HOUSING DEVELOPMENT AND FINANCE COMMITTEE
651 Bannon Street
Sacramento, CA 95811
www.hdfc.ca.gov

DATE: August 31, 2026

MEMORANDUM FOR: Housing Partners and Interested Parties

FROM: Jonathan Klein, Executive Director
Housing Development and Finance Committee

SUBJECT: The First Draft of the Housing Development and Finance Committee Regulations

The newly created Housing Development and Finance Committee (HDFC) is pleased to release this first draft of HDFC's regulations. The publication of these draft regulations opens an opportunity for public feedback. We eagerly await your input. It is important to note that we do not see the regs we are publishing today as a finished product. HDFC's mission is to make California's housing finance system simpler, faster, and more transparent. In that spirit, we are sharing this early first draft with you now and will return with a second draft with a formal public comment period and public hearing later this fall. We know that your input will make the final product much stronger.

HDFC Background

HDFC was created as part of the Governor's Reorganization Plan (GRP) which established a single cabinet level agency dedicated exclusively to housing. The GRP was informed by extensive stakeholder engagement such as the AB 519 Affordable Housing Finance Workgroup that helped lay the foundation for HDFC which we are now bringing to fruition. HDFC's official launch day was July 1, 2026.

HDFC is governed by an Executive Committee comprised of the Secretary of the California Housing and Homelessness Agency, the Director of the California Housing Finance Agency, the Director of the Department of Housing and Community Development, the California State Treasurer, and the California State Controller all as voting members. The California Department of Finance and a county representative and a city representative (both to be appointed by the legislature) serve as nonvoting members.

New Regulations

The draft regulations published today will guide HDFC's work. At the heart of that work are the programs that will move to HDFC: the Multifamily Housing Program; the Joe Serna, Jr. Farmworker Housing Grant program; the Infill Infrastructure Grant program; the Mixed Income Program; the Affordable Housing and Sustainable Communities program's housing allocation and the Transit Oriented Development Implementation Program, which is pending funding through the VMT mitigation bank. HDFC will also integrate HCD programs that support multifamily affordable housing projects: the HOME Investment Partnerships, the National Housing Trust Fund, and the Permanent Local Housing

Allocation competitive program. Additionally, 50% of the annual Qualified Residential Rental Project tax exempt bond allocation has been set aside for HDFC.

After the final regulations are adopted by the Executive Committee in December, these regulations will govern all the loans made exclusively by HDFC starting with the Notice of Funding Availability we will issue in the first quarter of 2027. Projects funded in the past under the Uniform Multifamily Regulations will continue to be governed by the UMRs. Projects that have been funded under the UMRs in the past may come to HDFC for subsidy. HDFC and HCD are coordinating to establish the mechanics so that in the event of conflict between the UMRs and the HDFC regulations, the HDFC regs will govern.

In addition to the shift for new financing away from the old UMRs, some of the most significant changes contemplated by these draft regulations include:

- A single unified scoring and award process for loans, grants, and bonds.
- Simplified award to closing process minimizing the impact of the standard agreement.
- Funding in construction with HDFC disbursement at construction loan close and completion.
- Updated loan limits to reflect total funding for each project rather than program-specific funding.
- Restricted units across HDFC projects as a whole, rather than by individual fund source.
- All project selection requirements are in the regulations, so the NOFA will simply announce available funding.
- Tiebreaker based on the CDLAC model with some adjustments to account for additional resources in the denominator.
- Metrics for measuring sponsor financial capacity which will not be scored.
- Authorizing resolutions modeled on CalHFA with expedited review.
- Organizational documents retained in the application portal to minimize resubmissions.

We need your comments to produce the strongest possible regs. To comment, please visit the HDFC website at https://www.hdfc.ca.gov/regulations. Please use the **Public Feedback Form** to share proposed wording or draft regulatory language, which will allow HDFC to swiftly track comments to a specific section of the Regulations. Mail written comments to:

Housing Development and Finance Committee
651 Bannon Street, Suite 400
Sacramento, CA 95811
Attention: HDFC Regulations Public Feedback

In the fall, we will be publishing a second draft of the regulations for the statutorily required 21-day comment period, informed by your comments on the first draft. Additionally, there will be a public hearing and many opportunities for us to listen to you as we work diligently to gather stakeholder feedback.

Thank you for your commitment to affordable housing as we work together to make California a place where everyone can succeed.

Feedback Focus areas for the HDFC Regulations

While we are eager to get your feedback on the entire document, below is a guide to help you locate elements of the regs that may be of particular interest.

Funding in construction by HDFC as a bridge to the CalHFA program.

- **Reg reference:** Chapter 2, Article 9, Loan and Grant Disbursement Procedures, Section 32090

Updated loan limits reflect total funding per project rather than program-specific funding.

- **Reg Reference:** Chapter 2, Article 7, Award Limits, Section 32070
- HDFC aims to serve every kind of project by creating a more flexible approach to loan limits. To this end, HDFC aims to fund, and thus regulate, entire projects instead of a subset of units. Considerations for comment:
  - How might this impact other funding partners and market rate units?
  - How can HDFC's Regulatory Agreements better address the needs of applicants, lenders, and investors?

Restricted units across HDFC rather than by individual fund source.

- **Reg Reference:** Chapter 2, Article 1, Affordability, Rent and Income Limit Standards, Section 32013 (a)(1)

Developer fee modeled on CDLAC/CTCAC with overall cap for 4% projects

- **Reg reference:** Chapter 2, Article 7, Award Limits, Section 32070 (c)

Restructured post-award process to minimize pain points with Standard Agreements

- **Reg Reference:** Chapter 2, Article 8, Award Commitment Letter, Section 32083

Scoring and Tiebreakers

- **Reg Reference:** Chapter 2, Article 4, Scoring Criteria Categories, Section 32040; Chapter 2, Article 4, Tiebreakers, Section 32041
- Excel template posted on the HDFC website: https://www.hdfc.ca.gov/regulations

Monitoring fee

- **Reg Reference:** Chapter 2, Article 7, Section 32073 (b)
- HDFC expects to announce a final fee amounts prior to award of projects in July 2027.

Set asides/Geographic Distribution

- **Reg Reference:** Chapter 2, Article 4, Set-Asides and Geographic Regions, Section 32042

Transparent methodology for geographic regions.

- **Reg Reference**: Chapter 2, Article 4, Set-Asides and Geographic Regions, Section 32042

<u>Measuring sponsor financial capacity.</u>

- **Reg Reference:** Chapter 2, Article 2, Eligible Applicant, Section 32020
- HDFC will establish basic metrics to determine sponsor financial capacity. This will not be scored.
    - Do you think the metrics as proposed in the draft regs are the right ones?
    - Do you think they will be unduly burdensome to complete in the application?

<u>Negative points</u>

- **Reg Reference:** Chapter 2, Article 9, Section 32098
- HDFC is evaluating the existing approach to negative points. Considerations for comment:
    - How can HDFC appropriately balance the need for an enforcement mechanism with the inherent volatility of today's housing market?

<u>Threshold Standards</u>

- **Reg Reference:** Chapter 2, Article 2, Threshold Standards, Sections 32020, 32021, and 32022

<u>Housing Types</u>

- **Reg Reference**: Chapter 2, Article 4, Section 32040 (b)

<u>Project Readiness Deadlines</u>

- **Reg Reference:** Chapter 2, Article 2, Section 32022