

- Financial intermediaries (including, Community Development Financial Institutions (CDFIs), Community Development Corporations (CDCs), minority- and women-owned financial institutions, community loan funds, and low-income or community development credit unions) that primarily lend or facilitate lending in low- or moderate-income areas or to low- and moderate-income individuals in order to promote community development, such as a CDFI that promotes economic development on an Indian reservation;
- Organizations engaged in affordable housing rehabilitation and construction, including multifamily rental housing;
- Organizations, including for example, Small Business Investment Companies (SBICs), specialized SBICs, and Rural Business Investment Companies (RBICs), that promote economic development by financing small businesses or small farms;
- Facilities that promote community development in low- and moderate-income areas for low- and moderate-income individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds, that specifically support affordable housing or other community development;
- Not-for-profit organizations serving low- and moderate-income housing or other community development needs, such as counseling for credit, homeownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of low- and moderate-income individuals or geographies to utilize credit or to sustain economic development, such as, for example, day care operations and job training programs that enable people to work.

Section 563e.26 Small Savings Association Performance Standards

Section 563e.26—1: When evaluating a small savings association's performance, will examiners consider, at the institution's request, retail and community development loans originated or purchased by affiliates, qualified investments of affiliates, or community development services of affiliates?

Yes. However, a small institution that elects to have examiners consider affiliate activities must maintain sufficient information that the

examiners may evaluate these activities under the appropriate performance criteria and ensure that the activities are not claimed by another institution. The constraints applicable to affiliate activities claimed by large institutions also apply to small institutions. See Q&A § ____ .22(c)(2) and related guidance provided to large institutions regarding affiliate activities. Examiners will not include affiliate lending in calculating the percentage of loans and, as appropriate, other lending-related activities located in a savings association's assessment area.

This concludes the text of OTS's proposed revisions to the Interagency Questions and Answers Regarding Community Reinvestment.

Dated: March 31, 2006.

By the Office of Thrift Supervision.

John M. Reich,

Director.

[FR Doc. 06-3471 Filed 4-11-06; 8:45 am]

BILLING CODE 6720-01-P

DEPARTMENT OF VETERANS AFFAIRS

Notice of Funds Availability (NOFA): Inviting Applications for Section 601 Loan Guarantees for Multifamily Transitional Housing

AGENCY: Department of Veterans Affairs (VA).

ACTION: Notice.

SUMMARY: This NOFA announces the availability, submission requirements, and deadlines to submit applications for the VA Multifamily Transitional Housing Loan Guarantee Program. This is a pilot program, which authorizes VA to guarantee up to 15 loans with an aggregate value of \$100 million to develop or implement housing and supportive services for homeless veterans. This Notice describes the commitment of program dollars, application process, eligibility requirements, minimum underwriting criteria, and evaluation criteria that VA will employ to select applications to receive a guarantee under the program. The program is authorized under Title 38 U.S.C. 2051, *et. seq.*

A detailed manual outlining the standard operating procedures for the program and other program information can be found on the VA Web site: <http://www1.va.gov/homeless/page.cfm?pg=8>.

DATES: Applications will be accepted on an ongoing basis throughout the year until all funds available under the program have been committed. The application process is a two-staged

process commencing with the submission of a Stage 1 application. After review and analysis of each Stage 1 application received, VA will invite those applicants who have demonstrated both eligible and feasible projects to submit the Stage 2 application.

VA will not accept facsimile or postage-due applications. VA recommends delivery by overnight carrier.

For the purposes of this NOFA, words used in the singular may include the plural, and the plural may include the singular. VA reserves the right to cancel or withdraw this NOFA at any time.

For a Copy of the Application

Package: Stage 1 and 2 applications may be downloaded from the VA Multifamily Transitional Housing Loan Guarantee Program Web site at <http://www1.va.gov/homeless/page.cfm?pg=8>. Hard copies may be obtained from VA by calling the program hotline at (202) 273-7462 (This is not a toll free number) or e-mailing Multifamily.Loan@va.gov.

VA will be holding free informational sessions to inform the public of the program periodically throughout 2006. Details regarding the sessions can be found on the VA Multifamily Transitional Housing Loan Guarantee Program Web site at <http://www1.va.gov/homeless/page.cfm?pg=8>. Applications may also be obtained at these events.

Submission of Application:

Applicants must submit an original completed and collated Stage 1 application plus four copies to the following address: Office of Mental Health Services (116E), Department of Veterans Affairs, 810 Vermont Avenue, NW., Washington, DC 20420.

VA will invite applicants with eligible and feasible proposals to submit Stage 2 applications.

FOR FURTHER INFORMATION CONTACT: The Department of Veterans Affairs will be holding free informational sessions to introduce its new Loan Guarantee Program for Multifamily Transitional Housing. The program offers a 100 percent loan guarantee on program funds financed through the Federal Financing Bank (FFB). Loan proceeds can be used for combination construction and permanent financing or a permanent loan. Informational sessions are being held on the following days: Chicago, IL—May 11, 2006; Washington DC—June 2006. Register by calling (202) 273-7462 today or by e-mail at Multifamily.Loan@va.gov. For more information about the Program, access the VA Program Web site

mentioned above or contact the VA Program at (202) 273-7462. Please note: "telephone numbers are not toll free."

Note: This is not a single family housing Program.

SUPPLEMENTARY INFORMATION:

Background

VA's Multifamily Transitional Housing Loan Guarantee Program statute, 38 U.S.C. 2051 *et seq.*, authorizes VA to establish a pilot program to guarantee up to 15 project loans, subject to total aggregate of \$100 million program cap. The purpose of this program is to promote the development and continued operation of supportive multifamily transitional housing for homeless veterans in geographic areas of greatest need. It is anticipated that this pilot program will positively impact the national goal to end chronic homelessness. Although VA already has committed two loan guarantees totaling \$7.9 million, this is the first NOFA issued for the remaining projects in this pilot program. This NOFA applies to proposals for new projects nationwide. The VA selection process will weigh heavily the size of the chronically homeless veteran population in a given location, as well as a sponsor's capacity to deliver supportive services to veterans, as evidenced by a comprehensive local network of service providers and professional staff. VA, at its sole discretion, may guarantee more than one loan in each metropolitan statistical area. All eligible loan applications will be considered.

The Federal Financing Bank (FFB), an arm of the U.S. Treasury (<http://www.ustreas.gov/FFB>) will fund the program loans, and VA will guarantee up to 100 percent of the maximum FFB loan amount. The maximum FFB loan amount may not exceed 80 percent of the total development cost of the project and in many cases may be significantly less. Project sponsors are required to obtain additional sources of funding or the provision of substantial property or services from State or local governments or nongovernmental entities. Examples of such funding, property, or services include, but are not limited to, grants, real estate, private loans, capital contributions, and low-income housing tax credits.

Definitions

Applicant—The sponsor, or its authorized agent, who is applying for a loan guarantee under the program.

Borrower—A single purpose entity, that, (i) receives funds in the form of a program loan, (ii) has the obligation of

repaying the program loan in full, with interest, (iii) is responsible for satisfying all other requirements of the program, and (iv) maintains continuing control over a multifamily transitional housing project. The Borrower must be comprised in full or in part by the Sponsor or its authorized agent and must be bankruptcy remote.

Chronically Homeless—An unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or has had at least four (4) episodes of homelessness in the past three (3) years.

Homeless veteran—A veteran who is a homeless individual.

Homeless Individual—An individual who lacks a fixed, regular, and adequate nighttime residence; also, an individual who has a primary nighttime residence that is: (a) A supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); (b) an institution that provides a temporary residence for individuals intended to be institutionalized; or (c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. The term homeless individual does not include any individual imprisoned or otherwise detained pursuant to an act of the Congress or a state law.

Metropolitan statistical area—A geographic area designated by the U.S. Census Bureau for purposes of collecting and disseminating demographic information.

Multifamily transitional housing—A supportive housing facility that provides transitional housing to homeless veterans. Multifamily transitional housing may be single room occupancy, but must, at a minimum: provide supportive services at the facility site with the goal of assisting residents in becoming self-sufficient; require each resident to seek to obtain and maintain employment; charge a reasonable fee for occupying a unit; and maintain strict guidelines regarding sobriety as a condition of residency.

Program—The VA Multifamily Transitional Housing Loan Guarantee Program established under subchapter VI, chapter 20, of title 38, United States Code, and implemented by VA.

Program Funds—Funds loaned to the borrower by FFB and guaranteed by VA for the purposes of the program.

Project—A project under the auspices of one or more sponsors for the development, financing, construction (including renovation or rehabilitation),

operation, and management of multifamily transitional housing, authorized by, and approved and conducted under the program.

Resident—A homeless veteran who is currently residing in multifamily transitional housing provided under the program. Resident may also include veterans who are not homeless and homeless individuals who are not veterans, if VA, in its sole discretion, has determined that the transitional housing needs of homeless veterans in the project area have been met and that the housing needs of any such veteran or homeless individual can be met in a manner compatible with program requirements.

Sober—A person's body is free of alcohol or controlled substance unless such substance is being used under the direction of a physician.

Sponsor—An artificial person or legal entity that is (i) created by or under the authority of the laws of a State, territory, or possession of the United States, (ii) comprised of officers, members, managers, partners, and/or shareholders who are U.S. Citizens or permanent legal residents, (iii) responsible for the coordination of the project's financing and construction and, through the borrower, has the primary responsibility for a project's long-term operation and management, including the coordination and implementation of a supportive services program. (**Note:** A project must have one or more sponsors.)

Supportive housing facility—A facility that assists homeless individuals to transition from homelessness to permanent housing by providing short-term housing (generally not to exceed 24 months) and supportive services. A supportive housing facility may also be referred to as "facility" in this NOFA.

Supportive services—Services that may be designated by the sponsor that address the needs of homeless veterans to be served by the facility and provide appropriate services or assist such persons in obtaining appropriate services. Supportive services include: Conducting outreach activities; providing food, nutritional counseling, health care, mental health treatment, alcohol and other substance abuse services, and case management services; where applicable, establishing and operating child care services for dependents of residents; providing supervision and security arrangements for the protection of residents and for homeless veterans using the services; providing assistance in obtaining permanent housing; providing education, employment counseling, and job training; establishing and operating

an employment assistance program; providing assistance in obtaining other Federal, State and local assistance available for facility residents including mental health benefits, employment counseling, veterans' benefits, medical assistance, and income support assistance such as Supplemental Security Income benefits, Temporary Assistance to Needy Families, General Assistance, Food Stamps, etc.; and providing housing assistance, legal assistance, advocacy, transportation, and other services essential for achieving and maintaining independent living. Inpatient acute hospital care does not qualify as a supportive service.

Veteran—A person who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable, as defined in section 101(2) of title 38, United States Code, for purposes of that title.

Eligible Uses of Funds

Program funds may be used for acquisition of land, or construction of or rehabilitation of multifamily transitional housing or for refinancing an existing loan therefore. Loan proceeds may include reasonable amounts for financing the acquisition of furniture, equipment, supplies, or materials for the project; or, except in the case of a refinance, for supplying the borrower with working capital relative to the project. The project may include space for neighborhood retail services or job training programs.

Eligible Geographic Areas

Projects must be located within the United States, its territories or possessions to be eligible for VA loan guarantees under the program.

General Program Information

Program Purpose: The program is intended to maintain and increase the supply of supportive transitional housing for homeless veterans by providing low-cost loans guaranteed by VA.

Eligible Financing Sources: Any Federal, State, local, and conventional sources of financing may be used in conjunction with the loan guarantee, including Home Investment Partnership Program (HOME) grant funds, Community Development Block Grant (CDBG) funds, low income housing tax credits, and private financing such as that provided by banks, donations and capital contributions to the extent allowed by these providers. (The VA guarantee applies only to program funds.)

Maximum Guarantee: The maximum VA guarantee for a permanent or combination construction/permanent loan will be 100 percent of the unpaid principal balance and interest on program funds.

Maximum Loan Amount: Program funds may not exceed 80 percent of total project cost. VA anticipates that program funds will be considerably less than 80 percent and most likely between 20 to 40 percent of total project costs depending upon the specifics of a transaction.

Interest Rate: The basic interest rate applicable to each advance of program funds shall be established by FFB at the time the respective advance is made on the basis of the determination made by the Secretary of the Treasury. The interest rate is determined on the date of the disbursement of funds. During the permanent financing period, the interest rate is set at the time of loan closing and is fixed for the term of the loan. During the construction period, the interest rate will be set at the time the funds are drawn. The disbursement of funds (amount and timing) will be governed by the draw schedule established between the borrower and VA. If the draw schedule identifies multiple draws, each draw will be considered a separate disbursement and will be assigned a new interest rate. The interest rate on each draw will be determined by the interest rate environment at the time of that disbursement. The borrower will have the ability to purchase an interest rate cap, through FFB, to help mitigate the expected volatility in interest rates. The price of the interest rate cap will depend on the cap rate and term specified by the sponsor in the application.

Term: The term of the loan shall not exceed 40 years and shall be based on VA's perception of the reliability of the project income stream. Determination of the term will be at VA's sole discretion.

Debt Service Coverage Ratio: The targeted minimum debt service coverage ratio on the loan is 1.10; however, 1.15 or better is preferred.

Program Fees

Assumption Fee: A non-refundable review fee in the amount of \$3,000 and a transfer fee equal to one percent of the outstanding indebtedness due immediately prior to the transfer or sale of the project.

Application Fees: No application fee will be charged.

Interest Rate Fee: A fee of one-eighth of one percent per annum will be charged (calculated based on the outstanding principal balance owed to FFB), in addition to the interest amount.

(This fee will not be included in the interest rate to be paid to FFB; it is a separate charge added by the loan servicer and remitted to VA.)

Late Fee: If any monthly installment payment is not received by VA prior to the 11th calendar day after the same is due (without regard to any applicable cure and/or notice period), borrower shall pay to VA upon demand an amount equal to the lesser of (a) four percent (4 percent) of such unpaid sum; or (b) the maximum amount permitted by applicable law to defray the expenses incurred by VA in handling and processing such delinquent payment, and such late fee shall be secured by the loan documents.

Sponsors will be responsible for paying for all direct costs required by the application process including costs associated with third party reports, construction drawings, and site control. Should the sponsor be successful in obtaining a VA Loan Guarantee, these costs may be funded through the loan as mortgaged expenses.

Authority: The program was enacted by section 601 of Public Law 105-368 and is codified at 38 U.S.C. 2051, *et seq.* Funds made available under this Notice are subject to the requirements of that law, as well as applicable VA and FFB requirements and procedures. (See VA's Program Manual found on the program Web site at <http://www1.va.gov/homeless/page.cfm?pg=8>.)

Allocation: VA is authorized to guarantee up to 15 loans or \$100 million, whichever first occurs, under the program. Funding under the program is currently available for up to thirteen (13) remaining program loans, to be committed on a first-come, first-served basis, or until the remaining \$91.9 million in program funds has been guaranteed.

Funding Priorities: Loan guarantees will be awarded via commitment letter on a first-come, first-served basis upon successfully completing the two-stage application process. Although all applications will be evaluated equally in accordance with the methodology noted below, greater weight will be given to those applications that best demonstrate a strategy and ability to help VA achieve all of the following goals: (1) Increase the number of community beds for homeless veterans nationally by at least 5000; (2) help homeless veterans transition to permanent housing by providing supportive services and by requiring that residents take personal responsibility to remain sober, maintain employment, and pay monthly rent; (3) determine whether a Federal loan guarantee program is an effective tool

for facilitating the development of transitional supportive housing for homeless veterans.

Methodology: The application process will occur in two stages. In Stage 1, sponsors will submit preliminary proposal information to VA. VA will evaluate applications for eligibility and feasibility. VA will invite sponsors who submit proposals that meet the evaluation criteria to submit Stage 2 applications. At Stage 2, VA will conduct a comprehensive feasibility assessment of the applications on the basis of their feasibility and their performance on the evaluation criteria defined in this Notice.

Evaluation Process

VA will have sole discretion to make guarantees under the program. As noted above, VA will use a two-stage evaluation process that includes two sets of criteria per stage. VA will invite those projects that meet Stage 1 requirements to submit Stage 2 applications.

1. Stage 1 Application Evaluation

a. **Eligibility Criteria.** Eligibility Criteria assess whether a proposal can meet the requirements outlined in the program authorizing legislation;

b. **Feasibility Criteria.** Feasibility Criteria set minimum standards for financial and practical viability, development team and service provider capacity, and services plan appropriateness;

2. Stage 2 Application Evaluation

a. **Feasibility Criteria.** VA will prioritize those proposals that are eligible and feasible based on a number of factors including the strength of the services plan; minimum standards for site control, commitments of support, site suitability and conformance with applicable laws, design appropriateness, funding commitments, construction costs, availability of transportation, and project management.

b. **Evaluation Criteria.** VA will evaluate the sponsor's creditworthiness, the project's repayment ability, and the Sponsor's readiness to proceed.

Following are detailed explanations of the evaluation criteria:

Stage 1 Eligibility Assessment

A proposal must satisfy all eligibility criteria in order to advance to consideration under the feasibility criteria.

Num-ber	Eligibility Criteria—Proposals Must Meet ALL Criteria	Num-ber	Eligibility Criteria—Proposals Must Meet ALL Criteria
1.	The application is complete and on time.		In addition, the sponsor and its principals, as well as the development team members and their principals, must meet the following requirements:
	The application package includes all required information and requested attachments and reports.		- Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency; - Have not within a three-year period preceding this application been convicted of or had a civil judgment rendered against them for commission of fraud or an offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property; - Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in the immediately preceding paragraph; and - Have not within a three-year period preceding this application had one or more public transactions (Federal, State, or local) terminated for cause or default.
2.	To be considered eligible, the sponsor must meet the following requirements: - The sponsor must certify that it is an artificial person or legal entity that is (i) created by or under the authority of the laws of a state, territory, or possession of the United States, (ii) comprised of officers, members, managers, partners, and/or shareholders who are U.S. Citizens or permanent legal residents, (iii) is responsible for the coordination of the project's financing and construction and, through the borrower, has the primary responsibility for a project's long-term operation and management, including the coordination and implementation of a supportive services program. - The sponsor must agree to establish before loan closing a single-asset entity to serve as borrower. - The sponsor must certify that it is able to, and intends to, maintain and operate the project in accordance with program objectives and requirements identified in the authorizing legislation, in this Notice and in any other applicable rules, regulations and program guidelines. - The sponsor must be in compliance with all legal and regulatory requirements and not be in default with respect to any VA program and any Federal debt.		Sponsors will be considered ineligible if they or any of their principals have any outstanding VA audit findings. No organization may receive assistance that has an outstanding obligation to VA that is in arrears or for which a payment schedule has not been agreed to, or whose response to an audit is overdue or unsatisfactory.
		3.	The proposed project is for an allowable purpose. See NOFA section titled "Eligible Uses of Funds" for a list of allowable purposes.
		4.	The sponsor has committed to running the proposed facility as multi-family transitional housing for a period of 20 years from the date of loan closing or until the loan pays off, whichever is longer or until such time as VA determines that transitional housing for homeless veterans is no longer necessary in the particular location. In no event will the facility be used for something other than multi-family transitional housing so long as any portion of the FFB note remains outstanding.

Stage 1 Feasibility Assessment

VA will perform a Stage 1 feasibility assessment that comprises a number of factors, including the following six criteria:

A proposed project must satisfy all feasibility criteria in order to advance to consideration under Stage 2. The following table explains each criterion in detail.

Number	Eligibility Criteria—Proposals Must Meet ALL Criteria	Number	Eligibility Criteria—Proposals Must Meet ALL Criteria
5.	The sponsor has committed to providing on-site supportive services with the goal of assisting the residents in becoming self-sufficient. See definition of supportive services at the beginning of the NOFA for guidance.	9.	The Sponsor has committed to seek funding or the substantial provision of property or services by a state or local government or a nongovernmental entity. Such funding or assistance is in addition to the contemplated program funds. Eligible support by a state or local government or a nongovernmental entity includes, but is not limited to:
6.	The Sponsor has committed to requiring each resident to seek to obtain and maintain employment.		• Commitment of development funds including, but not limited to, low-income housing tax credits, CDBG, HOME, and the Federal Home Loan Bank's Affordable Housing Program funds.
7.	The Sponsor will charge a reasonable residential occupancy fee, not to exceed thirty percent (30 percent) of a resident's gross monthly income.		• Commitment of rent or operating subsidies. • Commitment of supportive services funding. • Donations that reduce total development costs, including land, leasehold interests, labor, buildings, infrastructure or site improvements, services, furnishings, and other items included in the development budget, or the provision of these at below-market cost.
	The project must meet one of the following criteria, as applicable:		• Donation of operating services or the provision of these at below-market cost. • Donation of supportive services or the provision of these at below-market cost. • Significant local or state government fee or tax waivers. • Private financing such as bank loans, capital contributions or donations.
	1. Projects with rent subsidies charge the minimum rent required by the subsidy program.		
	2. Projects without rent subsidies charge rents that when combined with other sources of project revenue allow the project to cover operating costs and debt service. Sponsor must demonstrate that such rents will be affordable to the intended residents.		
8.	The sponsor has committed to maintaining strict guidelines regarding sobriety as a condition of residency.		

Number	Stage 1 Feasibility Criteria—Proposals Must Meet ALL Criteria
1.	The development team has a proven track record in supportive housing facility development and operation. At a minimum, the development team includes a sponsor and an architect. The sponsor will coordinate the project's financing and construction and will have primary responsibility for its long-term operation and management, including the coordination and implementation of a supportive services program. Sponsors who lack experience developing affordable supportive housing facilities must retain a development consultant with affordable supportive housing facility development expertise. A. The core development team is in place. B. The sponsor and/or sponsor's development consultant has a sufficient development track record. To meet this requirement, the Sponsor or its development consultant must have completed and placed in service at least one currently operating affordable supportive housing facility of comparable or larger size. If the Sponsor seeks a VA construction loan guarantee, the Sponsor or development consultant must have experience managing construction. VA will rate proposals relative to others from the same metropolitan statistical area, based on the number of facilities sponsors have placed in service and are successfully operating, with facilities in service for more than three years receiving greater preference than those in service for three years or fewer. To receive consideration under this subsection for facilities in existence for more than three years from the filing deadline for the application, the sponsor must submit a certification from a certified public accountant that the facilities have maintained a positive cash flow for the year in which each development's last financial statement has been prepared (must be no earlier than one year prior to application deadline) and demonstrate funded reserves. Sponsors who retain a development consultant must provide track record information for both themselves and the consultant.

Number	Stage 1 Feasibility Criteria—Proposals Must Meet ALL Criteria
	VA will also consider in its evaluation whether any of the sponsor's facilities or those of its consultant has defaulted within two years of being placed in service, and whether any of the sponsor's facilities did not complete construction because of cost overruns or other factors directly within the control of the Sponsor or its consultant. C. The Sponsor has a demonstrated track record of working constructively with local and/or state governments to develop housing. Evidence may include securing government housing-related funding (including tax credits), property donation, reduction or dismissal of liens on property to be developed as affordable housing, and tax relief. Other compelling evidence will be considered as well. D. The Sponsor demonstrates the financial capacity to undertake development and operation of the project. E. The Sponsor demonstrates stability in the composition of its board (if applicable) and staff. F. The architect has local experience designing affordable housing communities. G. The Sponsor has successfully managed at least one supportive housing facility of similar or larger size during the last five years; OR, if management will be contracted, The property management firm has successfully managed at least two supportive housing facilities during the last five years, one of which is of comparable or larger size.
2.	The supportive services plan is appropriate for the target population. A. The sponsor has conducted a needs assessment that identifies the needs of homeless veterans in the metropolitan statistical area and estimated the demand for a project. The needs assessment should reflect the findings of the most recent VA CHALENG report. VA will use the CHALENG findings to evaluate the needs assessment. To access this report electronically, go to http://www.va.gov/homeless/page.cfm?pg=17. B. The supportive services plan addresses needs identified in the needs assessment and includes a comprehensive, realistic strategy to foster self-sufficiency in the residents. The plan must: • Identify an ongoing outreach plan for identifying and screening potential residents that ensures the facility is fully occupied; • Discuss how residents will be involved in making facility decisions that affect their lives, including how they will be involved in selecting supportive services, establishing individuals goals, and developing plans to achieve these goals so that they achieve greater self-determination; • Include an employment program designed to help the residents attain long-term employment once they leave the facility. • Clearly identify how residents will attain and transition to permanent housing. • Identify which supportive services will be provided on-site and off-site, as well as who will provide them. • Include a realistic budget and a strategy for obtaining funding. • Include a realistic staffing plan that identifies staff qualification requirements. • Identify how residents will be provided necessary follow-up services to help them achieve stability when transferred to permanent housing; • Identify how the service needs of residents will be assessed on an ongoing basis; • Discuss how residents will be assisted in assimilating into the community through access to neighborhood facilities, activities and services; • Discuss how and when the progress of residents toward meeting their individual goals will be monitored and evaluated; • Discuss how and when the effectiveness of the overall project in achieving its goals will be evaluated and how program modifications will be made based on those evaluations; and • Discuss how the proposed project will be implemented in a timely fashion.
3.	The service provider has the resources and experience to implement the supportive services plan. A. The service provider has experience operating a services plan of size and scope similar to the plan being proposed, with maximum operating efficiencies. B. The service provider demonstrates ability to obtain government program or private subsidy funds for services for homeless and/or other special-needs populations. C. The service provider demonstrates ability in other fundraising activities to ensure continued organizational operations with relative fiscal stability. D. The service provider demonstrates stability in the composition of its board and its staff. E. The service provider demonstrates ability in assessing and monitoring the housing and relevant supportive service needs of homeless veterans and/or other special-needs populations.
4.	The financial model is viable. A. The sources and uses budget is adequate to implement the development program. B. The uses budget includes reasonable preliminary estimates for potential environmental remediation and geotechnical work. C. The uses budget funds an operating escrow account to carry the project until occupancy is sustained. D. The development sources are at least equal to uses. E. Rents are affordable to the target population. F. The operating budget adequately covers costs and includes adequate replacement reserves. G. The services budget is adequate for the proposed services plan. H. The applicant's financing model reflects the requirements of VA's term sheet, included in the application package. I. All key trending, income, expense, and vacancy assumptions are realistic and justified.
5.	Disbursement of the developer fee is structured to help ensure that the project will be completed and leased up as planned. At a minimum, disbursement of the developer fee must be tied to developer's completion of project milestones, with a 10 percent holdback until three months of stabilized occupancy.
6.	The market supports the proposed development program. A comprehensive market study conducted by a disinterested third party demonstrates that the proposed number and type of units meet an existing and identified need and can be readily absorbed by existing need in the local area if and when homelessness among veterans is no longer a problem.

Stage 2 Feasibility Assessment

At Stage 2, the sponsor must inform VA of any changes to the information submitted at Stage 1. VA will review the changes for their impact on the feasibility of the project. Changes that maintain or improve the feasibility of the project under Stage 1 feasibility criteria are encouraged. Any changes that make the project infeasible under Stage 1 feasibility criteria will disqualify the application from further consideration.

VA will review Stage 2 applications for feasibility based on a number of factors, including the criteria summarized below.

A facility must satisfy all Stage 2 feasibility criteria to be considered for funding.

Number	Stage 2 Feasibility Criteria—Proposals Must Meet ALL Criteria
1.	The sponsor has site control. The sponsor must provide evidence that it has and will maintain control of the property for which the VA Loan Guarantee is requested through the anticipated closing date. Acceptable forms of site control may be any one of the following: • Deed or other proof of ownership • Executed contract of sale • Executed capital lease agreement • Executed option to purchase or lease.
2.	The sponsor has secured commitments for funding or the substantial provision of property or services by a State or local government or a nongovernmental entity. See Eligibility Criterion Number 9 for a list of acceptable contributions. Sponsor must have a commitment for at least one of these contributions.
3.	The site is suitable for the proposed project, and the project complies with all applicable laws and codes. A. The proposed project has all required zoning approvals needed by State and local authorities. B. The proposed project complies with all applicable Federal, state, and local codes, laws, ordinances, zoning requirements, and health and safety standards. C. The site has utilities and infrastructure that are adequate for the needs of the project and that meet all local building and zoning requirements. D. Soil and geological conditions are suitable for the type of construction proposed. E. The site layout adequately addresses environmental issues.

Number	Stage 2 Feasibility Criteria—Proposals Must Meet ALL Criteria
4.	The project's design is appropriate for the tenant population and the neighborhood. A. The project design is appropriate given community standards, surrounding neighborhood, and site characteristics. B. The design features secure, well-designed unit interiors. C. The design features security and crime prevention measures, which may include but are not limited to strategically placed fencing, keyless entry systems, and security cameras. D. The design accommodates resident privacy needs to the maximum extent feasible given the development program. E. The project design provides adequate space for the supportive services program. The design must consider space needs for case management of residents, meeting and/or classroom space for service and program provision, and integrated community living space.
5.	The project construction cost is reasonable and construction budget is realistic and cost-efficient, based on local norms. The construction budget must include adequate funding to address all identified and reasonably foreseeable environmental and geotechnical issues.
6.	The project provides ready access to transportation. The sponsor must demonstrate fulfillment of at least one of the following three criteria: • Project is located within reasonable distance of public transportation such as a bus or subway stop. • Project provides regular shuttle service to and from public transportation, either directly or through a partnership with a service provider. • In areas without adequate public transportation, Sponsor must provide a plan for how residents will be able to meet their transportation needs and have ready access to services provided in the local community.

Number	Stage 2 Feasibility Criteria—Proposals Must Meet ALL Criteria
7.	The property management plan is comprehensive and workable. The sponsor must submit a plan for managing the project that defines the roles and responsibilities among the sponsor, borrower, property manager, and social services coordinator, and any other key players in project operations, and provides a workable plan for performing the functions of property, financial, and resident management. VA will assess proposals relative to those from the same metropolitan statistical area based on length of property management experience and number of properties managed. Properties managed for more than three years will receive greater preference than properties managed for three years or fewer.
8.	The proposed project increases the supply of transitional housing available to homeless veterans. VA will assess proposals based on the number of new beds for homeless veterans, prioritizing those with the greatest number of new beds.
9.	The supportive service plan includes coordination with other homeless and veterans service groups. VA will prioritize projects whose sponsors most clearly demonstrate that they have coordinated with Federal, State, local, private and other entities serving homeless individuals in the planning and operation of supportive services. Sponsors are required to demonstrate that they have coordinated with the VA medical care facility of jurisdiction and VA Regional Offices of jurisdiction in their area. Higher priority will be given to those sponsors who can demonstrate that they are part of an ongoing community-wide planning process that is designed to share information on available resources and reduce duplication among programs that serve Homeless Veterans; and that they have consulted directly with other providers regarding coordination of services for project residents. In assessing the strength of the sponsor's coordination with other veterans and homeless groups, VA will give greatest priority to those proposals that have the greatest portion of their supportive services program in place, either through partnership or funding commitments. Sponsors who wish to receive points under this criterion must submit documentation of supportive service resources.

Stage 2 Evaluation

VA will evaluate all feasible Stage 2 applications and make a decision to issue a loan commitment based on a number of factors, including the evaluation criteria summarized below.

VA will give greatest consideration to the sponsor's capacity to develop and implement the program, the sponsor's ability to ensure repayment of the loan, and the sponsor's readiness to proceed. VA reserves the right not to issue any loan guarantees.

Num-ber	Evaluation Criteria
1.	The proposal demonstrates strong repayment ability. VA will prioritize those proposals that represent the least risk of default to the Federal government. VA will evaluate a number of factors, including the following, to assess repayment ability: A.The sponsor shows strong financial capacity through net worth. B.The sponsor has a strong track record of timely debt repayment. C.The project funding sources include a large amount of equity (through sponsor contributions, tax credits, grants, and the like) and cash-flow-based debt. D.The project shows a prolonged debt service coverage ratio in excess of 1.10.

Num-ber	Evaluation Criteria
2.	The sponsor demonstrates readiness to proceed. Proposals that are closer to start of construction will receive priority. Proposals that do not include construction and do not require public reviews or approvals will be evaluated only on the extent to which they have secured financing commitments. A.Alternative Funding is in place. VA will prioritize proposals with the greatest share of alternative funding in place. Award letters signed by the awarding entity/authority/institution, indicating rate and term and that the commitment is not subject to any condition outside the control of the developer, will be the only acceptable evidence to receive consideration under this criterion. B.Construction financing is in place. VA will prioritize proposals with the greatest share of construction financing in place. Award letters signed by the awarding entity/authority/institution, indicating rate and term and that the commitment is not subject to any condition outside the control of the developer, will be the only acceptable evidence to receive consideration under this criterion. C.All necessary public reviews and approvals are complete except building permits. The sponsor must provide written evidence from appropriate officials.

Applications will be reviewed as they are received. Loan guarantees will be awarded on a first-come, first-served basis in accordance with the methodology noted above until all remaining program loan guarantees or program funds have been awarded.

Timeline

Num-ber	ACTION	ESTIMATED TIMING ¹
1.	VA issues NOFA.	Day 1
2.	Completed Stage 1 applications are submitted.	Rolling Basis
3.	VA reviews completed applications for eligibility and feasibility and notifies Stage 1 applicants of questions or comments..	Within 60 days of submission
4.	Revised Stage 1 applications are due to VA.	Within 60 to 90 days from date of notification.
5.	VA either rejects the Stage 1 application or issues a conditional commitment and requests Stage 2 applications for facilities determined eligible and feasible..	Within 60 days of receipt of revised application.
6.	Stage 2 applications are due to VA.	Within 90 to 120 days of receipt of request for Stage 2 application
7.	VA reviews and evaluates completed Stage 2 applications and notifies applicants of questions or comments..	Within 60 days of receipt of Stage 2 application
8.	Revised Stage 2 applications are due to VA.	Within 60 to 90 days of notification
9.	VA reviews and evaluates completed Stage 2 applications and recommends funding action to the Secretary..	Within 60 days of receipt
10.	VA either rejects the Stage 2 application or issues a guarantee commitment.	Within 60 days of submission to Secretary.

¹ The timing we propose is based on the timing of the first two pilot loans.

Application Requirements: The specific application requirements will be specified in the application package. The package includes all required forms and certifications. Selections will be

made based on criteria described in this NOFA as well as the Program Manual found on the VA Web site. Applicants will be notified of any additional information needed to confirm or clarify

information provided in the application. Applicants will then be notified of the deadline to submit such information. If an applicant is unable to meet any conditions required in making a loan

guarantee under this program within the specified time frame, VA reserves the right to not award a commitment and select another applicant.

Dated: April 7, 2006.

R. James Nicholson,

Secretary of Veterans Affairs.

[FR Doc. 06-3528 Filed 4-7-06; 4:45 pm]

BILLING CODE 8320-01-P