior, veterans, psychiatric condition); unit mix (e.g., 1,2,3) bedroom units; AML levels; new construction or acquisition/rehabilitation; exceptional circumstances affecting the project's development, site, or funding.
- List of the Project Contacts.
- Appraisal Report – must show “as is value” of property being purchased; appraisal must be completed by State of California licensed appraiser.
- Purchase Agreement/Property Acquisition Agreement – property acquisition cost cannot exceed the appraised value of the property.
- Organizational Documents – proposed borrower, Sponsor, organizational chart and signature block in Word format; organizational structure is limited to no more than three levels from borrower entity to responsible entity, i.e., the HDO.
- Authorizing Board Resolution for Borrowing Entity
- Site/Building Inspection /Physical Needs Assessment/Replacement Reserve Analysis – a physical needs assessment/replacement reserve analysis is only required for acquisition/rehabilitation projects.
- Relocation Plan (if applicable) – a Relocation Plan Implementation Certificate must be signed by the borrower.
- Phase I - Environmental Assessment.
- Phase II – Environmental Assessment (if required by Phase I).
- Soils/Geotechnical Reports.
- Current Preliminary Title Report with hyperlinked documents.
- Alta Site Survey.
- All Construction/Permanent Sources and Uses

- Cash Flow Proforma.
- Rental Subsidy Contracts – a rental subsidy can be an operating subsidy, project-based subsidy such as from the federal Department of Housing and Urban Development (HUD) Section 811, a housing choice voucher, etc.
- Property Management Plan, including the executed Management Agreement.
- Property and Liability Insurance.
- Temporary Certificate of Occupancy.
- Loan Partnership Agreement (LPA)/Final Amended & Restated LPA.
- Other documentation (e.g., studies, reports, etc.) as requested by the Department.

The Department's Multifamily Housing Checklist provides guidance on due diligence items at the time of permanent financing, including but not limited, to:

Permanent Financing

- Project Summary – any updates, changes, or modifications to the project summary described above.
- List of the Project Contacts.
- Current Preliminary Title Report.
- Bond Financing Term Sheet (if applicable - for permanent financing only).
- Other documentation (e.g., studies, reports, etc.) as requested by the Department.
- Certificate of Occupancy.
- Current Property and Liability Insurance.
- Loan Partnership Agreement / Final Amended & Restated LPA.
- Final Loan Closing Settlement Statement.
- Final Cost Certification or 8609.

DDS Loan Closing Requirements

- The Department requires a minimum of 90 days after submission of all multifamily due diligence documents, including the final signed Transaction Summary, for loan closing. Failure to do so will result in an unnecessary delay to the loan closing date.
- The Department must be invited to all conference calls, meetings, and be included in distributed email(s) related to the proposed project.
- The Department will only subordinate the CPP/CRDP Deed of Trust and CPP/CRDP Promissory Note to the senior lender. However, with the Department's prior written approval, the Department may subordinate these documents to lenders that commit state or federal funds to the project [e.g., HUD,

California Department of Housing and Community Development (HCD), California Housing Finance Agency (CalHFA), etc.].

- The CPP/CRDP Regulatory Agreement must be recorded ahead of all other lender documents regardless of the CPP/CRDP fund amount, except for the senior lender; as mentioned above, the Department may subordinate to lenders, (such as CalHFA or HCD) that commit state or federal funds to the project.
- The Department must be included as beneficiary in the property's title policy.
- All Department CPP loan documents must have coterminous terms for up to 55 years. On a case-by-case basis, the Department may consider a different term.
- The Department's loan documents must be consistent with these approved Housing Guidelines and applicable templates including, but not limited to the: promissory note, deed of trust, regulatory agreement, escrow instructions and, as appropriate, a subordination agreement, and assignment and assumption agreement.
- All lender loan documents, including escrow instructions, must be submitted to the Department, for review and comment, at least 15 days prior to the close of escrow.
- The regional center, upon written approval by the Department, must deposit allocated CPP/CRDP funds into an escrow account. The Department will provide approval and authorize release of funds following review of the multifamily funding application and due diligence items.
- The regional center can only release the deposited funds out of the escrow account after the Department's written approval. The Department will provide such approval in the Department's escrow instructions that must be used by the regional center.

Loan Closing Documents

- The Department's Multifamily Housing Checklist on due diligence items.
- The Department's Letter of Conditional Commitment.
- The Department's Final Commitment Letter.
- Pro forma title insurance.
- Proof of Property and Liability Insurance as stated in the CPP/CRDP Regulatory Agreement.
- All lenders' Escrow Instructions.
- CPP/CRDP Regulatory Agreement, Promissory Note, and Deed of Trust, (the Department's formats to be developed, as applicable).
- Subordination Agreement(s).
- Request For Notice Default.
- Certificate of Officers.
- Loan Authorization by Limited Partnership, as applicable.

- Lease Rider (the Department's format to be developed).