

SONOMA COUNTY
COMMUNITY DEVELOPMENT COMMISSION

Fiscal Year (FY) 2024-2025
Community Development Block Grant, (CDBG), HOME
Investment Partnerships Program (HOME), Emergency
Solutions Grant (ESG) and Low- and Moderate-Income
Housing Asset Fund (LMIHAF)
Funding Policies

for

Affordable Housing Projects

Non-Housing Capital Projects

Fair Housing and Housing Justice Programs

and Homeless Services, Emergency Shelter and Rapid
Rehousing Programs

Approved by the Sonoma County Board of Supervisors

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1. Overview

The County of Sonoma, as well as the seven municipalities of Cloverdale, Cotati, Healdsburg, Rohnert Park, Sebastopol, Sonoma, and Windsor, through a Joint Powers Agreement, comprise the Urban County, an entity recognized by the U.S. Department of Housing and Urban Development (HUD) as an entitlement jurisdiction eligible for formula grant funding under the CDBG, HOME, ESG and other HUD programs. The cities of Santa Rosa and Petaluma, although located within the boundaries of Sonoma County, each qualify as separate entitlement jurisdictions and administer their respective HUD funding allocations. The references made in this document to “County” refer to the eight-jurisdictions in the Urban County. The Low-Moderate Income Housing Asset Fund (LMIHAF) is administered by the Sonoma County Community Development Commission (Commission) pursuant to the State of California Community Redevelopment Law.

This document provides the policy framework to guide the allocation and administration of CDBG, HOME, ESG, and LMIHAF funds, consistent with federal rules, statutes, and regulations, as well as local priorities and LMIHAF Policies.

The Commission is the designated local administrative body for each of the federal funding programs and the LMIHAF.

1.1. HUD Funding Programs

1.1.1. CDBG

The CDBG Program, as created by the federal Housing and Community Development Acts of 1974, as amended, has as its primary objective the development of viable communities through the provision of decent housing, a suitable living environment, and the expansion of economic opportunities, primarily for low- and moderate-income persons. At least 70 percent of Sonoma County’s CDBG funds must be used for activities that benefit low- and moderate-income persons (i.e. persons with incomes that do not exceed 80 percent of the area median income). Any programs or projects allocated CDBG funding must meet one of the following National Objectives:

- Benefit low- and moderate-income persons up to 80 percent of area median income
- Prevent or eliminate slums and blight
- Meet an urgent need

1.1.1.1. Within the CDBG program, up to 15 percent of funds can be obligated for public service activities. In recent years, the Commission has used its 15 percent public services set aside for a combination of homeless services and fair housing services. In FY 2021-2022, given the large investment from the State of California in ending homelessness, and the recognition by the Commission of the need to build a robust Fair Housing and Housing Justice Program, the Commission will use 100% of the CDBG Public Services set-aside to fund its Fair Housing and Housing Justice Program. Clients

served by this program are often prevented from becoming homeless because of legal interventions made on their behalf. Households who are served by the Fair Housing and Housing Justice Programs typically do not enter the Sonoma County Continuum of Care (CoC) homeless system of care, due to these interventions. Therefore, funding decisions are made by the Board of Supervisors, with recommendations from the Cities and Towns Advisory Committee (CTAC) and the Community Development Committee (CD Committee).

1.1.2. HOME

The Cranston-Gonzalez National Affordable Housing Act created the HOME Program in 1990. The HOME Program provides funding to local jurisdictions to increase the stock of housing affordable to very low- and low-income households. In 1991, HUD designated Sonoma County a Participating Jurisdiction under the HOME Program.

1.1.3. ESG

The ESG program, originally authorized under the Stewart B. McKinney Homeless Assistance Act of 1987 as the Emergency Shelter Grants program and reauthorized under the HEARTH Act of 2009, permits HUD to make grants to states and units of general local government for homelessness prevention, street outreach, emergency shelter and rapid re-housing services. The Commission is the designated local administrative body for the Urban County's ESG program.

The HEARTH Act of 2009 and the 2011 ESG Interim Rule established a requirement that ESG grantees consult with the local Continuum of Care on allocations of ESG funds. While the Commission is the administrative body for the ESG program and funds, the Commission consults with the Sonoma County Continuum of Care (CoC) on proposed uses of federal ESG funds for eligible activities .

1.2. Local Funding

1.2.1. LMIHAF

The Commission, in its capacity as the Housing Successor entity for the former redevelopment agencies of the County of Sonoma and the cities of Sebastopol and Sonoma (the Agencies), administers the LMIHAF funds. To the extent that sufficient LMIHAF revenue is available each year, the Commission will allocate up to \$250,000 per fiscal year for homelessness prevention and rapid re-housing services for individuals and families who are homeless or would be homeless but for this assistance. LMIHAF assistance for rapid re-housing and homelessness prevention activities are allocated through an annual "Notice of Funding Availability" (NOFA) process conducted by the Commission under these Funding Policies.

People who become homeless typically move throughout a local region as needed in order to obtain services, temporary shelter, and new permanent housing. People who are homeless may have initially lived in a former redevelopment Project Area (Project Area) of the Agencies, or may take up residence in a Project Area of the Agencies upon being re-housed. Providing homelessness prevention and rapid re-housing assistance

anywhere within Sonoma County is therefore deemed to be of benefit to all Project Areas of the Agencies.

1.3. Consolidated Plan

The Consolidated Plan is a five-year plan required by HUD in order for Sonoma County to receive federal housing and community development funds under the CDBG, HOME, and the ESG programs. The Consolidated Plan includes the goals and specific objectives for the five years and the County's One-Year Action Plans for the use of CDBG, HOME, and local ESG funds during each fiscal year.

The goals and objectives are developed through a citizen participation process conducted concurrently with the first Action Plan's CDBG, HOME, and ESG funding process. The current Consolidated Plan covers the period from July 1, 2020, to June 30, 2025.

The Consolidated Plan serves the following four functions:

1. A planning document for Sonoma County, which builds on a participatory process.
2. A strategy to be followed in carrying out HUD programs.
3. An action plan that provides a basis for assessing performance.
4. A required element of the annual application for federal funds under HUD's CDBG, HOME, and ESG programs.

The Sonoma County Consolidated Plan encompasses activities undertaken by the Urban County. The cities of Santa Rosa and Petaluma each establish an individual Consolidated Plan for their sole jurisdiction and their activities are not under the purview the County's Consolidated Plan.

2. Funding Goals And Objectives

These Funding Policies are consistent with the goals and objectives identified in the Sonoma County 2020 Consolidated Plan. The Consolidated Plan organizes community priorities for the use of HUD funds by the Urban County.

The 2020 Consolidated Plan goals align with the updated Strategic Priorities set by the Sonoma County Board of Supervisors in March of 2021, particularly "Healthy and Safe Communities", that strives to provide quality and equitable housing for all. With the assistance of the Commission, Sonoma County also adopted a Recovery and Resiliency Framework in December 2018 that sets a vision for community recovery following the October 2017 fires. The Framework includes five strategy areas, three of which align with and build upon the Consolidated Plan goals: Housing, Economy, and Safety Net Services. These multi-year priorities drive the Commission's work and coincide with the Consolidated Plan goals and objectives and the selection criteria for funding projects.

The global COVID-19 emergency and shelter-in-place mandates resulted in significant social and economic impacts to Sonoma County residents. Thousands of residents lost jobs or wages due to business closures or medical emergencies connected to the virus. On March 27, 2020, Congress passed the CARES Act. The Act supported preparation for and response to the community impacts of the COVID-19 pandemic and identified additional funding for several programs designed to prepare for, prevent and respond to the coronavirus. This included new allocations of CDBG and ESG (CDBG-CV and ESG-CV), and added flexibilities to the existing federal programs, which were incorporated into the Commission's funding programs through amendments to the 2019-2020 Action Plan. These funds have all been allocated to eligible projects in the Urban County. Additionally, in 2021 the American Rescue Plan Act was enacted and in it the HOME American Rescue Plan Act (HOME-ARP) was created as a supplemental funding source to address COVID-19 impacts on housing for the homeless and other vulnerable populations.

The Community Development Committee (CD Committee) and the Cities and Towns Advisory Committee (CTAC) identified the following selection criteria for projects. These criteria were subsequently refined in August of 2020 at a public hearing at which the Committees gave direction to create a hierarchy for these criteria into the FY 2021-2022 Funding Policies, thus building on the criteria identified through the Spring 2020 5-Year Consolidated Plan community engagement process.

1. The following criteria will be used to determine project eligibility:

- Projects requesting CDBG or HOME funds must be located in the Urban County;
- Projects must demonstrate need with evidence.

2. Once determined to be eligible, the following will be used as a baseline to rank projects:

- Preference for projects that create or preserve affordable housing;
- Preference for infrastructure or public facilities that support creation or preservation of affordable housing;
- Preference for infrastructure or public facilities that support low or moderate income populations;
- Preference for projects that demonstrate that they can spend grant funding within the applicable timeliness provisions;
- For Non-Housing projects: preference for projects that leverage public funds or in-kind contributions to the greatest extent possible, or projects that meet a particular community need that cannot be met by other public funding sources.
 - Examples of non-monetary leveraging includes but is not limited to in-kind labor or materials, existing site ownership and control, extensions of a current or existing project that has already received environmental or permit approval.

- For Homeless Services and Rapid Rehousing projects: preference for projects that promote effective and proven strategies for homelessness prevention and intervention, and align with the goals of the Continuum of Care Strategic Plan.

3. The following Selection Criteria will be given additional consideration in the event of deciding between more than one eligible project(s) that meet the criteria above:

- Preference for projects that prevent displacement in high opportunity areas;
- Preference for housing projects that create units for very low, extremely low, and special needs populations;
- Preference for projects which demonstrate they will alleviate the impact of climate change on low-income populations;
- For Housing Projects: preference for:
 - Projects that demonstrate funds will be leveraged against total development costs at least 7:1;
 - Projects that demonstrate advanced readiness via (a) entitlements; (b) financing commitments; (c) building permits (d) environmental review;
 - Project developers who can demonstrate consistent success obtaining federal tax credits and/or state funding to develop housing within the last seven years;
 - Projects that can demonstrate existing support from other jurisdictions via letters of support, funding commitments, etc.

4. The policies reflect the CD Committee and CTAC direction that awards be made with general attention to the following distribution of investments:

- Balance projects that provide fast results with funding predevelopment for projects that need early money to be successful;
- Balance creation of new housing stock with maintaining existing housing stock and keeping people in their homes; and
- Make investments in low and moderate income areas that have not had investments historically and in high opportunity areas that increase access for low and moderate income people.

3. Funding Allocations

The tables below provide a breakdown of CDBG, HOME, ESG, and LMIHAF program allocations. Unless otherwise indicated, the percentage of funding in each category is set by the Urban County, not by federal regulation.

3.1. CDBG Allocation

CDBG funds shall be allocated as indicated in the table below.

CDBG Allocation Categories	Percentage of Funding	Notes
County-Sponsored Projects, Countywide/Unincorporated Area Projects, City/Town Projects	65%	These funds will be allocated in a competitive process to fund projects located in the Urban County sponsored by CDBG eligible recipients (all municipalities within the Urban County) and subrecipients (all other eligible applicants). Eligible projects are described in Appendix A.
Public Services Projects	15%	Percentage limited by CDBG federal regulations. Given the federal mandate to Affirmatively Further Fair Housing, and the recommendation in the 2011 Analysis of Impediments to Fair Housing to strengthen the capacity of a local fair housing organization to reduce discriminatory activities, the Commission will spend its public services set-aside on a Fair Housing Choice and Housing Justice Program.
Program Administration	20%	Percentage limited by CDBG federal regulations. Commission will use up to twenty percent of CDBG for program administration.

3.2. CDBG Program Income and Reprogrammed Funds Allocation

CDBG Program Income and Reprogrammed Funds shall be allocated per the table below.

CDBG Allocation Categories	Percentage of Program Income	Notes
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County Sponsored Projects, Countywide/Unincorporated Area Projects, City/Town Projects	80%	<p>80% of program income from all CDBG funded projects will be expended pursuant to priorities set in the annual Action Plan. Use of program income may be subject to an Action Plan Amendment.</p> <p>Any reprogrammed funds will be expended pursuant to priorities set in the annual Action Plan. Use of reprogrammed funds may be subject to an Action Plan amendment.</p> <p>If the amendment to the Action Plan is substantial, as defined in the Commission's Citizen Participation Plan, it is subject to Board of Supervisors approval following a recommendation from the CTAC and the CD Committee.</p>
Program Administration	Up to 20%	Percentage limited by CDBG federal regulations. Commission will use up to twenty percent of current year CDBG program income for program administration.

3.3. HOME Allocation

HOME funds shall be allocated per the table below.

HOME Allocation Categories	Percentage of Funding	Notes
Tenant-Based Rental Assistance, Development, and Preservation of Rental Housing	Up to 75%	These funds will be allocated in a competitive process to fund projects or programs located in any of the eight Urban County jurisdictions. Eligible projects and programs are described in Appendix A.
Community Housing Development Organizations (CHDO's) operational support	Up to 5%	Percentage limited by HOME federal regulations.

CHDO development or preservation of affordable rental housing set-aside	At least 15%	Minimum required by HOME federal regulations. Per federal regulation, if this funding category is undersubscribed, any unallocated funds will roll over for allocation in the next fiscal year. Eligible projects are described in Appendix A.
Program Administration	10%	Percentage limited by HOME federal regulations. Commission will use up to ten percent of HOME for program administration.

3.4. HOME Program Income and Reprogrammed Funds Allocation

HOME Program Income and Reprogrammed Funds shall be allocated per the table below.

HOME Program Income and Reprogrammed Funds Allocation Categories	Percentage of Program Income	Notes
Tenant-Based Rental Assistance, Development/Preservation of Rental Housing	90%	At the Executive Director's discretion, funds will be reallocated to the Sonoma County Housing Authority's Tenant Based Rental Assistance Program, reallocated through an Action Plan Amendment, or rolled forward to the next fiscal year allocation. If the amendment to the Action Plan is substantial, as defined in the Commission's Citizen Participation Plan, it is subject to Board of Supervisors approval following a recommendation from the CTAC and the CD Committee.

CHDO Projects	CHDO reprogrammed funds	At the Executive Director’s discretion, funds will be reallocated through an Action Plan Amendment or rolled forward to the next fiscal year allocation. CHDO Set Aside funds may only be reprogrammed to eligible CHDO projects. If the amendment to the Action Plan is substantial, as defined in the Citizen Participatio Plan, it is subject to Board of Supervisors approval following a recommendation from the CTAC and the CD Committee.
Program Administration	10%	Percentage limited by HOME federal regulations. Commission will use up to ten percent of current year program income for program administration and operation of the HOME program.

3.5 ESG Allocation

ESG funds shall be allocated per the table below.

ESG Allocation Categories	Percentage of Funding	Notes
Emergency Shelter and Street Outreach	Up to 60%	Percentage is limited by ESG federal regulations. These funds will be allocated in a competitive process to fund projects located in the Urban County, sponsored by ESG eligible recipients (all municipalities within the Urban County) and subrecipients (all other applicants). Eligible projects are described in Appendix A.

ESG Allocation Categories	Percentage of Funding	Notes
Rapid Rehousing and Homeless Prevention	Up to 33%	These funds will be allocated in a competitive process to fund projects located in the Urban County, sponsored by ESG eligible recipients (all municipalities within the Urban County) and subrecipients (all other eligible applicants). Eligible projects are described in Appendix A. If Street Outreach and or Emergency Shelter activities are not allocated funding in a given program year, the funding for Rapid Rehousing and Homeless Prevention will be up to 93%.
Program Administration	7%	Percentage limited by ESG federal regulations. Commission will use up to seven percent of ESG for program administration.
ESG Program Income and Reprogrammed funds	100%	<p>One hundred percent (100%) of program income from ESG funded projects will be expended pursuant to priorities set in the annual Action Plan. Use of program income may be subject to an Action Plan Amendment.</p> <p>Any reprogrammed funds will be expended pursuant to priorities set in the annual Action Plan.</p> <p>If the amendment to the Action Plan is substantial, as defined in the Citizen Participation Plan, it is subject to Board of Supervisors approval following a recommendation from the CTAC and the CD Committee.</p>

3.6 LMIHAF Allocation

LMIHAF funds shall be allocated per the table below.

LMIHAF Allocation Categories	Percentage of Funding	Notes
Homelessness Prevention and Rapid Rehousing	100%	These funds will be allocated in a competitive process to fund projects located in the Urban County. Eligible projects are described in Appendix A.

4. Eligible Applicants

Individual persons are not eligible to apply for CDBG, HOME, ESG, or LMIHAF funds; however, individuals may apply for assistance directly through programs assisted with these funds such as housing rehabilitation, tenant-based rental assistance programs, shelter, homelessness prevention, or rapid rehousing.

4.1. CDBG

Eligible applicants for CDBG funding are specified by federal regulations. The type of eligible applicant varies by activity type. Generally, eligible applicants are governmental agencies, private non-profit organizations, and Community Based Development Organizations (CBDOs; see 24 CFR 570.500 (c)).

4.2. HOME

Only non-profit and qualifying for-profit organizations and public agencies or local government entities may apply for HOME funding. [See 24 CFR 92.504(c)(2) and (3).]

4.3. ESG

Eligible applicants for ESG funding are specified by federal regulations and include non-profit organizations and public agencies.

4.4 LMIHAF

Eligible applicants for LMIHAF funding include non-profit organizations and public agencies.

5. Eligible Activities

Eligible activities are described in Appendix A.

6. Types Of Assistance

6.1. Form of Assistance – Rental Housing and Public Facility Projects

All financial assistance will be in the form of loans secured by real property except for non-housing projects (i.e. public facility projects) sponsored and owned by units of local government where the assistance will be in the form of a grant. Generally, all loans will be three percent (3%) simple interest, with payments deferred for the term of the loans. Refer to the Commission's Loan Policies for additional information regarding interest rates and other loan requirements and information. Upon completion of the project, Commission loans must be fully secured by the post-completion value of the property. The term of the loan will be the longer of thirty (30) years or the longest term of any project financing source.

6.2. Form of Assistance – Homeless Services, Homeless Prevention, Rapid Rehousing and Housing Justice Programs

All financial assistance will be in the form of a grant.

6.3 Agreements and Loan Documents

The Commission will execute a funding agreement and applicable loan documents with each recipient, subrecipient or developer receiving financial assistance.

For financial assistance provided in the form of loans, the Commission will additionally execute a promissory note and record a Deed of Trust with a Rider in evidence of the Commission loan commitment and obligations.

6.4 Alternate Loan Terms

The Commission will consider alternate loan terms that the applicant may request for coordination with other sources of project financing. On a case-by-case basis, the Commission staff may approve requests to assign the Subrecipient or Developer Agreement and/or Commission loan to a partnership or other assignee in compliance with HUD regulations and Commission policies.

7. Funding Conditions And Program Requirements

7.1. Timeliness

All projects shall proceed in a timely manner, as detailed below. Extensions may be granted for good cause at the discretion of the Executive Director and must be consistent with the funding source regulations.

7.1.1. CDBG

7.1.1.1. Fair Housing and Housing Justice Program (CDBG)

Funds for Fair Housing and Housing Justice activities must be expended within the 12 months of the fiscal year for which funding is allocated. Funds that are unexpended after the agreement term will be reprogrammed.

7.1.1.2. Public Facilities and Public Improvements (CDBG)

The applicant must satisfy all conditions of approval that are set forth in these Funding Policies and the Commission Loan Policies as a prerequisite to the Commission offering the Subrecipient Agreement for execution within 12 months of the start of the fiscal year associated with the award. Funds for all Public Facilities and Public Improvement projects, including predevelopment costs, hard and soft costs of construction, renovation, or reconstruction (but excluding site acquisition costs, which are governed by 7.1.1.3. below), must be expended within 18 months of the date on which the Subrecipient Agreement is offered for execution. Funds that are unexpended after this deadline may be reprogrammed.

7.1.1.3. Site Acquisition (CDBG)

The applicant must satisfy all conditions of approval that are set forth in the Commission Loan Policies as a prerequisite to the Commission offering the Subrecipient or Developer Agreement for execution within 12 months of the start of the fiscal year associated with the award. Site Acquisition funds must be spent within 18 months of the date on which the Subrecipient Agreement is offered for execution. If the site acquisition is not complete within 18 months of the date on which the Subrecipient Agreement is offered for execution, the funds may be reprogrammed.

7.1.1.4. Affordable Housing Development (CDBG)

The applicant must satisfy all conditions of approval that are set forth in the Commission Loan Policies as prerequisite to the Commission offering the Subrecipient or Developer Agreement for execution within 12 months of the start of the fiscal year associated with the award. Disbursement of funds for all affordable housing projects, including predevelopment costs, hard and soft costs of new development, renovation, rehabilitation, and reconstruction projects (but excluding Site Acquisition, which is governed by 7.1.1.3 above) must be initiated within 18 months of the date on which the Subrecipient or Developer Agreement is offered for execution. All funds must be disbursed within 24 months after the date on which the Subrecipient or Developer Agreement is offered for execution. Funds that are unexpended after this deadline may be reprogrammed.

7.1.2. HOME

7.1.2.1. Affordable Housing Development (HOME)

The applicant must satisfy all conditions of approval that are set forth in the Commission Loan Policies as prerequisite to the Commission offering the Developer Agreement for execution within 12 months of the start of the fiscal year associated with the award. Disbursement of funds for all affordable housing projects, including predevelopment costs, hard and soft costs of new development, renovation, rehabilitation, and

reconstruction projects must be initiated within 24 months of the date on which the Developer Agreement is offered for execution. All funds must be disbursed within 36 months of the date on which the Developer Agreement is offered for execution. Project related soft costs *may* be paid only if they were incurred not more than 24 months before the date that HOME funds are committed to the project. Funds that are unexpended after this deadline may be reprogrammed. Affordable housing projects must be completed within four years of the date on which the Developer Agreement is offered for execution. Project completion will be documented by the submission of a temporary or permanent certificate of occupancy for HOME funded units. HOME assisted rental units must be occupied by income-eligible households within 12 months of project completion.

7.1.2.2. Affordable Housing Development – CHDO set-aside (HOME)

The Community Housing Development Organization (CHDO) must satisfy all conditions of approval that are set forth in the Commission Loan Policies as prerequisite to the Commission offering the CHDO Developer Agreement for execution within 12 months of the start of the fiscal year associated with the award. The Commission must enter into a legally binding agreement with the CHDO for a specific project within 24 months of the start of the fiscal year associated with the award. Disbursement of funds for all CHDO projects, including predevelopment costs, hard and soft costs of new development, renovation, rehabilitation, and reconstruction projects must be initiated within 24 months of the date on which the Developer Agreement is offered for execution. All funds must be disbursed within 36 months of the date on which the Developer Agreement is offered for execution. Project related soft costs *may* be paid only if they were incurred not more than 24 months before the date that HOME funds are committed to the project. CHDO projects must be completed within four years of the date on which the HOME Funding Agreement is offered for execution. Project completion will be documented by the submission of temporary certificates of occupancy for all HOME-funded units. HOME-assisted rental units must be occupied by income-eligible households within 12 months of project completion.

7.1.2.3. Tenant-Based Rental Assistance (HOME)

Funds for tenant-based rental assistance programs must be committed to specific households within 12 months of the start of the fiscal year and expended within 36 months of the start of the fiscal year associated with the award. Funds that are unexpended after this deadline will be reprogrammed.

7.1.3 ESG and LMIHAF

Funds for homeless services, homeless prevention, and rapid rehousing activities must be expended within the 12 months of the fiscal year for which funding is allocated. Funds that are unexpended after the agreement term will be reprogrammed.

7.2. Site Control

In order to demonstrate project readiness and facilitate compliance with the CDBG timeliness test [24 CFR 570.902(a)] and the HOME expenditure requirements [92.205(e)(2)], capital project applications must demonstrate site control at the time funding is made available to the County by HUD (generally July of the new fiscal year). An executed long-term lease, signed option, or purchase agreement or equivalent, legally enforceable instrument may satisfy this requirement. If site control is not in force when HUD makes the funding available to the County, the funding approval will be rescinded, and the funds will be reprogrammed.

7.3. Environmental Review

All CDBG, HOME, and ESG funded projects must comply with federal environmental regulations. [24 CFR Part 58 National Environmental Policy Act of 1969 (NEPA) and 24 CFR 570.604 (CDBG), 24 CFR 92.352 (HOME) and Section 443 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11402) as Amended by Section 896 of the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009 (ESG)].

HUD's regulations at 24 CFR 58.22 prohibit grant recipients from committing or spending HUD or non-HUD funds on any activity that could have an adverse environmental impact or limit the choice of reasonable alternatives prior to completion of an environmental review once a project has become "federal." This prohibition on "choice-limiting actions" prohibits physical activity, including acquisition, demolition, rehabilitation, and construction, as well as contracting for or committing to any of these actions. A project is generally considered "federalized" when federal funds are contemplated.

To ensure compliance with timeliness expenditure requirements of CDBG and HOME, funded activities, completion of a required NEPA environmental review shall not be funded by awarded funds from these programs. An exception may be made for HOME projects funded for predevelopment activities, in which case the cost of preparing a NEPA may be eligible for reimbursement, if the expenses are incurred within 24 months prior to the execution of a HOME written agreement and the agreement explicitly states this expense is permitted. Aside from this HOME exception, funding agreements will not be offered for execution until the required environmental review and conditions have been met.

The NEPA requirements under HUD must be followed in the preparation of the review. There must be very close coordination between the Commission, the subrecipient and their environmental consultant in the preparation of the NEPA. The Commission is the Responsible Entity (RE) and will conduct a peer review of NEPA documents prepared by others. Any deficiencies identified during the peer review of a NEPA prepared by others will be the sole responsibility of the subrecipient and their environmental consultant and must be addressed before the Commission can proceed to the next steps in the NEPA and funding process. It should be noted that the RE is the only authorized federal representative that can initiate consultations with any tribes that

respond to notifications of potential projects during the NEPA preparation. There are several steps and coordination involved in the preparation of the NEPA and process of requesting a release of funds from HUD. All applicants awarded funds must contact the Commission staff prior to initiating a NEPA environmental review for projects awarded CDBG or HOME funds.

7.3.1. Certifying Officer, Roles, and Responsibilities

The Commission's Executive Director is designated by the Board of Supervisors as the Certifying Officer for all National Environmental Policy Act (NEPA) environmental review of CDBG, HOME, and ESG funded projects. Therefore, the Commission will determine the appropriate level of NEPA environmental review, the cost of which shall be the responsibility of the awardee, and may not be paid from the awarded grant or loan funds, unless the project is funded by the HOME program and meets the criteria for a reimbursement. The awardee must provide all requested information pertinent to completing the environmental review in a timely manner. Failure to do so will result in the reprogramming of the allocated funds to another project.

The applicant must provide the Commission with documentation verifying the satisfaction of any required environmental impact mitigation measures.

7.3.2. CEQA Compliance

If applicable, all projects must receive local environmental clearance in accordance with the requirements of the California Environmental Quality Act (CEQA). The applicant will submit the CEQA status from the project's applicable Lead Agency with the grant funding application. The applicant must submit a copy of the CEQA clearance to the Commission prior to a funding commitment being made. [See Cal. Code Regs. Tit. 14. Section 15000 et seq.;

7.4. Section 3

All CDBG and HOME funded projects must comply with the provisions of Section 3 of the Housing and Urban Development Act of 1968, as amended, and with the implementing regulations set forth in 24 CFR Part 135. Any funded entity shall comply with these Section 3 requirements and with the Section 3 Affirmative Action Plan of the Commission at the time that the funding agreement is executed.

7.5. Federal Labor Standards

Federal Labor Standards requirements include the Davis-Bacon Act, Copeland "Anti-Kickback Act," and Contract Work Hours and Safety Standards Act; usually these requirements are referred to as "Davis-Bacon and Related Acts" or DBRA.

CDBG-funded construction work, except for rehabilitation of properties with fewer than eight (8) units or when using force account labor (construction carried out by employees of the grantee) triggers DBRA. [See 24 CFR part 570.603 and HUD Handbook 1344.1]

Any eligible use of HOME funds – including land acquisition, in which there are twelve (12) or more HOME-assisted units in the same project triggers DBRA. [See 24 CFR part 92.354 & HUD Handbook 1344.1]

7.6. Reasonable Cost of Real Estate Acquisition

For CDBG- and HOME-funded acquisition projects, the Commission must determine that the cost of the property is reasonable.

A property appraisal carried out by a licensed real estate appraiser, or other evidence of valuation acceptable to the Commission must be provided to the Commission prior to the Commission offering a funding agreement for execution. Funds for direct site acquisition will not be provided if the purchase price exceeds the documented “reasonable cost” of the real property.

As defined in 2 CFR 200.404, “A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

Funds for related transaction costs (e.g., title, soils tests, Phase I reports, etc.) may be allowed above the reasonable cost.

7.7. Land Use Approvals

In order to demonstrate project readiness and facilitate compliance with the CDBG timeliness test [24 CFR 570.902(a)] and the HOME expenditure requirements [92.205(e)(2)], all CDBG- and HOME-funded projects that require land use approvals must be consistent with the General Plan of the jurisdiction in which they are located. A certification of the project’s consistency with the applicable General Plan, signed by an authorized representative of the jurisdiction, must be submitted with the project application. If a project does not have land use approvals, under certain circumstances, funding can be provided for predevelopment expenses only as long as other threshold criteria are met.

7.8. Compliance with Disabled Access Requirements

All CDBG, HOME, and ESG funded projects must be able to comply with the Architectural Barriers Act of 1968 (PL 90-480) and with 24 CFR Part 8 entitled “Nondiscrimination Based on Handicapped Status in Federally Assisted Programs and HUD Activities.”

24 CFR Part 8 states that no qualified individual with disabilities shall, solely on the basis of disability, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance from the Department of Housing and Urban Development.

Disabled access must be provided to the greatest extent feasible in non-housing as well as housing facilities. Proposed projects that do not provide access for the disabled may

not be considered for funding. In addition, all local and state disability access guidelines must be followed.

7.9. Building Standards

All capital projects (housing and non-housing) must be constructed and maintained in compliance with all applicable federal, state, and local codes, standards, and ordinances.

7.10. Relocation and One-for-One Replacement

All CDBG- and HOME-funded projects must follow the relocation and one-for-one replacement procedures outlined in 24 CFR 570.606 (CDBG) and 24 CFR 92.353 (HOME) and HUD's Uniform Relocation and Real Property Acquisition Act.

Projects requiring permanent displacement of families, individuals, and/or businesses must also comply with the Sonoma County Residential Anti-Displacement and Relocation Assistance Plan, found on the web, here:

<http://sonomacounty.ca.gov/WorkArea/DownloadAsset.aspx?id=2147576719>

7.11. Change in Use

7.11.1. Requirements for Urban County Jurisdictions

All properties acquired and/or improved by the County of Sonoma, or participating municipalities that comprise the Urban County entitlement jurisdiction memorialized by a Joint Powers Agreement, using CDBG funds must comply with the CDBG regulations at 24 CFR 570.505 which require that the use of the property (including the beneficiaries of such use) cannot be changed from that for which the acquisition or improvement was made unless the jurisdiction in which the project is located provides affected citizens with reasonable notice of, and opportunity to comment on, any proposed change, and either: (1) the new use of such property qualifies as a CDBG-eligible activity; or (2) if the jurisdiction determines, after consultation with affected citizens, that it is appropriate to change the use of the property to a use which does not qualify for CDBG funding, the jurisdiction reimburses the Sonoma County CDBG Program in the amount of the then current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, and improvements to, the property. This requirement shall be in effect until five (5) years after the Urban County is no longer participating in the CDBG Program. For County-owned or controlled properties, compliance with this requirement shall be secured through an annual certification.

7.11.2. Requirements for All Other Entities

All properties acquired and/or improved by local government entities other than those described in the above paragraph and by non-profit agencies using CDBG funds must comply with the CDBG regulations at 24 CFR 570.503(b)(7)(i) & (ii), which require that the property be used to meet one of the national objectives in 24 CFR 570.208 until five (5) years after expiration of the CDBG Subrecipient Agreement, or for such longer

period of time as determined to be appropriate by the Commission; and that if the property is not used to meet one of the national objectives during this time period, the applicant shall pay to the Sonoma County CDBG Program an amount of the then current fair market value of the property, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, or improvement to, the property. Compliance with this requirement shall be secured by a deed restriction recorded on title to the acquired or improved property.

7.12. Demonstrating Benefit to Low- and Moderate-Income Persons

If a project proposes to meet the National Objective of providing a benefit to low- and moderate-income persons, the project must be able to demonstrate that at least 51 percent of households (or persons, as applicable) qualify as low- or moderate-income. [See 24 CFR 570.208].

7.13. Affirmatively Furthering Fair Housing

The Fair Housing Act reflects the federal requirement that HUD “use its grant programs to end discrimination and segregation, to the point where the supply of genuinely open housing increases.” As such, the Affirmatively Furthering Fair Housing rule requires fair housing planning to connect housing and community development policy and investment planning with meaningful actions that achieve material, positive changes in outcomes for protected classes: families with children, people with disabilities, and people of different races, colors and national origins. To be eligible for funding, a project must demonstrate what actions it takes to achieve material, positive changes that advance one of these four goals:

- a. Decrease residential segregation
- b. Eliminate racially and ethnically concentrated areas of poverty
- c. Reduce unequal access to important community assets, including quality schools, job centers, and transit
- d. Narrow gaps that result in disproportionate housing needs for people in protected classes

7.14. Affordability Restrictions for Housing Projects

The following provisions identify the minimum affordability requirements for new housing development and rehabilitation of existing rental housing developments. Projects that provide greater and/or longer affordability than the minimums shown will receive a higher priority.

7.14.1. Income Limits

One hundred percent of CDBG and HOME funds will be used to assist units occupied by households with incomes of no more than eighty percent (80%) of the Sonoma County area median income (AMI), adjusted for household size.

At least eighty percent (80%) of the units assisted with HOME funds must initially be occupied by households with incomes of no more than sixty percent (60%) of Sonoma

County AMI, adjusted for household size. Subsequently, these units may be occupied by households with incomes of up to eighty percent (80%) of Sonoma County AMI, adjusted for household size.

At least twenty percent (20%) of the units assisted with HOME funds must be occupied by households with incomes of no more than fifty percent (50%) of the Sonoma County AMI, adjusted for household size.

7.14.2. Rent Limits

Units assisted with CDBG or HOME funds may be rented to income-eligible households at affordable rents, as determined by the Commission in accordance with HUD regulations. See Appendix C for rental limits.

7.14.3. Term of Income

Upon completion or acquisition of a rental housing project, the assisted units must remain affordable for the longer of fifty-five (55) years or the longest affordability term required by other financing in the project. In no case shall the period of affordability be less than the original term of the loan..

7.15. Match Requirements

7.15.1. HOME Match Requirements

Per federal regulation, the expenditure of HOME funds require a match obligation equal to twenty five percent (25%) of the amount of the HOME funds expended. The Commission looks to each project receiving HOME funds to generate eligible match funds during the same fiscal year in which the HOME funds are expended. However, the Commission may cite previously reported match funds to satisfy HOME match requirements in subsequent years.

7.15.2. ESG Match Requirements

HUD ESG funds must match dollar for-dollar the federal ESG funding with funds from other non-federal public or private sources in accordance with HUD regulation 24 CFR 576.201. The Urban County may comply with this requirement by either providing matching funds itself or through matching funds or voluntary efforts provided by any subrecipient or project sponsor. Matching funds must be provided after the date of the grant award to the Urban County. Funds used to match a previous ESG grant may not be used to match a subsequent grant award.

7.16. Build America, Buy America Act (BABA)

Enacted in the Infrastructure Investment and Jobs Act, also known as the Infrastructure Bill, that was signed into law in November of 2021, Buy America, Build America requires that projects meeting certain criteria and funded by federal programs obtain specific construction materials that are made in the United States. Generally, the Act establishes preference of all raw materials, including iron, steel, manufactured products, construction materials used in the construction, alteration, maintenance, or repair of certain infrastructure projects to be from manufactured sources located in the United States. The Act is being phased in by HUD and all infrastructure projects awarded CDBG funds in FY 2023-2024 and meeting the applicable criteria are subject to the provisions of the Act. Projects funded by CDBG Disaster Relief funds, CDBG Cares Act funds, Emergency Solutions Cares Act funds are not subject to Build America, Buy America.

7.17. Other Federal Requirements

In addition to the requirements outlined in this document, all awardees are required to adhere to federal rules, statutes, policies, and regulations associated with the underlying source of federal funds. Primary federal regulatory citations for the three federal funding sources (CDBG, HOME, and ESG) are listed below:

1. CDBG: 24 CFR Parts 91 and 570
2. HOME: 24 CFR Parts 91 and 92
3. ESG: CFR Part 576

Please Note: While Federal regulations may allow eligible subrecipients to use Indirect Cost Rates (ICR) the use of ICR's are not permitted by the Commission.

7.18. HOME Projects Sponsored by a member of the Urban County

Each year, members of the Urban County may present for consideration by the Committee's projects that a particular member wishes to sponsor. These projects may be brought forward by a member rather than by a private housing developer. Projects are subject to the same threshold and selection criteria as any other project during the Selection Process.

7.19. Use of HOME funds for the Commission's Tenant-based Rental Assistance Program

The Commission uses HOME funds for Tenant-Based Rental Assistance (TBRA) as a tool to help very low- and extremely low-income households access permanent housing. Commission staff will make recommendations to the CD Committee and CTAC regarding the appropriate amount for funding and the ranking compared to other proposed uses of HOME funds. The Commission will not submit an application for TBRA funds through the NOFA process since it is operated internally by the Commission, but any recommendation by staff will be subject to the same threshold and

selection criteria as other applicant projects, and a staff report will be prepared for Committees consideration.

7.20. Use of CDBG funds for the Commission’s Single-Family Housing Rehabilitation Program

The Commission uses CDBG funds for single-family (up to 4 units) housing rehabilitation as a tool to help low- and very-low-income households retain decent housing that is affordable to them. This program is key to retaining existing housing stock in the County. Commission staff will make recommendations to the CD Committee and CTAC regarding the appropriate amount for funding and the ranking compared to other proposed uses of CDBG funds. The Commission will not submit an application through the NOFA process for the Housing Rehabilitation Program since it is operated internally by the Commission, but any recommendation by staff will be subject to the same threshold and selection criteria as other applicant projects, and a staff report will be prepared for Committees consideration.

7.21. Fair Housing-Related Services and Set-Aside Funding

Each jurisdiction receiving CDBG funds from HUD must certify that it will affirmatively further fair housing, which means it will conduct an Assessment of Fair Housing or the Analysis of Impediments within the jurisdiction and take meaningful actions to achieve a material positive change that affirmatively furthers fair housing. To remain eligible for CDBG funding, adequate funding for a range of Fair Housing-related services is provided through a Set-Aside under the Public Services category.

For FY 2024-2025, the Commission will use 100% of its Public Services Set-aside to fund a Fair Housing and Housing Justice program. Subrecipients will be selected through an annual NOFA process.

A Fair Housing and Housing Justice program is a critical upstream investment that can prevent people from becoming homeless. Because people served by this program do not enter the homeless system of care, the funding is not governed by Sonoma County CoC.

7.21.1. Other Requirements of the Fair Housing and Housing Justice Program

The Commission shall endeavor to join with other HUD entitlement jurisdictions within Sonoma County (Petaluma and Santa Rosa) in the NOFA process to provide consistent and cost-effective service and assistance to citizens of the entire County.

Fair Housing-related services that are part of a robust Fair Housing and Housing Justice Program may include but are not limited to education about Fair Housing law, investigative testing and auditing, advocating for tenants who may be targets of discrimination, enforcement of Fair Housing law, as well as legal services designed to prevent eviction.

7.21.2. Fair Housing Provider Selection Process (multiple proposals)

In the event that there are multiple proposals for providing fair housing services, funds will be recommended for appropriate Fair Housing-related services based on the following factors:

- The capacity of the applicant to provide these services.
- The degree to which a capable applicant can leverage additional funding sources to augment the County's funding allocation.
- Coordination with neighboring jurisdictions in the regional provision of fair housing services for optimizing efficiency and customer service.
- Cost-effectiveness.

The degree to which the proposed services will implement meaningful actions to achieve a material positive change that affirmatively furthers fair housing, or that addresses recommended actions in the current Analysis of Impediments to Fair Housing Choice. In the event no viable proposals are received from community-based non-profit agencies, or no fair housing proposals are awarded funds, Commission staff will provide the required fair housing services utilizing funding from the Public Services Set-aside until such time that a subsequent NOFA process can be implemented to secure a qualified contract provider of Fair Housing-related services.

The set-aside amount for all Fair Housing-related services shall be 100% of the 15% Public Services Set-aside subject to adequate funding. If the CD Committee and CTAC recommends a change to the set-aside amount for any fiscal year, the following factors will be considered:

- i. Current funding level for CDBG funding.
- ii. Historical funding levels of selected services.
- iii. Expected cost of activities required to take the recommended actions identified in the Analysis of Impediments to Fair Housing Choice document.
- iv. Consideration of actual or potential funding from other sources.

7.22. Sonoma County Living Wage Ordinance

Applicants must abide by the County of Sonoma Living Wage Ordinance as stated in Article XXVI of Chapter 2 of the Sonoma County Code. Non-profit entities shall pay employees in accordance with to Sonoma County Code Section 2-376.5. The Living Wage Ordinance can be found at:

https://library.municode.com/ca/sonoma_county/codes/code_of_ordinances?nodeId=C_H2AD_ARTXXVILIWA

8. Project Selection

8.1. Application Submission Process

Details regarding the application requirements and timelines are included in the NOFA released in late-October to mid-November of each year for the fiscal year that begins the following year in July.

Important Note: All interested applicants should attend a Technical Assistance Session to be held on the date specified in the NOFA. Any applicant who cannot attend the scheduled session should contact the Commission staff as soon as possible.

Applicants must submit funding applications to the Commission by the date specified in the NOFA. Project applications must be complete by the deadline date to be considered eligible for funding. Required application contents differ by allocation category; please refer to the NOFA for specific requirements. Applications that do not include all applicable requested documents or complete answers to all applicable questions will be deemed ineligible for funding.

Applications may not be revised and/or submitted after the deadline date. In addition, once a project or program is awarded funding by the Commission it cannot be materially revised prior to contract execution.

8.2. Selection Process

8.2.1. Action Plan – Schedule of Dates

The annual NOFA includes all important dates related to the development of the annual Action Plan, including due dates, meeting dates, public hearing dates and funding recommendation (selection process) dates. The selection criteria is included in sections 9 and 10 below, in the Consolidated Plan and the NOFA.

8.2.2. Consultation with Continuum of Care for ESG and LMIHAF funds

Per federal regulation, the Commission must consult with the CoC Board in determining how to allocate ESG funds each program year. To meet this requirement and to provide a consistent selection process for all homeless services and rapid re-housing

projects, all recommended proposals for funding of homelessness related projects, rapid rehousing, and or homeless prevention will be presented to the CoC for its review and comment prior to presenting to the CD Committee and CTAC for funding recommendations to the Board of Supervisors and Board of Commissioners.

In addition to the criteria included in the NOFA, Commission staff will first review all funding proposals to ensure that they are complete and eligible for funding based on their respective program source. All ESG and LMIHAF funding proposals will be evaluated to determine their suitability for funding based on the following:

- Expectation that the proposed project will significantly impact the CoC system-wide performance measures, prevent homelessness, shorten the length of homeless episodes, decrease returns to homelessness, increase placements in permanent housing, or provide direct rapid re-housing assistance.

8.2.3. CD Committee and CTAC Workshop

The CD Committee appointed by the Board of Supervisors and the CTAC comprised of one appointed representative from each of the seven incorporated jurisdictions in the Urban County are responsible for reviewing all applications concurrently.

The CD Committee and CTAC conduct a concurrent annual public meeting to review staff analysis of applications submitted under the competitive funding categories, take testimony from applicants, consider CoC comments for ESG and LMIHAF proposals, and provide feedback to staff that will be integrated into funding recommendations in the draft Annual Action Plan.

Important Note: The committees will not recommend funding for any project unless a representative from the applicant agency is present at the meeting to answer questions about the proposed project.

8.2.4. CD Committee and CTAC Public Hearing

The draft Annual Action Plan will be presented to both committees at a public hearing during the public comment period for the Action Plan no later than April 2024. The draft Action Plan will include a list of projects and programs recommended for funding. The committees will concurrently review the draft and finalize the recommendations to be made to the Board of Supervisors.

Important Note: The committees will not recommend funding for any project unless a representative from the applicant agency is present at the hearing to answer questions about the proposed project.

8.2.5. Tiebreaker Methodology

If the Committees are unable to come to a consensus about which projects should receive funding, a tiebreaker methodology will be used. The tiebreaker methodology will divide funding up based on two factors:

1. The percentage of low and moderate-income persons residing in each member jurisdiction of the Urban County.
2. The geographical distribution of prior allocations of funds, to achieve equitable investments throughout the Urban County.

8.2.6. Selection of Contingency Projects

The committees will include a set of projects that could be funded if a project to which funds are originally awarded is delayed or cancelled or if sufficient program income is received during the fiscal year. This will ensure flexibility and timely expenditure of funds.

8.3. Action Plan – One-Year Use of Funds

The Commission will use the CD Committee and CTAC recommendations to prepare the annual Action Plan for Fiscal Year 2024-2025 to be included in the Consolidated Plan. The Action Plan describes the one year use of funds. The Consolidated Plan summary will be published and disseminated in accordance with HUD regulations and the Citizen Participation Plan. Per the Citizen Participation Plan, a draft of the Consolidated Plan and Action Plan will be made available to the public for thirty days allowing for comments to be submitted to the Commission.

8.4. Board of Supervisors and Board of Commissioners Final Approval

The Commission will submit the CD Committee and CTAC recommendations, along with all comments received during the FY 2024-2025 Action Plan comment period and supplementary Commission staff comments, to the Board of Supervisors / Board of Commissioners for approval. The Board is the final decision-maker for determining CDBG, HOME, ESG and LMIHAF awards. Please refer to the FY 2024-2025 NOFA for the Board's public meeting date.

9. Threshold Criteria For Project Evaluation

Applications must meet all of the following set of criteria to be eligible for consideration:

- Complete application with all applicable attachments and signed certifications;
- Eligibility of applicant and eligibility of proposed project per CDBG, HOME, or ESG regulations;
- If applying for CDBG funds, the proposed project must meet a CDBG National Objective;
- The application must indicate how the proposed project Affirmatively Furthers Fair Housing;

- Demonstration of administrative capacity by the applicant to effectively deliver the proposed project;
- For homelessness-related projects only: The proposed project must show if it significantly impacts HEARTH system-wide performance measures. (will it shorten the length of homeless episodes, decrease returns to homelessness, or increase placements in permanent housing?)
- Is the project located in a member jurisdiction of the Urban County?

10. Selection Criteria

The following criteria will be used in the evaluation of eligible applications and will influence the Commission's funding recommendations to the CD Committee and CTAC. All projects must meet all pre-award conditions..

10.1. Selection Criteria – All Projects

10.1.1. Funding Priorities

Projects or services will be evaluated on how closely they meet the following priorities, according to the relevant fund source:

- Creation or Preservation of Affordable Housing.
- Infrastructure or Public Facility supporting creation or preservation of affordable housing.
- Infrastructure or Public Facility supporting low or moderate-income populations.
- Promote effective and proven strategies for homelessness prevention and intervention county-wide and align with Continuum of Care Strategic Plan goals.
- Emphasize self sufficiency of agencies and or life skills for beneficiaries.

10.1.2. Community Goals

Projects that meet the following community goals identified by the committees will be ranked highly:

- Projects that prevent displacement in high opportunity areas
- Projects that alleviate the impact of climate change on low-income populations such as:
 - infill development,
 - infrastructure to reduce environmental impacts in low and moderate income areas including bike lanes,

- walkable paths,
- electric vehicle charging infrastructure,
- ride share hailing locations,
- recycling water irrigation infrastructure,
- new energy-efficient housing construction,
- Projects that consider the mobility needs of low-income people, looking at a variety of factors, including:
 - Improved linkages to public transportation
 - Providing car-share options
 - Supports people who work non-traditional hours
 - Supports people with limited mobility who can't walk far or ride bikes
 - Provides neighborhood safety that promotes walking and biking
- Projects that are aligned with local jurisdiction's General Plan Climate Change Element & Equity Element
- For Homeless services related projects:
 - Reduce the number of episodes of homelessness experienced by residents of Sonoma County.
 - Engage homeless persons, some with special needs, in activities to increase their access to services and housing.
 - Provide safe short-term shelter for homeless persons, some with special needs, as a stable support from which they may seek permanent housing solutions.
 - Provide a platform of stable housing with supportive services to persons who are living on the streets, or to persons leaving emergency shelters, some with special needs.
 - Provide homelessness prevention services to households who are at risk of becoming homeless, some with special needs.

10.1.3. Readiness to Proceed

The applicant demonstrates that the proposed project can spend grant funding within the applicable timeliness provisions (See Section 7.1). Requirements will vary by project type but may include demonstration of site control, completion of environmental review, approval of entitlements, etc.

For housing projects, projects demonstrating advanced readiness via (a) entitlements; (b) financing commitments, and; (c) permitting will rank highly.

10.1.4. Need

Applicant describes the need for the project/program and demonstrates that need with applicable evidence (e.g., waiting list, census data, documentation of deteriorated conditions, etc.).

10.1.5. Adherence to a competitive procurement process

Applicant adheres to a process wherein conversations outside an adopted competitive procurement process with members of either the CD Committee or CTAC advocating for funding of applicant's project or program will result in recusal of those members from the decision making process or ineligibility of that applicant's project.

10.1.6. Financial Feasibility

The project adheres to guidance described in the NOFA.

10.1.7. Outcomes

Applicant demonstrates that the project or program will result in outcomes that are clearly defined, measurable, and directly related to the alleviation of the stated problem.

10.2. Selection Criteria – Housing Projects

10.2.1. Leverage

Projects that demonstrate funds will be leveraged against total development costs at least 7:1.

10.2.2. Development Experience

Project developers who can demonstrate previous success obtaining federal tax credits and/or state funding to develop housing within the last seven years.

10.2.3. Non-profit Developers

Pursuant to the Sonoma County Housing Element, to increase the likelihood that units will remain affordable for a longer period of time, funding priority will be given to non-profit developers when it is practicable to do so.

10.2.4. Support

Projects that can demonstrate existing support from other jurisdictions via letters of support, funding commitments, etc.

10.2.5. Income and Population Targeting

Housing projects with deep income targeting and serve special needs populations.

10.3. Selection Criteria – Non-Housing Projects

10.3.1. Leverage and Meeting Community Need

Priority will go to projects that leverage public funds to the greatest extent possible or projects that meet a particular community need that cannot be met by other funding sources.

11. Definitions

Areas of Opportunity: Places where jobs are relatively plentiful and access to education, healthcare, and other amenities are close at hand.

Board of Commissioners: The Board of Supervisors serve as the Board of Commissioners. The Board of Commissioners oversees housing assistance, affordable housing and community infrastructure projects.

Community Development Block Grant Program (CDBG): Created under the Housing and Community Development Act of 1974, this program provides grant funds to local and state governments to develop viable urban communities by providing decent housing with a suitable living environment and expanding economic opportunities to assist low- and moderate-income residents.

CDBG Recipient: A state, city, or urban county that receives a direct allocation of CDBG dollars from the U.S. Department of Housing and Urban Development. Through an urban county cooperation agreement, in the form of a Joint Powers Agreement the County of Sonoma, the Town of Windsor, and the cities of Cloverdale, Cotati, Healdsburg, Rohnert Park, Sebastopol, and Sonoma together constitute a HUD-designated “Urban County.”

CDBG Subrecipient: Government agencies, private, or public non-profit organizations, including institutions of higher education and private for-profit entities authorized under 24 CFR Section 570.201(o), designated by the Urban County to undertake selected CDBG activities.

Community Housing Development Organization (CHDO): As defined by HUD, A private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves. In order to qualify for designation as a CHDO, the organization must meet certain requirements pertaining to their legal status, organizational structure, and capacity and experience.

Continuum of Care (CoC): The Continuum of Care (CoC) Program is designed to promote communitywide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers, and State and local governments.

Emergency Solutions Grant (ESG) Program: A federal grant program designed to assist homeless persons through five activity types including Street Outreach, Emergency Shelter, Homeless Prevention, Rapid Re-housing, and HMIS.

Fair Housing Act: 1968 act (amended in 1974 and 1988) providing the HUD Secretary with fair housing enforcement and investigation responsibilities. A law that prohibits discrimination in all facets of the homebuying process on the basis of race, color, national origin, religion, sex, familial status, or disability.

Fair Market Value: The amount of money that would probably be paid for a property in a sale between a willing seller, who does not have to sell, and a willing buyer, who does not have to buy.

HOME (HOME Investment Partnerships Program): Provides formula grants to states and localities that communities use—often in partnership with local nonprofit groups—to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing or to provide direct rental assistance to low-income people.

HOME Participating Jurisdiction: Localities, metropolitan cities, urban counties or approved consortia that are eligible to receive an allocation of funds under the HOME program. Through an urban county cooperation agreement, in the form of a Joint Powers Agreement, the County of Sonoma, the Town of Windsor, and the cities of Cloverdale, Cotati, Healdsburg, Rohnert Park, Sebastopol, and Sonoma together constitute a participating jurisdiction.

HOME Subrecipient: A public agency or nonprofit organization selected by the participating jurisdiction to administer all or a portion of the participating jurisdiction's HOME program.

HOME Owner, Developer, or Sponsor: A non-profit or for-profit organization that will own, develop, or sponsor a HOME-assisted project.

Homeless: An individual who lacks a fixed, regular, and adequate nighttime residence; as well an individual who has a primary nighttime residence that is a supervised publicly or privately operated shelter designed to provide temporary living accommodations, an institution that provides a temporary residence for individuals intended to be institutionalized; or a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act: Amended and reauthorized the earlier McKinney-Vento Homeless Assistance Act with substantial changes in 2009. It consolidated HUD's Continuum of Care grant programs and changed HUD's definition of homelessness and chronic homelessness.

Homeless Prevention: Activities or programs designed to prevent the incidence of homelessness, including, but not limited to: (1) short-term subsidies to defray rent and utility arrearages for families that have received eviction or utility termination notices; (2) security deposits or first month's rent to permit a homeless family to move into its own apartment; (3) mediation programs for landlord-tenant disputes; (4) legal services programs that enable representation of indigent tenants in eviction proceedings; (5) payments to prevent foreclosure on a home; and (6) other innovative programs and activities designed to prevent the incidence of homelessness.

Household: All the people who occupy a housing unit. A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household.

Housing Stock: The number of existing housing units based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

HUD: The United States Department of Housing and Urban Development.

Income Limit: Determines the eligibility of applicants for HUD's assisted housing programs.

Indirect Cost Rate: A negotiated expense rate between a subrecipient and the grant administrator, which is allowed by HUD for subrecipients to use to claim reimbursement of expenses with a common objective such as "administration" or "accounting" without providing supporting, direct expense documentation. While an indirect cost rate is allowed by HUD, it must be approved by the grant administrator. *Please note: Indirect cost rates are not permitted by the Commission.*

Lead-Based Paint: Paint or other surface coatings that contain lead equal to or exceeding 1.0 milligram per square centimeter or 0.5 percent by weight or 5,000 parts per million (ppm) by weight.

Lease: A written agreement between an owner and a household for the leasing of a decent, safe, and sanitary dwelling unit to the household.

Market Value: The most probable price that a property should bring in a competitive and open market, provided that all conditions requisite to a fair sale are present, the buyer and seller are knowledgeable and acting prudently, and the price is not affected by any undue stimulus.

Microenterprise: A commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise.

Manufactured Home or Mobile Home: A structure, transportable in one or more sections, which in the traveling mode is 8 feet or more in width, or 40 feet or more in length, or which when erected onsite is 400 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained in the structure. This term includes all structures that meet the above requirements except the size requirements and with respect to which the manufacturer voluntarily files a certification pursuant to 24 CFR 3282.13 and complies with the construction and safety standards set forth in this 24 CFR 3280. The term does not include any self-propelled recreational vehicle. Calculations used to determine the number of square feet in a structure will include the total of square feet for each transportable section comprising the completed structure and will be based on the structure's exterior dimensions measured at the largest

horizontal projections when erected onsite. These dimensions will include all expandable rooms, cabinets, and other projections containing interior space, but do not include bay windows. Nothing in this definition should be interpreted to mean that a manufactured home necessarily meets the requirements of HUD's Minimum Property Standards (HUD Handbook 4900.1) or that it is automatically eligible for financing under 12 U.S.C. 1709(b).

Racially and Ethnically Concentrated Areas of Poverty: Census tracts where more than half the population is non-white and 40% or more of the population is in poverty OR where the poverty rate is greater than three times the average poverty rate in the area.

Special Needs Subpopulations: Include, but are not limited to: 1) elderly households, 2) persons with physical, mental or developmental disabilities, 3) persons with HIV/AIDS and their families, 4) large families, 5) single-headed households, and 6) farm workers.

Uniform Relocation Act (URA): The Uniform Act (or "Uniform Relocation Act"), passed by Congress in 1970, is a federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The Uniform Act's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for federal or federally funded projects.

Urban County: The County of Sonoma and the municipalities of Cloverdale, Cotati, Healdsburg, Rohnert Park, Sebastopol, Sonoma, and Windsor, through a Joint Powers Agreement, comprise the Urban County, an entity recognized by the U.S. Department of Housing and Urban Development (HUD) as an entitlement jurisdiction eligible for formula grant funding under the CDBG, HOME, and other HUD programs.

12. More Information

Visit the Commission's website to find more information: <http://www.sonoma-county.org/cdc>

Appendix A: Eligible Uses

Sonoma County Community Development Commission

Eligible Uses of Funds¹

- Transitional Housing Projects
- Permanent Affordable Housing Projects
- Non-Housing Capital Projects (includes homeless shelters & day centers)
- Economic Development & Fair Housing Programs
- Homeless, Emergency Shelter and Rapid Rehousing Programs

¹ This list represents a summary of eligible uses of CDBG, HOME ESG, and LMIHAF funds from the Commission. Each project must also demonstrate that it will meet all other regulatory requirements.

Transitional Housing Projects²

Activity	Eligible Applicants CDBG Program	Eligible Applicants HOME Program
Site Acquisition	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Acquisition of existing transitional housing units	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Development Impact Fees	Not an eligible activity	Non-profit and qualifying for-profit organizations, and local government entities
Site Improvements for new transitional housing developments	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Construction of new transitional housing	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Demolition associated with development of new transitional housing	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Rehabilitation of existing transitional housing	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Energy-related and disabled accessibility improvements	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Relocation associated with development or rehab of transitional housing	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities

² HOME funds may be used for transitional housing units only if the project uses a minimum of a one-year lease.

Permanent Affordable Housing Projects

Activity	Eligible Applicants CDBG Program	Eligible Applicants HOME Program
Site Acquisition	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Acquisition of existing rental housing	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Development Impact Fees	Not an eligible activity	Non-profit and qualifying for-profit organizations, and local government entities
Site improvements for new affordable housing developments	Qualifying CDBOs ³	Non-profit and qualifying for-profit organizations, and local government entities
Construction of new affordable housing	Qualifying CDBOs	Non-profit and qualifying for-profit organizations, and local government entities
Demolition associated with development of affordable housing	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Rehabilitation of existing multi-family rental housing units	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Energy-related and disabled accessibility improvements	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities
Relocation associated with development or rehabilitation of affordable housing	Non-profit organizations and local government entities	Non-profit and qualifying for-profit organizations, and local government entities

³ A Community –Based Development Organization (CBDO) is a private, community-based, community development organization that meets the criteria specified in the CDBG regulations pertaining to legal status and organizational structure. CBDO projects must also qualify as a “neighborhood revitalization project” as defined at 24 CFR 570.204(a).

Activity	Eligible Applicants CDBG Program	Eligible Applicants HOME Program
Scattered-site Housing Rehabilitation Programs	Sonoma County Community Development Commission	Not an eligible activity
Homebuyer Assistance	Non-profit organizations and local government entities	Not an eligible activity
Tenant-Based Rental Assistance	Not an eligible activity	Sonoma County Housing Authority
CHDO ⁴ Operating Costs	Not an eligible activity	Qualifying CHDOs

⁴ A Community Housing Development Organization (CHDO) is a private, non-profit, community-based organization that meets criteria specified in the HOME regulations pertaining to legal status, organizational structure, and capacity and experience.

**Non-Housing Capital Projects
(Includes Emergency Overnight Shelters & Homeless Day Service Centers)**

ACTIVITY	PROGRAM	ELIGIBLE APPLICANTS
Site Acquisition	CDBG	Non-profit organizations and local government entities
Acquisition of existing facilities	CDBG	Non-profit organizations and local government entities
Site improvements for new facilities	CDBG	Non-profit organizations and local government entities
Development and construction of new public improvements and facilities	CDBG	Non-profit organizations and local government entities
Demolition associated with development of new public improvements and facilities	CDBG	Non-profit organizations and local government entities
Rehabilitation of existing facilities	CDBG	Non-profit organizations and local government entities
Reconstruction of existing public improvements (does not include repairs only)	CDBG	Non-profit organizations and local government entities
Energy-related and disabled accessibility improvements	CDBG	Non-profit organizations and local government entities
Relocation associated with development of new public improvements and facilities	CDBG	Non-profit organizations and local government entities

ECONOMIC DEVELOPMENT AND FAIR HOUSING ACTIVITIES

ACTIVITY	PROGRAM	ELIGIBLE APPLICANTS
Economic development and services for microenterprises	CDBG	Non-profit organizations, local government entities, qualifying for-profit business owners
Fair housing programs for low-income households and landlords	CDBG	Non-profit organizations and local government entities

HOMELESS, EMERGENCY SHELTER AND RAPID REHOUSING ACTIVITIES

ACTIVITY	PROGRAM	ELIGIBLE APPLICANTS
Emergency shelter	ESG	Non-profit organizations, local government entities
Street outreach	ESG	Non-profit organizations and local government entities
Homelessness prevention	ESG, LMIHAF	Non-profit organizations, local government entities
Rapid rehousing	ESG, LMIHAF	Non-profit organizations, local government entities

Appendix B: Income Limits

These income limits apply to HOME Investment Partnership Program (HOME) and Community Development Block Grant Program (CDBG) projects and programs and apply only to Sonoma County Community Development Commission-assisted projects or programs. They are not to be used as a guide for programs regulated by any agency other than the Sonoma County Community Development Commission. It is up to each property owner to determine which regulations preside if a program is regulated by more than one program.

Current Income Limits are found on the CDC website at the following link:

<http://sonomacounty.ca.gov/CDC/Housing-and-Neighborhood-Investment/Income-and-Rent-Limits/#federal>

Appendix C: Rent Limits

These rent limits apply to HOME Investment Partnership Program (HOME) and Community Development Block Grant Program (CDBG) projects and programs and apply only to Sonoma County Community Development Commission-assisted units. They are not to be used as a guide for projects regulated by any agency other than the Sonoma County Community Development Commission.

Property owners must subtract from the maximum rent the approved utility allowance for any utilities that the tenant pays in addition to the rent. Confirm the appropriate utility allowance with the Sonoma County Community Development Commission.

Current Rent Limits are found on the CDC website at the following link:
<http://sonomacounty.ca.gov/CDC/Housing-and-Neighborhood-Investment/Income-and-Rent-Limits/#federal>

Addendum

FY 2024-2025 Funding Policies Addendum – HOME-ARP Funds

As part of the American Rescue Plan Act of 2021 and described in HUD Community Planning and Development (CPD) notices 21-10 and 22-13, the County of Sonoma Urban County entitlement jurisdiction received an allocation of HOME-ARP funds to support eligible activities that benefit residents within the jurisdiction of the Urban County. These funds must be used to assist the following populations:

- Homeless persons or households;
- Persons or households at-risk of becoming homeless;
- Victims of or persons or households fleeing domestic violence, human trafficking, stalking; and
- Other vulnerable populations requiring services or housing assistance to prevent homelessness and those at greatest risk of housing instability as defined in the grant notice.

Uses of these funds must be consistent with the priorities identified in the Urban County HOME-ARP plan approved by the Sonoma County Board of Supervisors on March 14, 2023. Funds cannot support an activity that uses other funding sources that excludes any one of the qualifying populations. The eligible activities are:

- Production, preservation, and or acquisition of affordable housing;
- Provision of supportive services;
- Purchase and or development non-congregate shelters.

Affordable Housing Activities:

Home ownership development projects are not eligible. Unlike the regular HOME program, which targets HOME-assisted rental units based on tenant income, housing projects funded with HOME-ARP units must admit 70% of households based only upon their status as a qualifying population. All HOME-ARP funded housing units must contain their own kitchen and bathroom facility. Emergency shelters, hotels, and motels, including those currently operating as non-congregate shelters, facilities such as nursing homes, residential treatment facilities, correctional facilities, halfway houses, and housing for students or dormitories for students or farmworkers, and other communal housing facilities are not eligible under the program.

The HOME-ARP program suspended the maximum per-unit subsidy limit for HOME-ARP funded units, enabling HOME-ARP funds to pay the entire cost to acquire, rehabilitate, and or construct rental units. In mixed income housing developments, revenue from market rate or higher income-restricted units may provide assistance to cover a portion of the operating costs of HOME-ARP units. No more than 30% of HOME-ARP assisted units in a housing project can be restricted to households of low income, which is defined in the regular HOME regulations.

Supportive Services Activities:

Supportive services may be provided to persons and or households who meet the the definition of a qualifying population and who are not already receiving these services through another program, however, program participants in other HOME-ARP activities are eligible for supportive services. Eligible supportive services include services under section 401 (29) of McKinney-Vento, homeless prevention services, and housing counseling services. Limitations to eligibility of expenses for the provision of supportive services apply.

Non-Congregate Shelter Activities:

A non-congregate shelter is one or more buildings that provide units or rooms as temporary shelter to a person or household that does not require occupants to sign a lease or occupancy agreement. This activity may include acquisition of land with construction as well as acquisition with rehabilitation of existing structures to be used for HOME-ARP non-congregate shelters. However, HOME-ARP funds may not be used to pay the operating expenses of the HOME-ARP non-congregate shelter. Any type of congregate or communal shelter project is not eligible.

Application of Other Federal Requirements to All Assisted Activities:

All HOME-ARP assisted projects are subject to other federal requirements including, but not limited to non-discrimination, equal opportunity, affirmative marketing and minority outreach, National Environmental Policy Act for completion of environmental reviews, labor standards, lead hazard control requirements, relocation assistance and or displacement requirements, and conflict of interest provisions.