Homekey Conversion and Relocation FAQ

1. When can a conversion from interim to permanent begin? Can I convert to permanent housing before the 10-year use restriction is up?
   The conversion to permanent can begin when the Sponsor is ready, no minimum time must elapse before conversion, but the conversion must be completed before the interim affordability period expires (10 years for interim projects under Homekey Round 1, 15 years for Homekey Round 2). The Sponsor must notify the Department of their intent to begin conversion by completing a Homekey Interim to Permanent Conversion Notice form.
   - For Homekey Round 1, submit form to: HomekeySGM@hcd.ca.gov.
   - For Homekey Round 2, submit form to: Homekey2SGM@hcd.ca.gov

2. While rehabilitating a project to convert to permanent, can the tenants be rehoused temporarily?
   Yes, the total number of restricted units, as detailed in Exhibit E of the HCD Standard Agreement, can be relocated to offsite temporary housing during the construction and/or rehabilitation, and relocated tenants can be moved back to the Homekey project site once rehabilitation is complete. In other words, full occupancy must be maintained but can be achieved offsite during construction and/or rehabilitation.

3. Do I have to supply housing units while the project is being rehabilitated?
   Yes, the Sponsor must provide units equal to the total number of restricted project units as listed in the Homekey Round 1 NOFA Section 305 v.a. and Section 301 iii. of the Homekey Round 2 NOFA, during rehabilitation. Relocation law may also require that the grantee find units to replace unrestricted units within the Homekey site as well. Per the Standard Agreement, Exhibit A Section F., The California Relocation Assistance Act (CA Gov Code 7260-7277) and the Uniform Relocation Assistance and Real Property Acquisition Act 42 U.S.C. § 4601 et seq., the Sponsor is responsible for relocation costs for individuals who are displaced by the rehabilitation of existing units.

4. After rehabilitating the Homekey site for permanent housing, do the new tenants have to be the Homekey target population and not exceed 30% AMI?
   Yes. The target population and AMI level must stay the same. Department approval must be obtained to request 1:1 replacement of newly-created or restricted units made available off-site (see question #6).

5. When rehabilitating a site, can I reduce the number of units to increase bedroom sizes and/or create kitchen space for larger families?
   When doing rehabilitation to include kitchen space and/or increase bedroom sizes, it is understood that total unit count may be reduced. This is permissible if there is approximately the same square footage of space utilized for tenants as prior to the
rehabilitation of the project. The Department will review the details of this change in the Interim to Permanent Conversion Notice form. If the final unit count is significantly less than the number of units in the application which served as the basis for the award amount, and the square footage offered is also significantly reduced, the Sponsor may be required to return funds to the Department accordingly.

6. Can a Homekey site relocate their existing Homekey tenant population offsite permanently if the tenants receive guaranteed housing offsite?
   If Sponsors are removing tenants from an interim Homekey project site to rehabilitate or convert the site, they must follow the one-for-one replacement and displaced tenant policies in Section 305 v. a-c and vi. of the Homekey Round 1 NOFA, or Section 301 iii. of the Homekey Round 2 NOFA. The Sponsor must provide proof of a 1:1 replacement of units, a reason for needing to move tenants permanently off-site, and a detailed description of the assistance and benefits to be provided to the tenants at their new location(s). The off-site units must not have existing affordability covenants or vouchers attached to them. The State Grant Management Branch must review this request and offer approval prior to the relocation.

7. What is an acceptable replacement of units?
   In cases where permission to permanently relocate Homekey tenants is granted, the one-for-one replacement of assisted housing units can be achieved by moving the Homekey target population from the existing Homekey site to a unit that was not already restricted or assisted. Regardless of how it is accomplished, the Sponsor must have site control over the replacement unit and must not be replacing a unit that would otherwise be available to the same target population.

8. Can I relocate tenants to existing restricted units?
   The Homekey-assisted unit can be relocated off site to an already restricted affordable unit assuming the affordable unit is above 30% AMI and that the same (or lower) affordability will be offered on the Homekey site, as a swap of units. For example, if the offsite unit is currently a 50% AMI unit, then the offsite unit will now be offered at 30%, and the Homekey unit may be increased to 50% AMI. Unless Homekey tenants are moved to a location where the existing units are restricted at levels higher than 30%, relocating to other units with an existing 30% income restriction would not be a replacement of units, but would result in a net loss of affordable units.

9. Can I relocate tenants to other State-funded sites?
   Moving Homekey tenants to units that have already received funding designed to keep them affordable would be effectively “double dipping” – using two separate funding sources to pay for the same expense twice—in this example, the creation of an affordable unit, and is not permitted.
However, Homekey units can be supplemented and supported by sources of funds that ensure the sustainability of the unit or ongoing operating costs.

10. **Will I be required to create a new covenant and get HCD approval if the unit count changes and/or if we relocate tenants permanently offsite.**
Yes. This request must be submitted in advance of these changes via the Interim to Permanent Conversion Notice form and needs Department approval.

11. **Can I give displaced tenants Housing Choice Vouchers instead of restricting a new unit?**
   No. Housing Choice Vouchers do not guarantee that a tenant will be housed, nor do they give the Sponsor control over the unit. The 1:1 replacement must be a newly restricted affordable unit over which the Sponsor has site control (see Standard Agreement Exhibit D paragraph 12). If a voucher recipient were no longer eligible to receive the voucher subsidy, the loss of the voucher would result in a loss in affordable units for the Homekey target population. The availability of affordable units must remain the same.

12. **Can I use Project-Based vouchers as a replacement for a Homekey unit?**
A brand-new project-based voucher may be acceptable with Department approval. The Sponsor would need to have control over the project in which the new voucher was being used, or otherwise be able to guarantee the same length of affordability as the original Homekey units (at least 10 years for interim and 55 years for permanent). The Project Based Voucher cannot be an existing voucher as that would result in a net loss of affordability.

13. **Is a Homekey funded project also able to receive additional funding such as MHP, NPLH, VHHP, and/or tax credits to fund additional rehabilitation in order to convert the project to permanent units?**
Yes, however, the funding programs may conflict with one another or have different minimum standards. Sponsors who are layering different State or Federal funds into Homekey projects must follow the most restrictive requirements (such as the lowest AMI or most specific target population). However, there must be a minimum or 30% AMI (or lower is if the Homekey Affordability Covenant is lower) and must always provide units the Homekey Target Population, or stricter Target Population if listed in Homekey Standard Agreement. Sponsors are strongly encouraged to seek Technical Assistance from Department staff to determine if different funding programs are compatible.

14. **Can I use ESG or ESG-CV on my Homekey project while it is an Interim project?**
   ESG and ESG-CV can be used for interim Homekey projects if the projects are operating functionally as an Emergency Shelter or for Rapid Re-Housing. ESG cannot be used for HUD-defined Interim Housing that involves a tenant lease nor as an operating subsidy when existing funds are already being used for that purpose. Sponsors are encouraged to detail their use for the project site when requesting to use ESG funds on a Homekey-funded site.
and reach out to their ESG grant representative before requesting ESG funds for a Homekey project. Sponsor Based Rental Assistance is an eligible activity under Rapid Re-Housing when using ESG-CV funds.

15. If I use HUD Project-Based Vouchers in my Homekey project, will my project require a NEPA environmental review?

If any federal funds, including HUD project-based vouchers (PBVs), are used to support units in a Homekey project site, NEPA clearance will be required. You can review HUD’s policies on NEPA for PBVs and Housing Choice Vouchers here: PIH2016-22.PDF (hud.gov)