

SOLANO COUNTY

HOUSING TRUST FUND GUIDELINES

I. OVERVIEW

A. Background

On August 8, 2022, the Solano County Board of Supervisors (Board) adopted an ordinance to establish the Solano County Housing Trust Fund (SCHTF) to assist in the creation of new affordable housing units and the preservation of the affordability of existing housing units. These guidelines will establish policies and procedures for the implementation and ongoing administration and management of the SCHTF.

B. Definitions

The following definitions shall apply to the SCHTF and any Requests for Proposals (RFPs) or Notice of Funding Availability (NOFA) the SCHTF issues:

Affordable housing: A housing situation where the household's housing cost does not exceed 30% of the total household income. For purposes of these guidelines, any portion of a project or program funded by the SCHTF shall not assist households whose total annual income exceeds 120% of the Area Median Income (AMI) for their applicable household size, though income limits may be lower than 120%, depending on the RFP/NOFA.

- *Moderate-income:* A household with total income that is equal to or less than 120% of the Area Median Income for the Vallejo-Fairfield Metropolitan Statistical Area (MSA), as defined by the U.S. Department of Housing and Urban Development (HUD), applicable during the funding cycle.
- *Low-income:* A household with total income that is equal to or less than 80% of the Area Median Income for the Vallejo-Fairfield MSA, as defined by HUD, applicable during the funding cycle.
- *Very low-income:* A household with total income that is equal to or less than 50% of the Area Median Income for the Vallejo-Fairfield MSA, as defined by HUD, applicable during the funding cycle.
- *Extremely low-income:* A household with total income that is equal to or less than 30% of the Area Median Income for the Vallejo-Fairfield MSA, as defined by HUD, applicable during the funding cycle.
- *Deeply low-income:* A household with total income that is equal to or less than 15% of the Area Median Income for the Vallejo-Fairfield MSA, as defined by HUD, applicable during the funding cycle.

Mixed-income development: A multi-family housing project that incorporates both market rate units and units that will be affordable to households at a stated income limit, not to exceed moderate-income.

Permanent supportive housing: A long-term housing situation in which housing assistance (typically a rent subsidy) and supportive services are provided to an individual or family who is unhoused and unable to maintain stable housing without such assistance.

Senior(s): A household where the head of household, spouse or co-head of household is age 65 or older.

Solano County resident: A household that resides in Solano County, or where at least one household member is employed or has been offered and accepted employment within Solano County, as of the release date of an RFP or NOFA or a direct allocation of funding by the Board of Supervisors.

Transitional-aged youth: An individual between the ages of 18 and 24 who is exiting foster care or another public system who is at risk of not successfully transitioning into adulthood.

Veteran(s): A household where the head of household, spouse, or co-head of household is currently serving in the armed forces or received a discharge that is other than dishonorable.

C. Governing Body and Management

The Board of Supervisors shall be the governing body for the SCHTF.

The County Administrator, or designee, shall serve as the manager of the SCHTF. The manager's responsibility shall include, but not be limited to:

- Ensure the SCHTF is administered according to all applicable Federal, State and local laws and regulations, and these administrative guidelines
- Administer the assets in collaboration with the Solano County Auditor-Controller's Office and/or the Solano County Treasurer-Tax Collector-County Clerk's Office, according to County policies
- Issue/administer all RFPs/NOFAs
- Maintain all records related to the SCHTF
- Regularly monitor (frequency to be determined with each RFP/NOFA process) subrecipients for the appropriate use of all funds distributed as the result of an RFP/NOFA. Monitoring will include compliance with all applicable Federal, State and local laws and regulations and conditions under the RFP/NOFA and contract of award
- Complete and submit applications for grants and other sources of funding
- Prepare and present an annual report to the Board of Supervisors

D. Funding Sources

The initial funding source for the SCHTF shall be American Recovery Plan Act (ARPA) funding. These funds must be fully obligated by December 31, 2024, and fully expended by December 31, 2026. Failure to meet these deadlines will result in loss of these funds.

Ongoing County funding will be budgeted under the Community Investment Fund, which will be utilized as the SCHTF's regular funding source. The SCHTF may apply for additional funding through grant opportunities, seek donations from foundations and other sources, and accept funds and other assets from any permissible source. Donations may be designated for a specific project or purpose within the scope of this Fund.

The Board of Supervisors may choose to allocate an additional amount from the General Fund or any other eligible source of County revenue to the SCHTF at any time. The Board may also allocate funds from the SCHTF for a specific project or program at any time.

SCHTF funds may be utilized as a match for other funds, including the State of California's Local Housing Trust Fund Matching Grant Program.

All funds unspent at the end of the fiscal year shall remain in the SCHTF to be used in accordance with the establishing ordinance.

E. Funding Types/Terms

Funding provided through an RFP or NOFA process may include, but is not limited to:

- Direct funding, either through low-interest loans or grants, to a developer (either non-profit or for-profit), or a city within Solano County, that will serve as:
 - Gap financing
 - Match funding
 - Short-term or long-term financing
- Loan guarantees
- Subsidy payments

Units created or preserved with SCHTF funds are subject to an enforceable deed restriction of up to 55 years, depending on the project/program and the amount of SCHTF funding provided. Resale restrictions may also be required. These restrictions will be included in each RFP/NOFA released by the SCHTF.

A funding cycle ends once an RFP or NOFA process has been completed and funding awarded, or no less than at the end of each fiscal year.

II. ELIGIBILITY

A. Project/Program Types and Use of Funds

The SCHTF may be utilized to support a variety of projects and/or programs. Typical uses may include, but are not limited to:

- Development of new permanent, affordable rental housing, including supportive housing for populations with special needs, for households with incomes up to 120% of the area median income for their household size
- Acquisition of land to provide local sites and pre-construction costs when part of an approved project
- Adaptive reuse of existing structures into affordable housing
- Construction/purchase of Accessory Dwelling Units (if no other incentive program is active) or manufactured housing
- Activities to preserve existing affordable housing units (e.g. rehabilitation, acquisition of properties proposed to "opt out" of affordable housing agreements, or short-term assistance programs to prevent eviction or foreclosure)

B. Ineligible Activities

SCHTF funds may not be used for any of the following:

- Developer fees

- Overhead and indirect costs
- Deposits into reserve accounts
- Recurring costs
- Supportive Services
- Property tax penalties
- Outreach meetings or related costs
- Furniture or anything item not permanently attached to a unit

The above list is not exhaustive, and the Board of Supervisors may determine an activity is ineligible at any time.

C. Applicants

Entities desiring to utilize SCHTF funding must document capacity and experience in developing affordable housing units or implementing affordable housing programs, depending on the type of RFP/NOFA. Additionally, applicants must demonstrate approval of other funding sources to support the proposed project/program. The SCHTF should not be the only source of funding for non-County projects or programs.

The following entities (contractors) are eligible to apply for SCHTF funding:

- Non-profit developers
- For-profit developers
- Public agencies
- Non-profit service organizations (only in partnership with a developer)

Other entities may be eligible for specific RFPs/NOFAs as approved by the Board to meet the Board's priorities.

D. Income Eligibility for Residents

Proposed occupants of housing projects or programs supported by the SCHTF must be households who have incomes that do not exceed the following income limits, as specified in individual RFPs/NOFAs:

- **Deeply low-income** (15% of the area median income for the household size);
- **Extremely low-income** (30% of the area median income of the household size);
- **Very low-income** (50% of the area median income for the household size);
- **Low-income** (80% of the area median income for the household size); or
- **Moderate-income** (120% of the area median income for the household size).

Income limits will be enforced through a deed restriction required of the contractor and may be verified on a regular basis by County staff or a designee. RFPs and NOFAs will provide specific details regarding the terms of deed restrictions, applicable income limits, and may also require that occupant households be: 1) headed by a veteran, a senior citizen (aged 65 or older), a person with a disability, or a transitional-aged youth; 2) experiencing homelessness; or 3) work in a specific industry such as agriculture or education. All will require the occupant households be current Solano County residents as defined in the ordinance establishing this housing trust fund and these guidelines unless otherwise prohibited by a funding source.

E. Priority/Preference

Priority for funding will be given to the projects and/or programs that address the need for affordable housing within the unincorporated areas of Solano County. Should there be no viable projects or programs in the unincorporated areas during a funding cycle, affordable housing projects within incorporated Cities within the county shall be eligible to apply for and receive funding from the SCHTF. Cities must share credit for units under the Regional Housing Needs Allocation (RHNA) on a pro-rated basis according to the percentage of total funding provided by the SCHTF.

Preference for occupancy shall be given to residents of Solano County as defined herein unless expressly prohibited by another funding source of the project/program. Further preference and/or eligibility criteria may be implemented in each funding cycle (i.e., housing for transitional-aged youth, seniors, veterans, people with disabilities or other populations or income limits).

III. PROCESS

A. Requests for Proposals (RFPs)/Notices of Funding Availability (NOFAs)

At least once per funding cycle, an RFP or NOFA may be issued to solicit proposals for the development of new, permanent affordable rental housing. For development projects, applicants must demonstrate site control unless applying for funding for land acquisition.

The County reserves the right to retain funds to develop a project or program in-house in lieu of issuing an RFP or NOFA during any fiscal year.

Where these guidelines do not provide specific requirements, each RFP/NOFA will include, at a minimum, the following details:

- Desired unit mix
- Competitive evaluation criteria
- Specific eligibility criteria (if applicable)
- Income limits
- Type of any supportive services that are required/desired
- Long-term affordability restrictions
- Applicable Federal, State and local laws, regulations, and/or policies
- Monitoring requirements, including frequency
- Funding requirements
- Funding preferences
- Priorities

NOTE: If an RFP or NOFA requires supportive services such as case management, behavioral health treatment, or any other kind of service, an applicant must not assume that Solano County will provide such services. Additionally, funds received from the SCHTF may be used only for non-recurring capital costs and may not be used to fund the cost of providing supportive services. Applicants should be prepared to obtain other resources for funding and providing supportive services.

Any RFP or NOFA released for funding by the SCHTF will be brought to the Board of Supervisors for consideration prior to release to ensure the proposed eligibility criteria for each specific RFP/NOFA responds to the current needs in the county, which may vary between funding cycles.

The Board retains the right to cancel an RFP/NOFA at any time prior to award of the contract. Contracts will be subject to available funding.

B. Contract Awards

The winning proposal of an RFP/NOFA will be required to enter into a contract with the County, which will be subject to Board approval. The contract will detail the terms and conditions of the funding, including any applicable terms of repayment in the case of a loan.

IV. LOAN TERMS AND CONDITIONS

A. General Terms

The general loan terms are listed below. The SCHTF reserves the right to change these terms for any RFP/NOFA issuance subject to Board approval.

- **Interest rate** may vary to reflect current market conditions
- **Loan payments** will depend on the type of loan. **Short-term development loans** will be deferred until converted to permanent financing, at which time all accrued interest is due and payable. **Long-term financing loans** payments will be 50% of residual receipts (net cash flow after debt service and all expenses), payable annually on a date to be determined.
- **Term** may be up to 20 years
- **Promissory note and deed of trust, including deed restrictions**, will be required
- **No prepayment penalty**, but affordability restrictions will remain in place for the full term
- **Loans are due and payable in full** upon sale of the property of transfer of title, unless prior authorization for a new buyer to assume the loan is received from the County.

B. Subordination Policies

The SCHTF will not subordinate its deed of trust to an increased risk/less secure position, except for exceptional circumstances on a case-by-case basis. An example of an exceptional circumstance would be if it were necessary to protect the health and safety of the occupants.

C. Loan Default

Loans are in default when: 1) the terms and conditions of the contract between the developer (or other funding recipient) are violated; 2) the annual payment on a long-term loan is more than 30 days past due; and/or 3) property taxes and/or insurance premiums are not current.

D. First Right of Refusal

The contract will give the County first right of refusal to purchase the property if the owner decides to sell.

E. Anti-Displacement

Any project or program funded by the SCHTF should avoid involuntary displacement except in extraordinary cases as a last resort.

V. OTHER

A. Funds Received from the State of California Local Housing Trust Fund

Any funds received through a grant from the State of California's Local Housing Trust Fund Matching Grant Program are subject to, in addition to these guidelines, Health and Safety Code 50843. This includes, but is not limited to, holding at least one public hearing to discuss and describe any project(s) that will be financed with funds provided through the grant. SCHTF funds may not be used to conduct these hearings.

B. Advisory Board

Should an advisory board be needed on an ad-hoc basis, one shall be convened upon approval of the Board. The membership of such an advisory board is at the discretion of the Board of Supervisors.

C. Administrative Funds

The SCHTF may elect to retain the maximum allowed for administrative expenses from any funding source, but typically shall not exceed 10% of the total amount of funding received from a source.