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August 15, 2024

MEMORANDUM FOR: ALL POTENTIAL APPLICANTS

FROM: MEGAN KIRKEBY, DEPUTY DIRECTOR
DIVISION OF HOUSING POLICY DEVELOPMENT

SUBJECT: **NOTICE OF FUNDING AVAILABILITY ROUND 3 – PROHOUSING INCENTIVE PROGRAM**

The California Department of Housing and Community Development (HCD or Department) is pleased to announce the release of this Notice of Funding Availability (NOFA) for approximately an estimated $8 million under the Prohousing Incentive Program (PIP or Program). This estimate is based on funds collected during Quarter 1 of calendar year 2024 projected through the remainder of the calendar year. Final proceeds will be available by March 2025 in advance of Award announcements. For more information and updates, please see the Program website.

PIP complements the Prohousing Designation Program and is designed to encourage jurisdictions to obtain a Prohousing Designation and reward jurisdictions that pursue additional Prohousing Policies to earn a higher Prohousing Designation Score. Under the Program, grants are available for a variety of planning or implementation activities related to housing and community development.

In order to be eligible for grant funding under this NOFA, completed application materials must be submitted by email to: ProhousingIncentive@hcd.ca.gov no later than December 31, 2024. In order to remain eligible for an award under this NOFA, applicants must obtain a Prohousing Designation no later than December 31, 2024.

Prohousing Incentive Program Round 3 Timeline

NOFA Release	**August 15, 2024**
Application Due Date	**December 31, 2024**
Prohousing Designation Due Date	**December 31, 2024**
Award Announcements	**April 2025**

In addition to the information contained within this NOFA, the NOFA application and Program Guidelines are posted on the Department's PIP website. For future updates on

PIP, please subscribe to the Department's email notification sign up at Subscribe (ca.gov).

If you have questions regarding this NOFA or PIP generally, please email the Department at ProhousingIncentive@hcd.ca.gov.

Attachment

Prohousing Incentive Program
Notice of Funding Availability
Round 3

State of California
Governor Gavin Newsom

Tomiquia Moss, Secretary
Business, Consumer Services and Housing Agency

Gustavo Velasquez, Director
California Department of Housing and Community Development

Megan Kirkeby, Deputy Director
Division of Housing Policy Development

651 Bannon Street, Suite 400
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Website: https://www.hcd.ca.gov/grants-and-funding/programs-active/prohousing-incentive-program
Email: ProhousingIncentive@hcd.ca.gov
August 2024

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I. Overview

A. Notice of Funding Availability

This NOFA announces approximately an estimated $8 million in funding for planning and implementation activities related to housing and community development, as described in Health and Safety Code Section 50470(b)(2)(D).

B. Timeline

1. Program funds will be available to Eligible Applicants on a competitive basis. See Table 1 below for the anticipated timeline of awards.

2. Applications will be accepted as of the date of this NOFA through December 31, 2024. In order to remain eligible for an award, Eligible Applicants must obtain Prohousing Designation by December 31, 2024. The Department encourages early applications.

Table 1: Round 3 Timeline

NOFA Release Date: August 15, 2024	
Application Due Date	December 31, 2024
Prohousing Designation Due Date	December 31, 2024
Award Announcements	April 2025

C. Authorizing Legislation, Regulations, and Guidelines

PIP is funded through Chapter 364, Statutes of 2017 (SB 2, Atkins), which established the Building Homes and Jobs Trust Fund, with five percent of annual collections to be used for an incentive program. The Department's administration of PIP is governed by the PIP Guidelines, which implement, interpret, or make specific provisions for purposes of implementing an incentive program pursuant to Health and Safety Code section 50470, subdivision (b)(2)(C)(i). These Guidelines are authorized pursuant to Chapter 2.5 of Health and Safety Code (Sections 50470 to 50475).

Applications submitted under this NOFA are subject to the PIP Guidelines, all applicable statutory requirements, and this NOFA. Section references in this NOFA refer to the PIP Guidelines unless otherwise noted. Capitalized terms in this NOFA are either defined herein or in the PIP Guidelines, available on the PIP website at https://www.hcd.ca.gov/grants-and-funding/programs-active/prohousing-incentive-program. .

PIP awards funds based on jurisdiction size and Prohousing Designation Program score (as codified in the California Code of Regulations Title 25 Housing and Community Development, Division 1, Chapter 6, Subchapter 6.6, Sections 6600 through 6608, Consecutive Prohousing Designation Program).

D. NOFA and Guidelines

Applications submitted under this NOFA are subject to the August 2024, PIP Guidelines.

II. Eligibility

A. Eligible Applicants

1. Eligible Applicants are limited to cities, counties, and cities and counties.

2. Only Eligible Applicants may submit an application.

3. Eligible Applicants may partner through legally binding agreements with other forms of governments or entities. This includes, but is not limited to, partnerships with other localities, regional governments, housing authorities, school districts, special districts, community-based organizations, Tribal Entities or any duly constituted governing body of an Indian Reservation or Rancheria.

4. Eligible Applicants in partnerships may determine the amount of incentive payments between Eligible Applicants participating in the partnership in consultation with the Department.

5. Eligible Applicants forming partnerships must submit separate, completed, and signed application packages, including resolutions and a copy of the signed agreement between partners to the Department in order to be awarded funds.

B. Threshold Requirements

Eligible Applicants must meet all of the following threshold requirements for participation in the Program:

1. An adopted housing element in substantial compliance, as determined by the Department, pursuant to Housing Element Law (Gov. Code, § 65580 et seq) in accordance with Government Code section 65585.

    a) Applicants not meeting housing element requirements may be considered to meet this threshold requirement at the discretion of the Department on a case-by-case basis. Criteria for consideration include but are not limited to significant progress in meeting housing element requirements (e.g., a draft found to meet statute, rezoning near completion), proposing activities to meet housing element requirements (e.g., rezoning to accommodate housing needs pursuant to Gov. Code Section 65583(c)(1)) and adoption of a compliant element prior to the award of funds.

2. Housing Element Annual Progress Report submittal pursuant to Government Code Section 65400 for the current or prior year, as applicable.

3. Prohousing Designation: A completed Prohousing Designation application (per the regulations codified in the California Code of Regulations Title 25 Housing and Community Development, Division 1, Chapter 6, Subchapter 6.6, Sections 6600 through 6608, Consecutive Prohousing Designation Program), with an authorizing resolution, must be submitted prior to or in

conjunction with the applicant's PIP application. PIP awards cannot be made until Prohousing Designation is obtained, as determined by the Department.

4. A complete application as determined by the Department.

5. An authorizing resolution authorizing submittal of the application to the Program that materially comports with the Program's requirements and is legally sufficient as determined in the Department's reasonable discretion, including an authorized representative. See Attachment B of the Guidelines for required resolution format.

6. Compliance with state and federal housing laws as determined by the sole discretion of HCD.

7. Demonstration of meeting threshold criteria shall be determined by the Department in its sole and absolute discretion. No documentation of meeting threshold requirements is required in the application unless requested by the Department.

C. Eligible Uses

Eligible Applicants must use award funds towards planning or implementation activities related to housing and community development limited to activities that conform with eligible uses pursuant to Health and Safety Code section 50470(b)(2)(D):

1. The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low-, very low-, low-, and moderate-income households, including necessary operating subsidies.

2. Affordable rental and ownership housing that meets the needs of a growing workforce earning up to 120 percent of area median income, or 150 percent of area median income in high-cost areas.

3. Matching portions of funds placed into local or regional housing trust funds.

4. Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of Section 34176 of the Health and Safety Code.

5. Capitalized reserves for services connected to the creation of new permanent supportive housing, including, but not limited to, developments funded through the Veterans Housing and Homelessness Prevention Bond Act of 2014.

6. Assisting persons who are experiencing or at risk of homelessness, including providing rapid rehousing, rental assistance, navigation centers, emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.

7. Accessibility modifications.

8. Efforts to acquire and rehabilitate foreclosed or vacant homes.

9. Homeownership opportunities, including, but not limited to, down payment assistance.

10. Fiscal incentives or matching funds to local agencies that approve new housing for extremely low, very low, low-, and moderate-income households.

III. Program Funding Amounts and Terms

A. Eligible Award Calculation

1. Maximum total award amounts will be no greater than $2 million per Eligible Applicant. Total potential award amounts are determined by adding an Eligible Applicant's base award amount with an Eligible Applicant's bonus award amount.

   a) Base award amounts will be determined by population size. Base award amounts are based on population estimates as of January 1 of the NOFA year. Population estimates are based on the Department of Finance E-1 report: https://dof.ca.gov/Forecasting/Demographics/estimates-e1/.

Jurisdiction Size (in Population)	**Base Award Amount**
750,000 or greater	$1,500,000
300,000 to 749,999	$1,000,000
100,000 to 299,999	$750,000
50,000 to 99,999	$500,000
20,000 to 49,999	$250,000
Less than 20,000	$150,000

b) For the purpose of calculating the bonus award, an Eligible Applicant's Prohousing Designation Score will be multiplied by 10,000. For example, an Eligible Applicant with a Prohousing Designation Score of 35 points will be eligible to receive up to a $350,000 bonus award in addition to the base award. The bonus award amount shall not exceed $500,000.

2. Eligible Applicants in partnerships with other cities or counties, as allowed by Section 201(C) of the Guidelines, may qualify for up to the sum of individual Eligible Applicant base award amounts. For example, two jurisdictions between 50,000 and 99,999 people could submit a proposal for up to $1 million in base awards.

IV. Application Requirements

A. Application Content

1. Eligible Applicants may request an allocation of funds by submitting a complete application to the Department.

2. Application must utilize the forms and manner prescribed in the Department's application.

3. The application can be found on the Department's website at https://www.hcd.ca.gov/grants-and-funding/programs-active/prohousing-incentive-program.

4. Eligible Applicants must submit a Government Agency Taxpayer Identification Form for an application to be considered complete.

5. The Department may request additional information and documentation as appropriate.

6. The Department may consult with and gather relevant information from any individual, entity, or public agency.

B. Application Submittal

1. An applicant must submit a completed, signed original application in electronic form.

2. The Department encourages early applications and will accept applications up to 11:59 P.M. Pacific Time on December 31, 2024.

3. All applications must be submitted by email to: ProhousingIncentive@hcd.ca.gov.

C. Application Process

1. Applications will be reviewed for completeness, eligibility, and for meeting threshold requirements.

2. Eligible Applicants will have until December 31, 2024, to obtain Prohousing Designation. After this date, HCD will rank Eligible Applicants that met threshold requirements according to their Prohousing Designation Score, as determined by HCD.

3. Ranked applications will be sorted by geographic category, as described in Section 404 of the PIP Guidelines.

4. Priority will be given to Eligible Applicants that have not received PIP funds in prior funding rounds. Eligible Applicants awarded in prior funding rounds will only be eligible to receive an award once all previously unfunded Eligible Applicants receive an award.

V. Scoring

A. Geographic Categories

1. Ranked applications will be considered for awards according to six geographic categories, as follows:

   a) Southern California: Imperial, Los Angeles, Orange, Riverside, San Bernardino, Ventura, and San Diego

   b) Bay Area: Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano, Sonoma, San Francisco

   c) San Joaquin Valley: Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare

   d) Sacramento Area: Amador, El Dorado, Placer, Sacramento, Sutter, Yolo, Yuba

   e) Central Coast: Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Cruz

   f) North State and Sierra Nevada: Alpine, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, Shasta, Sierra, Siskiyou, Tehama, Trinity, Tuolumne

2. Funds are made available to each geographic category based upon the percentage of 2030 population projections, as determined by the Department of Finance (see P-2A report: https://dof.ca.gov/forecasting/demographics/projections/).

Geographic Region	2030 Population Projection	Percent of 2030 State Population	Percent of Overall Funds Available to Applicants in Region
Southern California	21,930,346	55.6%	41.7%
Bay Area	7,604,103	19.3%	14.5%
San Joaquin Valley	4,496,637	11.4%	8.6%
Sacramento Area	2,703,924	6.9%	5.1%
Central Coast	1,520,779	3.9%	2.89%
North State and Sierra Nevada	1,175,092	3%	2.2%
Totals	**39,430,871**	**100%**	**75%**

3. The total proportion of available funds in geographic categories will not exceed 75 percent of the total amount of the NOFA.

4. Awards will be funded from each geographic category's total available funding amount until the funds for that category are depleted. If Eligible Applicants' awards exceed the funding available to a geographic category, Eligible Applicants may qualify to fulfill their eligible award from the 25 percent residual set-aside in ranking order.

5. In the event of funds being depleted such that a partial award is indicated, the residual set-aside may be utilized to enhance the award at the discretion of the Department.

6. If both an Eligible Applicant's geographic category and the residual set-aside have been depleted, that Eligible Applicant may be eligible for remaining funds at the sole discretion of the Department. Remaining funds will come from unutilized money from geographic categories only after Eligible Applicants located in those geographic categories have been awarded.

7. When all funds have been depleted, the final Eligible Applicant in the ranking will only be eligible for the award amount that remains in the coffer. Eligible Applicants in this position may opt to pull their PIP application until additional funds are made available to fulfill their eligible award amount in potential future funding rounds.

8. The Department reserves discretion to alter funding amounts and the distribution methodology to advance Program goals and achieve an equitable outcome.

B. Tie Breaker

1. Eligible Applicants that submit complete applications that meet threshold requirements will be awarded in order of rank and priority, as described in Section 401(D) of the PIP Guidelines, until funding is depleted.

2. In the event of a tie (i.e., two or more Eligible Applicants have the same Prohousing Designation Score), the Eligible Applicant with the smaller population size will receive funding first.

VI. Right to Modify or Suspend and Final Decision-making

The Department reserves the right, at its sole discretion, to suspend, amend, or modify the provisions of these Guidelines at any time, including, without limitation, the amount of funds available hereunder. If such an action occurs, the Department will notify all interested parties and will post the revisions to the Department's website. You may subscribe to the Department's email list here: http://www.hcd.ca.gov/HCD_SSI/subscribe-form.html.

The Department's decision to approve or deny an application or request for funding pursuant to the Program, and its determination of the amount of funding to be provided, shall be final.

VII. Disclosure of Application

Information provided in the application will become a public record available for review by the public pursuant to the California Public Records Act (CPRA) (Gov. Code, § 7920.000 et seq.). As such, any materials provided are subject to disclosure to any person making a records request under the CPRA. The Department cautions applicants to use discretion in providing information not specifically requested, including, but not limited to, bank account numbers, Social Security numbers, personal phone numbers, and home addresses. By providing this information to the Department, the applicant is waiving any claim of confidentiality and consents to the disclosure of submitted material upon request.

VIII. Appeals

A. Basis of Appeals

1. Applicants may appeal the Department's written determination that an application is incomplete or ineligible, or appeal other administrative errors including, but not limited to, requested award amounts.

2. Applicant shall have the right to appeal a decision of the Department relating to another applicant's application (e.g., eligibility, award).

3. Any request to appeal the Department's decision regarding an application shall be reviewed for compliance with the PIP Guidelines and this NOFA. All decisions rendered shall be made by the Program Manager or his/her designee. The decision shall be final, binding, and conclusive, and shall constitute the final action of the Department.

4. The appeal process provided herein applies solely to decisions of the Department made pursuant to this NOFA and related to application completion, eligibility, or administrative errors.

B. Appeal Process and Deadlines

1. To file an appeal, applicants must submit to the Program Manager, or designee, by the deadline set forth below, a written appeal which states all relevant facts, arguments, and evidence upon which the appeal is based. Furthermore, the applicant must provide a detailed reference to the area or areas of the application that provide clarification and substantiation for the basis of the appeal. No new or additional information will be considered if this information would result in a competitive advantage to an applicant. Once the written appeal is submitted to the Department, no further information or materials will be accepted or considered thereafter. Appeals are to be submitted to the Department at ProhousingIncentive@hcd.ca.gov according to the deadline set forth below.

2. Appeals must be received by the Department no later than five business days from the date of the Department's determination.

C. Decision

Any request to appeal the Department's decision regarding an application shall be reviewed for compliance with the PIP Guidelines and this NOFA. All decisions rendered shall be final, binding, and conclusive, and shall constitute the final action of the Department.

IX. Award Announcements and Contracts

A. Award Announcements

It is the Department's intent to announce awards in April 2025. Award announcements will be posted on the PIP website at https://www.hcd.ca.gov/grants-and-funding/programs-active/prohousing-incentive-program.

B. Contracts

Grantees will enter into a Standard Agreement with the Department. The Standard Agreement specifies and memorializes all the relevant state and federal requirements, as well as specific information about the award and the work to be performed.

As a condition of award, a Standard Agreement must be executed by the grantee within 90 days of the Department's issuance of the award letter. Failure to execute the Standard Agreement(s) within 90 days may result in award cancellation. The refusal of any grantee to execute the Standard Agreement may result in award cancellation.

Once an application is awarded Department funds, the grantee is acknowledging the proposal as submitted and approved is the proposal that is to be funded. Any bifurcation or portioning of the proposal will make that award null and void.