

**Veterans Housing and Homelessness Prevention (VHHP) Program  
Draft Program Guidelines  
November 10, 2014**

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## **Section 100 Purpose and Scope**

- (a) These guidelines (variously hereinafter Guidelines or guidelines) implement and interpret the Veterans Housing and Homeless Prevention Program (VHHP) authorized pursuant to the Veterans Housing and Homeless Prevention Act (the "Act") (as set forth in Military and Veteran's Code Division 4 Chapter 6, Article 3.2, commencing with Section 987.001). The Guidelines interpret and make specific the following Military and Veteran's Code Division 4, Article 3.2 Sections applicable to this Program (and programs thereunder): Sections 987.005, 987.007, 987.008. The Act relies on and references, provisions of the Veterans Housing and Homeless Prevention Bond Act of 2014 (the VHHP Bond Act) (as set forth in Military and Veteran's Code Division 4 Chapter 6, Article 5y, commencing with Section 998.540). The Act, and the VHHP Bond Act were adopted pursuant to Stats. 2013, Ch. 727 (AB 639). The Act relies on and references provisions of Sections 4, 5, 6, 7, and 8 of AB 639, which amend the following sections of the Health and Safety Code: 50408, 50501, 50505, 50510, and 50512. The Guidelines should be interpreted in accord with all the forgoing references to provisions of AB 639 (even those that are not part of the Act itself) to the extent that the Act relies on those provisions.
- (b) These guidelines establish terms, conditions and procedures for funds awarded under the Veterans Housing and Homelessness Prevention Program.

## **Section 101 Definitions**

- (a) "Affordable Rental Housing Development" means a structure or set of structures with rental housing units restricted by the Department in accordance with these guidelines, operated under landlord-tenant law, and with common financing, ownership, and management. No more than one of the dwelling units may be occupied as a primary residence by a person or household who is the owner of the structure or structures.
- (b) "Assisted Unit" means a housing unit that is subject to the rent, occupancy and other restrictions specified in these guidelines, as a result of the financial assistance provided under the Program, or, for Transitional Housing, a bed that is subject to these restrictions.
- (c) "Chronically Homeless" means the same as defined under the federal Continuum of Care program, at 24 CFR 578.3.

- (d) "CPI" means the Consumer Price Index for All Urban Consumers, West Region, All Items.
- (e) "Extremely Low Income" means households with incomes not exceeding 30 percent of area median income, calculated in accordance with Health and Safety Code Section 50106 and published by the HCD as part of the Official State Income Limits, at <http://www.hcd.ca.gov/hpd/hrc/rep/state/incNote.html>.
- (f) "Homeless" means the same as defined under the federal Continuum of Care program, at 24 CFR 578.3, as may be amended and renumbered from time to time. "Homeless" includes "Chronically Homeless" and "Homeless with a Disability".
- (g) "Homeless with a Disability" means the same as "Chronically Homeless", excluding the requirement of having been homeless for a defined period of time.
- (h) "Net Developer Fee" means developer fee paid less contributions to the project by the Sponsor or their affiliate of cash or real property.
- (i) "Operating Expenses" means the amount approved by the Department that is necessary to pay for the recurring expenses of the Project, such as utilities, maintenance, management, taxes, licenses, and supportive services coordination, but not including debt service, required reserve account deposits, or other supportive services costs.
- (j) "Program" means the Veterans Housing and Homelessness Prevention Program, authorized by Proposition 41, the Veterans Housing and Homeless Prevention Bond Act of 2014.
- (k) "Rent" means the same as "gross rent," and defined in accordance with the Internal Revenue Code (26 USC 42(g)(2)(B)). It includes all mandatory charges, other than deposits paid by the tenant, for use and occupancy of an Assisted Unit, plus a utility allowance established in accordance with TCAC regulations, if applicable. For units assisted under the Housing Choice Voucher or similar rental or operating subsidy program, Rent includes only the tenant contribution portion of the contract rent.

- (l) “Sponsor” is the entity relied upon for experience and capacity, and which controls the project during development and occupancy. In a project with multiple layers of ownership, the Sponsor cannot have more than one entity between itself and the borrowing entity. For example, if the borrowing entity is a limited partnership with a limited liability company as the general partners, the Sponsor must either be a member of the company or a non-member manager. Sponsors may be any of the following: a for-profit or nonprofit corporation, City, County, City and County, joint powers authority, any other special district or political subdivision of the State of California, limited liability corporation, limited partnership, general partnership, business trust or joint venture. If awarded funds, all joint applicants for a single project will be considered co-recipients and be held jointly and severally liable for the completion of the project.
- (m) “Supportive Housing” means Assisted Units restricted under the Program for use as housing with no limit on length of stay, that is occupied by persons or families who are Homeless at the time of initial occupancy, and that is linked to onsite or offsite services that assist the supportive housing resident in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community.
- (n) “Transitional Housing” means Assisted Units restricted under the Program in buildings configured as rental housing developments, but operated under program requirements that call for the termination of assistance and recirculation of the assisted unit to another eligible program recipient at some predetermined future point in time, which shall be no less than six months. Licensed residential care or treatment facilities do not qualify.
- (o) “Veteran” means any person who served in the active military, naval, or air service of the United States, or as a member of the National Guard who was called to and released from active duty or active service, for a period of not less than 90 consecutive days or was discharged from the service due to a service-connected disability within that 90-day period. This includes Veterans with other-than-honorable discharges (Under Other Than Honorable Conditions, Bad Conduct, Dishonorable, etc.).

## **Section 102 Threshold Requirements**

To be eligible to receive funding, projects must:

- (a) Involve the acquisition and/or construction or rehabilitation of an Affordable Rental Housing Development or Transitional Housing, or the conversion of an existing structure into one of these housing types.
- (b) Restrict occupancy for at least 50 percent of Assisted Units to Extremely Low Income Veterans, with rents not exceeding the 30 percent of 30 percent of Area Median Income, calculated in accordance with TCAC regulations and procedures.
- (c) For projects with Supportive Housing or Transitional Housing:
  - (1) Utilize a lead service provider with at least four years of experience providing services to homeless people that includes comprehensive case management (individualized services planning and the provision of connections to mental health, substance abuse, employment, health, housing retention, and similar services). This experience must include two years' experience providing services that include comprehensive case management in affordable rental or transitional housing, which can include scattered site housing. Experience must be documented through contracts with public agencies.
  - (2) Follow Housing First property management and tenant selection practices, as described in Sections 112, 113 and 114.
  - (3) Satisfy the requirements of Section 115, regarding supportive services.
- (d) For projects including new construction of Transitional Housing, have a physical configuration that allows for ready conversion of the Transitional Housing to permanent housing, at minimal cost.
- (e) Not involve the permanent relocation of more than five low-income households.
- (f) Not have commenced construction prior to the program funding award date, excluding emergency repairs to existing structures.
- (g) Involve a Sponsor with a long-term, controlling interest in the Project that has successful prior experience developing and owning at least one affordable rental or transitional housing development.

- (h) Involve a development site that is reasonably accessible to services and amenities appropriate for the proposed tenant population, and that is controlled by the Sponsor at the time of application, as detailed in 25 CCR 8303.
- (i) Demonstrate clear market demand for the proposed project and target population, through waiting lists and low vacancy rates for comparable projects, statistical information from the Veteran's Administration, the local Continuum of Care, or other similar information.
- (j) Demonstrate support from the local Veteran's Administration office (Network Homeless Coordinator or similar official) and the local Continuum of Care, as evidenced by letters confirming that the project meets a high priority local need.
- (k) Have reasonable development costs, as compared to other similar projects in the area of the project site, and adequate development sources to cover these costs.
- (l) Meet the occupancy requirements set forth in Section 104, the underwriting standards set forth in Section 106, the fee limitations in Section 107, and otherwise comply with these guidelines.

### **Section 103 Uses and Terms of Program Assistance**

- (a) Program funds shall be used for the development cost categories listed in 25 CCR Section 7304 (a) and (b), and to refinance loans used to cover such costs, except that the limitation on developer fee specified in Section 107 shall apply, instead of the limitation in Section 7304(b)(9).
- (b) The total amount of Program assistance shall not exceed development costs associated with Assisted Units. In determining these costs, the cost allocation rules described in 25 CCR Section 7304 (c) shall apply (substituting Assisted Units for Restricted Units).
- (c) Program assistance shall be provided as post-construction, permanent loans. Program loans shall have an initial term of 55 years, or longer to match the period of affordability restrictions under the tax credit program, commencing on the date of recordation of the Program loan documents, and bear simple interest at the rate of three percent per annum on the unpaid principal balance. Interest shall accrue from the date funds are disbursed to or on behalf of the borrower.

- (d) Program loans shall be secured by the project's real property and improvements, and subject only to liens, encumbrances and other matters of record approved by the Department, consistent with 25 CCR Section 8315. Projects with ground leases shall be subject to 25 CCR Section 8316.
- (e) For the first 30 years of the loan term, payments in the amount of 0.42 percent of the outstanding principal loan balance shall be payable annually to the Department. After 30 years, the Department may reset the required payment amount to cover its monitoring costs.
- (f) Except for the required 0.42 percent loan payment, the Department may permit the deferral of accrued interest for such periods and subject to such conditions as are required for project feasibility and to comply with the requirements of Section 106.
- (g) Maximum per-unit loan amounts shall be calculated as the sum of:
  - (1) The maximum loan amounts established for the Multifamily Housing Program in accordance with 25 CCR 7307, substituting Assisted Units for Restricted Units, and with initial base amounts set at:
    - (A) \$65,000 for nine-percent tax credit projects located in Southern California, as defined under the Multifamily Family Housing Program.
    - (B) \$50,000 for nine-percent tax credit projects in Northern California.
    - (C) \$80,000 for projects located in Southern California that do not use nine-percent tax credit projects.
    - (D) \$65,000 for projects located in Northern California that do not use nine-percent tax credits.
  - plus
  - (2) An amount not greater than the lesser of:
    - (A) \$120,000 per Assisted Unit restricted to the Chronically Homeless or Homeless with a Disability or
    - (B) The amount from sources other than the Program deposited into a capitalized operating reserve for the Project that is:

- (i) Governed by an agreement between the borrower, the Department and the reserve holder requiring Department approval of any withdrawals.
- (ii) Used only to defray operating deficits for Assisted Units restricted to the Chronically Homeless and Homeless with a Disability.
- (iii) Sized by the Department to cover scheduled deficits for a period of not less than 17 years and not more than 20 years, with rents limited to 30 percent of actual household income, and based on projections made at time of application and updated prior to permanent loan closing.
- (iv) Not used to cover:
  - (a) Loan payments (except for loans from the Department),
  - (b) Ground lease payments
  - (c) Owner distributions
  - (d) Costs associated with units other than Assisted Units restricted to the Chronically Homeless and Homeless with a Disability, except for a proportionate share of the resident manager's unit, or for those with other rental or operating subsidies.
  - (e) Deferred developer fees, asset management fee or partnership management fees beyond those allowed under these guidelines and in proportion to the ratio of Assisted Units restricted to the Chronically Homeless and Homeless with a Disability to total units in the Project.
  - (f) Deposits to contingent operating reserves beyond those required by these guidelines
  - (g) Vacancy loss, beyond two months for a tenant who has left their unit.

- (v) Subject to recapture by the Department if the sponsor obtains other rental or operating subsidies, or if some other event occurs that significantly reduces the need for funds in the capitalized operating reserve.

## **Section 104 Occupancy Requirements**

- (a) Occupancy of all Assisted Units shall be restricted to households including one or more Veterans with incomes at time of move-in not exceeding the limits approved by the Department and specified in the Program regulatory agreement.
- (b) If the Veteran that qualified a household for occupancy moves out, and family members remain, the unit shall still be considered an Assisted Unit, unless the qualifying Veteran's occupancy was for less than three months, or there was evidence that the Veteran's occupancy was intended to be for a short duration.
- (c) Occupancy of units designated as Supportive Housing or Transitional Housing shall be further restricted to households that include Veterans who are Homeless, Homeless with a Disability, or Chronically Homeless, as approved by the Department and specified in the Program regulatory agreement.
- (d) Projects may restrict occupancy based on type of military service discharge only when required by a public agency funding source. In any case, a minimum of ten percent of Assisted Units shall not be so restricted and shall be available to Veterans regardless of discharge type.
- (e) Occupancy requirements shall apply for the full term of the Program loan. In the event the Department determines that there are no longer sufficient Veterans eligible for one or more categories of households eligible for Supportive Housing or Transitional Housing, based on evidence from the local Continuum of Care, the Veteran's Administration, the local point-in-time count of persons experiencing homelessness, and similar sources, the Department may adjust the occupancy requirements for these units, but only to the minimum extent required for project feasibility, and not sooner than five years from the date of Program loan closing. The Department shall periodically evaluate the need for continuing any adjustments made to the original occupancy requirements, and may modify these adjustments over time or reinstate the original requirements.

## **Section 105 Rent Limits**

Assisted Unit Rent limits shall be the same as specified in 25 CCR Section 7312, except that:

- (a) Rent limits for units restricted to Extremely Low Income Households shall not exceed TCAC's 30% AMI Rent limit.
- (b) The minimum amount of the transition reserve for renewable project-based rental assistance described in subdivision 7312(f) shall be the amount sufficient to prevent Rent increases for one year following the loss of the rental assistance, instead of two years. The minimum amount of the transition reserve for non-renewable project-based rental assistance or operating subsidies shall be the amount sufficient to prevent Rent increases for two years following the loss of the rental assistance.

## **Section 106 Underwriting Standards**

- (a) In analyzing Project feasibility for permanent housing, the following assumptions and criteria shall be used:
  - (1) Residential vacancy rates shall be assumed to be 5%, unless a different figure is required by another funding source (including TCAC), or supported by compelling market evidence.
  - (2) Commercial vacancy rates shall be assumed to be 50%.
  - (3) All operating expenses, including property management fees, shall be within the normal market range for the area, as determined based on comparison with similar affordable housing projects.
  - (4) Supportive services coordination costs paid out of operating income as a project operating expense shall not exceed the limits specified in Section 108(d).
  - (5) Asset and partnership management fees paid to the Sponsor prior to Sponsor distributions shall not exceed the limits specified in Section 107(c).
  - (6) First year debt service coverage ratio shall not be:
    - (A) less than 1.10:1, unless the project is receiving an operating subsidy; or

(B) greater than 1.20:1, except where projected cash flow after debt service and projected reserve deposits is equal to or less than 12 percent of operating expenses, or where a higher amount is necessary to project a positive cash flow over 20 years, using the assumptions specified in subsection (6).

In applying these requirements, payments on the Program loan shall be considered debt service, and, for purposes of subsection (B) above, operating income required by the Department to be deposited into a reserve account to defray scheduled operating deficits shall be excluded.

- (7) The Project must demonstrate a positive cash flow for 15 years, using the income and expense increase assumptions specified in TCAC's regulations, at 4 CCR Section 10327. If projected operating income includes rental assistance or operating subsidy payments under a renewable contract, the Department may assume renewal of the contract.
  - (8) Loans with balloon payments are prohibited unless the Sponsor demonstrates, to the Department's satisfaction, that the Project will generate sufficient operating income, and income obtained through refinancing, to be able to pay the balloon payment when due, or if the loan with a balloon payment is recorded junior to the Program regulatory agreement.
  - (9) Variable interest rate debt shall be underwritten at the ceiling interest rate.
  - (10) The Department may modify the requirements of this section to conform to the requirements of other funding sources, if the Program loan does not exceed the lesser of \$1,500,000 or 15% or less of total project development costs.
- (b) In analyzing the feasibility of Transitional Housing, factors to be considered shall include:
- (1) The experience of the Sponsor and their partners with similar projects, and the current financial viability of these projects.
  - (2) The experience of the Sponsor with obtaining government contracts to cover operations and services costs for similar projects, and with the specific government funding sources identified for the proposed project.

- (3) The likelihood that the identified sources of funds to cover operating costs, and particularly government contracts, will continue to be available for the proposed project, over time.
- (4) The financial condition of the Sponsor, as measured by indicators such as amounts and trends in organizational net income, net assets, unrestricted net assets, and current ratio.
- (5) The reliability of project operating projections, including the adequacy of projected operating expenses, as compared to other similar projects, and whether they show at least breakeven operation over time.

### **Section 107 Fee Limits**

- (a) For projects utilizing low income housing tax credits, Net Developer Fee shall not exceed the amount that may be included in basis under TCAC's rules for 9% low-income housing tax credits, plus any amount allowed by TCAC for non-residential space.
- (b) For projects not utilizing low income housing tax credits, Net Developer Fee shall not exceed the amount allowed under 25 CCR 8312.
- (c) Asset management, partnership management and similar fees paid to the sponsor or an affiliate on a priority basis, pursuant to Section 108(a), shall not exceed a combined total of \$15,000 for 2014. This limit shall be increased each year at the rate of two percent per year. If there is insufficient cash flow in a given year to pay the maximum allowable amount, the unpaid portion may accrue, without interest, and be paid in subsequent years.
- (d) The Department may modify the requirements of subsection (a) to conform to the requirements of other funding sources, if the Program loan does not exceed the lesser of \$1,500,000 or 15% of total project development costs.

## **Section 108 Use of Operating Cash Flow**

- (a) Operating Income remaining after payment of approved operating expenses, reserve deposits and mandatory debt service shall be applied in the following priority order:
  - (1) First, towards payment of any:
    - (A) deferred portion of the approved Net Developer Fee, pursuant to 25 CCR Section 8312 (a) and (b); and
    - (B) asset management, partner management and similar fees, pursuant to 25 CCR Section 8312(c).
  - (2) Second, 50% to the Sponsor as distributions, and 50% to the Department as payment on the Program loan.
    - (A) If the terms of other public agencies' financing also require payments from remaining cash flow, the Department may agree to share what would otherwise be its 50 percent share of available cash flow with the public agencies in amounts proportional to the agencies' respective loan amounts.
    - (B) To be consistent with the terms of other public agency loans, the Department may agree to set the percentage payable to the Sponsor at an amount less than 50 percent.
    - (C) For projects with income from project-based Section 8 or similar project-based rental assistance that is not underwritten by other Project lenders, the Department may reduce the Sponsor's share to an amount equivalent to the amount they would receive if one of the other lender's loan amount was based on an income stream that included the income from the rental assistance.
- (b) A Sponsor may not accumulate Distributions from year to year. A Sponsor may deposit all or a portion of permitted Distributions into a Project account for distribution in subsequent years. These future Distributions shall not reduce the otherwise permitted Distribution in those subsequent years.
- (c) Payment of Distributions, deferred Developer Fees, asset management fees, partnership management and similar fees shall be permitted only after the Sponsor submits a complete annual report and operating budget and the Department determines that the report and budget demonstrate compliance with all Program requirements for the applicable year. Circumstances under which no Distributions, deferred Developer Fee, asset management fees or partnership management and similar fees shall be paid include:

- (1) when written notice of default has been issued by any entity with an equitable or beneficial interest in the Project;
  - (2) when the Department determines that the Sponsor has failed to comply with the Department's written notice of any reasonable requirement for proper maintenance or operation of the Rental Housing Development or use of Project income;
  - (3) if all currently required debt service, including mandatory payments on the Program loan, and Operating Expenses have not been paid;
  - (4) if the replacement reserve account, operating reserve account, or any other reserve accounts are not fully funded as required under the Program regulatory agreement.
- (d) For 2014, supportive service coordination costs paid as a project operating expense shall not exceed the following amounts:
- (1) \$4,000 per unit per year for Supportive Housing units restricted to Veterans who are Chronically Homeless.
  - (2) \$3,000 per unit per year for Supportive Housing units restricted to Veterans with a Disability Experiencing Homelessness.
  - (3) \$1,300 per unit per year for units restricted to Extremely Low Income households, but not to Veterans who are Chronically Homeless or Veterans with a Disability Experiencing Homelessness.
  - (4) \$750 per unit per year for other units.

These maximum amounts shall be increased each year after 2014 at the rate of two percent per year.

### **Section 109 Miscellaneous Requirements.**

- (a) The tenant relocation requirements set forth in 25 CCR Section 7315 shall apply.
- (b) All funds provided under this Program are public funds within the meaning of Labor Code Section 1720 et seq.. Program funding of a portion of a project shall not necessarily, in and of itself, be considered public funding of the entire project. Each applicant shall be responsible for determining on a case-by-case basis the extent of applicability of State prevailing law to its individual project.
- (c) The unit standards set forth in 25 CCR 8304 shall apply.

- (d) Projects must meet the accessibility requirements specified in the regulations of the California Tax Credit Allocation Committee, as may be amended and renumbered from time to time, including those of Section 10325(f)(7)(M) and, for senior projects, those of Section 10325(g)(2)(B) and (C). Exemption requests, as provided for in the TCAC regulations, must be approved by the Department. Projects must also provide a preference for accessible units to persons with disabilities requiring the features of the accessible units in accordance with Section 10337(b)(2) of the TCAC regulations.
- (e) Sponsors must establish and maintain a contingent operating reserve meeting the requirements of 25 CCR 8308, and a replacement reserve meeting the requirements of 25 CCR 8309.

### **Section 110 Application Process**

- (a) The Department shall offer funds through a competitive application process, as detailed in a Notice of Funding Availability.
- (b) Applications shall be on forms made available by the Department.
- (c) Applications shall be evaluated for compliance with the threshold and eligibility requirements of these guidelines and the statutes applicable to the Program, and scored based on the application selection criteria listed in Section 111, which differentiate between projects including Supportive Housing and/or Transitional Housing and those that do not. The applications with the highest percentage of points available for the applicable project type (with or without Supportive Housing and/or Transitional Housing) shall be selected for funding, provided that they meet all threshold and eligibility requirements and achieve a specified minimum score.
- (d) The minimum required score shall be specified in the Notice of Funding Availability. For the 2014 NOFA, it will be 105, for projects including Supportive Housing, 90, for projects with Transitional Housing but not Supportive Housing, and 70 for other projects.
- (e) Applications selected for funding shall be approved subject to conditions specified by the Department.
- (f) The Department may adjust this procedure as follows:
  - (1) It may elect to not evaluate compliance with some or all eligibility requirements for applications that are not within a fundable range, as indicated by a preliminary point scoring.

- (2) It may adjust awards to meet the following geographic distribution objectives, to the extent that there are applications from the identified regions that meet all Program eligibility requirements and score above the minimum required score:
- (A) Awarding not less than 14% of the total amount awarded to projects located in San Francisco, Alameda, San Mateo, Santa Clara, Sonoma, Contra Costa, Marin and Santa Cruz Counties.
  - (B) Awarding not less than 31% of the total amount awarded to projects located in Los Angeles County.
  - (C) Awarding not less than 8% of the total amount awarded to projects located in Orange, Riverside or San Bernardino Counties.
  - (D) Awarding not less than 7% of the total amount awarded to projects located in San Diego County.
  - (E) Awarding not less than 16% of the total amount awarded to projects located outside any of the counties named in (A) through (D) above.
- (3) Funds remaining after satisfying the geographic distribution objectives set forth in the previous subsection shall be awarded without regard to project location.

## **Section 111 Application Selection Criteria**

The following criteria shall be used to rate applications, with a maximum possible score of 135 for projects including Supportive Housing and/or Transitional Housing, and 105 for other projects:

(a) Development Team Experience – 35 points maximum

(1) Developer Experience – 5 points maximum

(A) Applications will be scored based on the number of subsidized rental housing developments completed by the Project developer over the past 10 years

(B) One point will be awarded for each completed development, up to a maximum of 5 points. To be counted, rental housing developments must have 10 or more units, unless the application is for a project with fewer than 15 units.

(2) Sponsor Ownership and Operations Experience -- 5 points maximum

(A) Applications will be scored based on the experience of the Sponsor in owning or operating (under a long-term master lease or similar arrangement) subsidized rental housing developments or transitional housing as follows:

(i) If the Project includes Supportive Housing or Transitional Housing, points will be awarded for developments with units restricted to the homeless, (defined in a manner substantially similar to the Program's definition) and that include substantial supportive services.

(ii) If the Project does not include Supportive Housing Units or Transitional Housing, points will be awarded for developments restricted as affordable rental housing.

(B) Two points will be awarded for each project currently owned, up to a maximum of 5 points.

(C) The Sponsor's experience includes the experience of its affiliated entities or principals (including management-level staff), but not the experience of board members. If there are multiple entities that comprise the ownership entity of the proposed Project, the score will be based on the experience of the entity with a controlling interest in the ownership entity and a substantial and continued role in the Project's operations, as evidenced in the ownership entity's legal documents. Any future dissolution of the ownership entity or withdrawal of the entity on which the score was based shall require prior Department approval.

(3) Developer / Sponsor / Lead Service Provider Performance Issues – Negative 30 points maximum

5 points will be deducted for each occurrence or event in the following categories, with a maximum deduction of 10 points per category and a maximum total deduction of 30 points:

- (a) removal or withdrawal under threat of removal as general partner;
- (b) failure to submit, when due, compliance documentation required under the Department program;
- (c) use of reserve funds for Department-assisted projects in a manner contrary to program requirements, or failure to deposit reserve funds as required by the Department;
- (d) failure to provide promised supportive services to a Special Needs Population or other tenants of a publicly funded project;
- (e) other significant violations of the requirements of Department programs or of the programs of other public agencies, such as the failure to adequately maintain a project or the books and records thereof.

Events occurring in connection with projects under the control of the developer or the Sponsor shall be used as the basis for point deductions. Such events shall have had a detrimental effect on the project or the Department's ability to monitor the project, as determined by the Department. Events shall not result in the deduction of points if they have been fully resolved as determined by, or to the satisfaction of, the Department as of the application due date.

(4) Property Manager Experience – 5 points maximum

Applications will be scored based on the number of subsidized rental housing developments that include supportive or transitional housing units managed by the designated property management at the time of application. One-half point will be awarded for each development, up to a maximum of 5 points.

(5) Lead Service Provider Experience – 20 points maximum

For Projects including Supportive Housing or Transitional Housing units, points will be awarded for experience **in the last ten years** providing intensive case management and similar services to homeless populations in housing, and for experience providing specific services to Veterans:

- (A) Points will be awarded for each of the following statements that apply to the lead service provider, as noted. Points are cumulative (e.g. providers with 5 years of the requisite experience with homeless veterans receive both 2 points for 3 years or more experience and 1 point for 5 years or more experience).

2 year threshold experience [per Section 102(c)(1)] in permanent supportive housing instead of transitional housing. – 2 points

3 years or more experience as a lead service provider including comprehensive case management in a permanent supportive housing or transitional housing project in California (which can include a scattered-site project or a tenant-based program) with at least **15 units** reserved for homeless individuals or families (**not necessarily veterans**) – 1 point

3 years or more experience as a lead service provider including comprehensive case management in a permanent supportive housing project in California (which can include a scattered-site project or a tenant-based program) with at least **15 units reserved for homeless veterans** – 2 points

**5 years** or more experience as a lead service provider including comprehensive case management in a permanent supportive housing project in California (which can include a scattered-site project or a tenant-based program) with at least **15 units reserved for homeless veterans** – 1 point

2 years or more experience as a lead service provider including comprehensive case management in at least one permanent supportive housing or transitional housing project in California (which can include scattered-site project(s) or tenant-based program(s)) with **at least 30 units reserved for homeless individuals or families (not necessarily veterans)** – 1 point

2 years or more experience as a lead service provider including comprehensive case management in at least one permanent supportive housing project in California (which can include scattered-site project(s)) **with at least 30 units reserved for homeless veterans** – 2 points

2 years or more experience as a lead service provider including comprehensive case management in at least one permanent supportive housing project in California (which can include scattered-site project(s) or tenant-based program(s)) with **at least 60 units reserved for homeless veterans** – 1 point

2 years or more experience as a lead service provider including comprehensive case management in **at least 2** permanent supportive housing projects in California (including scattered-site projects or tenant-based programs), each with **at least 15 units reserved for homeless veterans** – 2 points

Documented success at meeting or exceeding specified outcome measures for housing stability under a government contract for at least 2 years as a

lead service provider including comprehensive case management in a permanent supportive housing project in California (which can include a scattered-site project or a tenant-based program) with at least 15 units reserved for homeless individuals or families (**not necessarily veterans**) – 1 point

Documented success at meeting or exceeding specified outcome measures for housing stability under a government contract for at least 2 years as a lead service provider including comprehensive case management in a permanent supportive housing project in California (which can include a scattered-site project or a tenant-based program) with at least 15 units **reserved for homeless veterans**. – 2 points

(B) One point will be awarded for each of the following statements that apply to the lead service provider or to a documented partner of the lead service provider:

2 years or more experience administering a program exclusively for veterans demonstrating capacity with veteran culture

4 years or more experience administering a program exclusively for veterans demonstrating capacity with veteran culture

3 years or more resident service coordinator experience in at least one affordable housing project in California

3 years or more resident service coordinator experience in **three or more** affordable housing projects in California

2 years or more resident service coordinator experience in at least 2 affordable projects in California with some, but not all, units reserved for permanent supportive housing, demonstrating a capacity to build community in **mixed population buildings**

(b) Supportive Housing – 25 points maximum

- (1) Applications will be scored based on the percentage of Assisted Units restricted as Supportive Housing, and the specific population targeted, in accordance with the table in subsection (4) below.
- (2) To receive any points in this category, a minimum of 25 percent of Assisted Units must be restricted as Supportive Housing.
- (3) Scores will be computed by adding the points indicated for each percentage and target population.

For example, a project targeting 20 percent of Assisted Units to the Chronically Homeless and 25 percent to Homeless with a Disability households would receive 25 points, 14 for the units targeting the Chronically Homeless plus 11 for the units targeting the Homeless with a Disability.

Percentage of Assisted Units	Chronically Homeless	Homeless with a Disability	Other Homeless
20%	14	--	--
25%	--	11	--
Total Points = 14 + 11 = 25			

(4) The scoring table is as follows:

Percentage of Assisted Units	Chronically Homeless	Homeless with a Disability	Other Homeless
5%	4	2	1
10%	7	4	3
15%	11	6	4
20%	14	9	6
25%	18	11	7
30%	21	13	9
35%	25	15	10
40%	25	17	11
45%	25	19	13
50% or more	25	21	14

(c) Supportive Services Plan -- 20 points maximum for projects including Supportive Housing or Transitional Housing, and 10 points maximum for other projects.

(1) Applications for projects including Supportive Housing or Transitional Housing (which may also include other units) will be scored based on the following:

(A) The appropriateness of the service delivery model, including the extent to which evidence based practices (Critical Time Intervention, Peer Support, etc.) are employed.

(B) The quality and quantity of services provided, and the degree to which they are specific to veterans.

(C) The accessibility of services, including whether they are on-site or in close proximity to the Project, the hours they are available, and the frequency, travel time and cost of transportation required to access them, including both public transportation and private transportation services (e.g. van owned by the provider).

(D) The appropriateness of measures to involve tenants in building operations.

(E) The appropriateness of measures to involve tenants in service delivery planning and operations.

(F) The degree to which the physical building space supports social interaction and supports the provision of services.

(G) The levels of linkages with local systems for ending homelessness and serving veterans, including:

(i) Participation in a local coordinated access system that is fully established.

(ii) The degree of coordination with VA Medical Centers, VA Homeless Program Coordinators, SSVF, HVRP and other VA programs.

(iii) The degree of coordination on benefit education and advocacy, discharge upgrade advocacy and other advocacy efforts on behalf of veteran tenants with CVSO's, legal services and others, and participation in local Continuum of Care, Veterans Stand Down, and other community ending homelessness efforts.

(H) The adequacy of the services budget and the reliability over time of services funding, including:

(i) The adequacy of budgeted amounts, and the consistency of these amounts with other sections of the services plan.

(ii) The completeness, accuracy and clarity of the budget document.

(iii) The extent to which the major services funding sources have been accessed by the designated services providers or Sponsor in the past.

(iv) The track record of the Sponsor and providers in filling gaps in services funding left by the loss of major funding sources.

(v) The percentage of the total services budget that is committed at time of application.

(2) Applications for projects not including Supportive Housing or Transitional Housing will be scored based on their resident services coordination plan, as follows:

(A) The appropriateness of the service delivery model, the quality and quantity of services provided, and the degree to which they are specific to veterans.

(B) The accessibility of Veterans Administration and other services, including, the hours they are available, and the frequency, travel time and cost of transportation required to access them, including both public transportation and private transportation services (e.g. van owned by the provider).

(C) The degree to which the physical building space supports social interaction and supports the provision of services.

(D) The level of linkage with local systems for serving veterans, including:

- (i) The degree of coordination with VA Medical Centers, VA Homeless Program Coordinators, SSVF, HVRP and other VA programs.
- (ii) The degree of coordination on benefit education and advocacy, discharge upgrade advocacy and other advocacy efforts on behalf of veteran tenants with CVSO's, legal services and others, and participation in local Continuum of Care, Veterans Stand Down, and other community ending homelessness efforts.

(E) The adequacy of the resident services budget and the reliability over time of identified services coordination funding.

(d) Leverage of Development Funding – 20 points maximum

- (1) Applications will be scored based on the ratio of permanent development funding attributable to Assisted Units from sources other than the Program to the requested Program loan amount, up to a maximum of 20 points. Deferred developer fee and funds deposited in a reserve to defray scheduled operating deficits will not be counted in this computation. Land donations will be counted, where the value is established by a current appraisal.
- (2) For projects utilizing 9% competitive low-income housing tax credits, one-half point will be awarded for each full five-percentage point increment above 50%. For example, an application proposing other funds equal to 100% of Program funds, will receive five points. An application where other funds equal 250% of Program funds will receive 20 points.
- (3) For other projects, one point will be awarded for each five-percentage point increment above 50%. For example, an application proposing other funds equal to Program funds will receive 10 points, and an application where other funds equal 150% of Program funds will receive 20 points.

- (e) Leverage of Rental or Operating Subsidies – 20 points maximum
- (1) Applications for projects including Supportive Housing or Transitional Housing will be scored based on the percentage of Supportive Housing or Transitional Housing units that have committed project-based rental or operating subsidies substantially similar in terms to project-based housing choice vouchers, or, for Transitional Housing, long-term contracts covering operations costs.
  - (2) Applications for other projects not including Supportive Housing or Transitional Housing will be scored based on the percentage of units restricted to Extremely Low Income households (or under the MSHA Housing Program or similar public agency special needs housing program) that have committed project-based rental or operating subsidies substantially similar in terms to project-based housing choice vouchers.
  - (3) One point will be awarded for each five percentage point increment, up to a maximum of 20 points.
- (f) Readiness to Proceed – 15 points maximum
- (1) 2.5 points will be awarded to projects for each of the following circumstances as documented in the application. Any application demonstrating that a particular category is not applicable to project readiness for the subject Project shall be awarded points in that category:
  - (2) obtaining enforceable commitments for all construction financing, not including tax-exempt bonds, 4% tax credits, and funding to be provided by another Department program. Other Department funds proposed as construction financing must be awarded prior to the final rating and ranking of the Program application;
  - (3) completion of all necessary environmental clearances (California Environmental Quality Act and National Environmental Policy Act) and of a Phase I Environmental Site Assessment;
  - (4) obtaining all necessary and discretionary public land use approvals except building permits and other ministerial approvals;
  - (5) either:
    - (A) the Sponsor has fee title ownership to the site or a long-term leasehold securing the site meeting the criteria for Program site control; or

- (B) the Sponsor can demonstrate that the working drawings are at least 50% complete, as certified by the Project architect;
- (6) obtaining local design review approval to the extent such approval is required;
- (7) obtaining commitments for all deferred-payment financing, grants and subsidies, in accordance with TCAC requirements and with the same exceptions as allowed by TCAC. Deferred payment financing, grant funds and subsidies from other Department programs must be awarded prior to the final rating and ranking of the Program application.

## **Section 112 Housing First Practices**

- (a) For Supportive Housing units, Housing First property management and service delivery practices shall be followed. Housing First practices require:
  - (1) Tenant selection practices that promote the acceptance of applicants regardless of their sobriety or use of substances, completion of treatment, or participation in service, and seldom reject applicants on the basis of poor credit or financial history, poor or lack of rental history, or minor criminal convictions;
  - (2) Application processes are streamlined and simple, and tenants are assisted in making reasonable accommodation requests;
  - (3) Supportive services are voluntary and focus on housing stability, engagement, and problem-solving over therapeutic goals;
  - (4) Management practices emphasize tenant retention and offer flexibility and services to prevent and resolve lease violations and evictions.
- (b) Housing First practices shall be documented in the application, property management plan and supportive services plan. Adherence to Housing First practices shall be subject to periodic compliance monitoring.
- (c) Transitional Housing projects shall either follow the Housing First practices described in subsection (a) above or implement modified Housing First practices that, at a minimum, incorporate:
  - (1) Low barrier admission, including the absence of a requirement for sobriety upon initial occupancy;
  - (2) Delivery of housing-focused services; and
  - (3) Rapid transition to permanent housing.

## **Section 113 Tenant Selection**

- (a) Sponsors shall select tenants in accordance with the provisions of 25 CCR Section 8305, the Uniform Multifamily Regulations.
  - (1) Reasonable selection criteria, as referred to in Section 8305(a)(1), shall include priority status under a local coordinated access (a.k.a. coordinated assessment) system developed pursuant to 24 CFR 578.7(a)(8);
  - (2) Potential tenants shall not be rejected based on the type of their military service discharge, unless specifically required by a public agency funding source for the project.
- (b) For Supportive Housing, tenants shall be selected using the local coordinated access system.
  - (1) For units restricted to the Chronically Homeless or Homeless with a Disability, projects shall accept households prioritized for permanent supportive housing by the local coordinated access system.
  - (2) Where the local coordinated access system is not yet operational, projects shall coordinate directly and accept referrals from emergency shelters, safe havens, drop-in centers, and street outreach programs frequented by vulnerable persons experiencing homelessness.
- (c) For Transitional Housing, occupants shall be selected using the local coordinated access system.
  - (1) For beds restricted to the Chronically Homeless or Homeless with a Disability, projects shall accept highly vulnerable households referred by the local coordinated access system.
  - (2) Where the local coordinated access system is not yet operational, projects shall coordinate directly and accept referrals from emergency shelters, safe havens, drop-in centers, and street outreach programs frequented by vulnerable people experiencing homelessness.

## **Section 114 Rental Agreements and Grievance Procedures**

Rental or occupancy agreements for Assisted Units shall comply with 25 CCR Section 8307, the Uniform Multifamily Regulations. Tenants shall not be required to maintain sobriety, be tested for substances, or participate in services or treatment.

## Section 115 Supportive Services

(a) Projects limited to Supportive Housing and/or Transitional Housing must comply with requirements of subsection (b) below. Projects without Supportive Housing or Transitional Housing must comply with the requirements of subsection (c) below. Projects combining Supportive Housing and Transitional housing with other unit types must comply with both (b) and (c).

(b) Projects including Supportive Housing and/or Transitional Housing must:

(1) Utilize a lead service provider meeting the experience requirements described in Section 102(c)(1). If this lead service provider is not the same as the sponsor, there must be a formal agreement between the provider and the Sponsor or project owner.

(2) Provide services that are flexible and responsive to individual resident needs, culturally specific, and linguistically appropriate. Culturally specific includes the culture shared by veterans.

(3) Provide case management services on site with appropriate ratios of full-time case managers to residents, as indicated below or as otherwise approved by the Department based on justification provided by the Sponsor.

Population	Minimum Ratio
Chronically homeless	1:15
Homeless with Disability	1:20
Other Homeless	1:40

Case managers shall have master's degrees in appropriate disciplines or equivalent work experience.

(4) Provide for appropriate transportation so residents can access off-site services.

(5) Provide training to services staff on the specific culture, needs and issues of veterans, and on the resources available to address their needs.

(6) Have written policies and procedures covering:

(A) Drug and/or alcohol use on-site and off, including steps to deal with relapsing residents to ensure their ability to remain in housing.

- (B) Payment of rent by residents during periods of hospitalization.
  - (C) Privacy and confidentiality of residents, while ensuring appropriate communication between property management and service providers to preserve tenancies.
  - (D) Ensuring the safety and security of staff and residents.
  - (E) Grievance procedures.
  - (F) Graduation strategies that facilitate the movement of persons/households to less service-intensive housing when they are ready to take that step, thereby freeing up a new permanent supportive housing unit for a new homeless veteran with intensive support needs.
  - (G) Initial and periodic staff training in all of the above, in the appropriate response to tenant crises, and in the operator's program philosophy, values, and principles.
- (7) Provide the following minimum services, either directly or through commitment letters or formal agreements with other agencies. The letters and agreements documenting the availability of these services must be included in the application for Program funds:
- (A) Intensive case management to engage with each veteran and jointly develop an individual service plan.
  - (B) Benefits counseling and advocacy, including assistance in enrolling in Medi-Cal and obtaining other mainstream services, as well as system navigation at the U. S. Department of Veterans Affairs and assistance in obtaining discharge upgrade and veterans benefits.
  - (C) Mental health care, such as assessment, crisis counseling, individual and group therapy, and support groups.
  - (D) Physical health care, including access to routine and preventative health and dental care.
  - (E) Substance use services, such as treatment, relapse prevention, and support groups.

- (8) Provide the following enhanced services to residents, either directly or through commitment letters or formal agreements, unless the Department approves justification from the Sponsor as to why these services are not needed. The letters and agreements documenting the availability of these services must be provided before occupancy and release of Program funds, but are encouraged to be included with the application.
- (A) Educational services, including assessment, GED, and school enrollment.
  - (B) Employment services, such as job skills training, job readiness, job placement, and job retention services.
  - (C) Linkage to potential out-placements should they become appropriate alternatives for current residents, either because they require a higher level of care (i.e., residential treatment facilities and hospitals) or because they no longer require permanent supportive housing (i.e. other affordable housing or market rate housing).
  - (D) Life skills training, such as financial literacy, household maintenance, nutrition, cooking, and laundry.
  - (E) Representative payee.
  - (F) Peer advocacy.
  - (G) Legal assistance.
  - (H) On-site medication management.
  - (I) Attendant care.
  - (J) Adult day care.
  - (K) Child care (for family projects).
  - (L) Parenting education (for family projects).
  - (M) Social and recreational activities.
- (9) Prepare a Supportive Services Plan that is appropriate for the target population(s), and consistent with the Property Management Plan. This plan shall be included in the application for Program funds, and updated prior to Program loan funding. It shall include:

- (A) A narrative description of target population needs, services provision (what, who, where provided), staffing, resident engagement, and outcomes with supporting documents including:
    - (i) Services Staffing Chart.
    - (ii) Services Delivery Chart listing each service, its provider, location, and type of commitment.
  - (B) Budget to show funding is adequate, including:
    - (i) Line Item Budget.
    - (ii) Services Staffing Chart.
  - (C) Documentation supporting the Line Item Budget, including the agreement with the Lead Service Provider and agreements or commitment letters from other service providers included in this budget, with details about the scope, value and duration of the services they will provide.
  - (D) A description of Lead Service Provider responsibilities with regard to tenant selection, tenant retention and eviction prevention, reasonable accommodation procedures, and coordination with property management.
  - (E) Identification of the parties responsible for HMIS and other reporting (which must also be reflected in the required agreements and commitment letters).
- (c) Projects including units other than Supportive Housing and Transitional Housing must provide resident service coordination services. At a minimum, these projects must:
- (1) Utilize an organization to provide resident services coordination that has at least 24 months experience in providing this service in publically assisted affordable housing. If these services are provided by a third party, there must be a formal agreement between the Sponsor or Project owner and this third party.
  - (2) Provide services that are flexible and responsive to individual resident needs, culturally specific, and linguistically appropriate. Culturally specific includes the culture shared by veterans.

- (3) Provide services coordination on site with at least one full-time services coordinator per 80 residents, unless otherwise approved by the Department based on justification provided by the Sponsor. The services coordinator must have a bachelor's degree or equivalent work experience.
- (4) Ensure that all identified service providers, both on- and off-site, are experienced in serving low income households.
- (5) Provide for appropriate transportation so residents can access off-site services.
- (6) Provide training to services staff on the specific culture, needs and issues of veterans, and on the resources available to address their needs.
- (7) Have written policies and procedures covering:
  - (A) Drug and/or alcohol use on-site and off, including steps to deal with relapsing residents to ensure their ability to remain in housing.
  - (B) Payment of rent by residents during periods of hospitalization.
  - (C) Privacy and confidentiality of residents, while ensuring appropriate communication between property management and service providers to preserve tenancies.
  - (D) Ensuring the safety and security of staff and residents.
  - (E) Grievance procedures.
  - (F) Graduation strategies that facilitate the movement of persons/households to market-rate housing when they are ready to take that step, thereby freeing up a unit for a new low income household.
  - (G) Initial and periodic staff training in all of the above, in the appropriate response to tenant crises, and in the operator's program philosophy, values and principles.
- (8) Prepare a Supportive Services Plan that is appropriate for affordable housing residents and consistent with the property management plan. Projects with mixed tenant populations must address the services needs of all tenants, including any differences in service delivery or staffing ratios between the different populations. The Supportive Services Plan must include:

- (A) A narrative description of affordable housing population need, services provision (what, who, where provided), staffing, resident engagement, and outcomes with supporting documents including:
  - (i) Services Staffing Chart.
  - (ii) Services Delivery Chart listing each service, its provider, location, and type of commitment.
  
- (B) Budget to show funding is adequate, including:
  - (i) Line Item Budget.
  - (ii) Services Staffing Chart.
  
- (C) Documentation supporting the Line Item Budget, including the agreement with the resident services coordinator agency and agreements or commitment letters from other service providers impacting this budget, with details about the scope, value and duration of the services they will provide.
  
- (D) A description of Resident Service Coordinator responsibilities with regard to tenant selection, tenant retention and eviction prevention, reasonable accommodation procedures, and coordination with Property Management, all consistent with the property management plan.

## **Section 116 Reporting Requirements**

- (a) Not later than 90 days after the end of each Project's fiscal year, the Sponsor shall submit an independent audit of the development prepared by a certified public accountant and in accordance with the Department's current audit requirements.
  
- (b) For Supportive Housing and Transitional Housing:
  - (1) Sponsors shall report client data on local Homeless Management Information Systems (HMIS), if the systems are available in the jurisdiction of the Project, and must comply with local Continuum of Care HMIS requirements.

- (2) Sponsors shall report annually on the sources of tenant referrals for the project, and submit both client data and performance outcome data to the Department of Veterans Affairs and/or the Department. Client data may include demographic characteristics of the veteran and their family, educational and employment status, and veteran-specific information such as disability ratings, type of discharge, branch and era of service, and VA health care eligibility. Performance outcome data may include information on housing stability, housing exit information, tenant satisfaction as measured in a survey, and changes in income, benefit and education.
- (c) For all Assisted Units, Sponsors will be required to submit annual compliance reports similar to reports annually submitted to the Department under the Multifamily Housing Program, with additional veteran-specific data.

### **Section 117 Operating Budgets**

The Sponsor shall submit proposed operating budgets to the Department prior to loan closing and annually thereafter. These budgets shall be subject to Department approval, and comply with the requirements of the Multifamily Housing Program, described in 25 CCR 7326.

### **Section 118 Legal Documents**

After a Sponsor is sent a letter providing notice of award pursuant to a Notice of Funding Availability, and prior to actual disbursement of funds pursuant to that award, the Department and Sponsor shall enter into a State "Standard Agreement," which shall constitute a conditional commitment of said funds. The Standard Agreement shall require the Sponsor to comply with the requirements and provisions of the Act, these Guidelines, and generally applicable State contracting rules and requirements. The Standard Agreement shall encumber State monies in an amount no more than as established in the Notice of Funding Availability, and said amount shall be consistent with the application and corresponding award letter. The Standard Agreement shall contain the terms necessary to ensure the Sponsor complies with all VHHP Program requirements, including but not limited to, the following:

- (a) Requirements for the execution of a promissory note, operating reserve agreement, or other project-specific contracts as may be applicable;
- (b) Requirements, where appropriate, for the execution and recordation of covenants, regulatory agreements, or other instruments restricting the use and occupancy of and appurtenant to the project and the property thereunder;

- (c) Requirements for the execution of a Deed of Trust or other security instrument securing the debt owed by the borrow to the Department for the amount of the award. The Deed of Trust must be recorded against the fee estate underlying the property; leasehold security will not be accepted unless such security strictly meets the requirements set forth in 25 CCR 8316.
- (d) The Sponsor's responsibilities for timing and completion of the Affordable Rental Housing Development, as well as any and all reporting requirements;
- (e) Remedies available to the Department in the event of a violation, breach or default of the Standard Agreement; and
- (f) Any and all other provisions necessary to ensure compliance with the requirements of the VHHP Program applicable State and Federal law.