

HDFC First Draft Regulations

Frequently Asked Questions (FAQ) - 9/28/26

This FAQ contains a summary of common questions received by HDFC during the public feedback on the first draft [HDFC Regulations](#), published August 31, 2026. These questions were sourced from the September 8th, 2026 HDFC [webinar](#) and formal feedback process, and housing partners' meetings and events. HDFC will have a second formal round of public input after the second draft regulations released on October 26th until November 17th, 2026.

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HDFC Programs, Funding and One Door Application

1. Which programs are moving to HDFC, and which are staying at HCD?

Programs moving to HDFC from HCD under statute can be found in §31002 and §31003 of the draft regulations. This includes MHP, Serna, IIG, TOD, AHSC – Housing Allocation, MIP – subsidy. HCD intends to make HOME, NHTF, and PLHA-Competitive funding available through HDFC's single application and coordinated review process. The LPR and PRP programs remain at HCD, along with other formulaic grant funding such as PLHA, REAP, and other programs.

2. How will the HDFC regulations interact with the UMRs and other HCD guidelines that don't appear to be superseded by the regulations?

For new HDFC funded projects with only HDFC awards, the HDFC regulations will apply. Under HDFC Regulations § 31000 (e), these Regulations do not apply to Multifamily Pipeline Projects seeking only a letter of support from HDFC. Section 31003 also provides that other Agencies may choose to adopt these Regulations at their sole discretion. As

such, projects with previous awards from HCD may have the option to opt into the HDFC Regulations, which do not use the UMRs.

3. Does HDFC anticipate holding only one funding round per year, or will there be multiple rounds (not including CTCAC and CDLAC)? And when will awards be announced?

HDFC anticipates that there will be two funding rounds in 2027 with Round 1 awards published in August 2027, and Round 2 awards published in Winter 2027-2028. It is not yet determined if more than one funding round will be available in subsequent years.

4. Are there programs or funding for grassroots nonprofits as well?

HDFC has proposed pathways for established developers with 5 or more completed projects, as well as emerging developers with 1-4 completed projects. HDFC will allow partnerships between Sponsors to meet experience and capacity criteria. Refer to draft HDFC Regulations § 32041(a) (3) and § 32041(a) (3) (C) for Community Based Developers information.

5. What resources are available for Tribal Entity applicants?

HDFC is planning to offer free technical assistance to Tribal Entities.

Technical assistance can support a range of activities including:

- Strategic Planning
- Real Estate Development
- Financial Consulting & Advocacy
- Training and Capacity Building
- Accounting, Compliance, Property & Asset Management support

6. In the AHSC program specific requirements § 33004(a)(1)(B), the draft regulations reference that the Affordable Housing Benefits Calculator tool will reflect a *negative value* as output, to show that the project demonstrates a greenhouse gas (GHG) emissions reduction. Is the *negative value* correct?

Based on recent updates to the tool from California Air Resources Board (CARB), the calculator tool has been adjusted to show a *positive value* indicating a reduction in GHG emissions. This change will be reflected in the second HDFC draft regulations. Please review the tool and provide comments on CARB's webpage:

<https://www.caclimateinvestments.ca.gov/public-participation-opportunities>

HDFC Bond Pool, State Credits & Bonds

7. How does the HDFC 50% of Qualified Residential Rental Project (QRRP) Bond Pool work?

In 2027 and until July 2029, California Debt Limit Allocation Committee (CDLAC) will reserve at least 50% of the annual state ceiling allocated to the Qualified Residential Rental Project (QRRP) program for an HDFC Pool to finance HDFC-approved projects with tax exempt bonds. HDFC approved projects will receive a portion of the bonds and 4% LIHTC up to the amount of the pool.

HDFC will have two funding rounds in 2027. Round 1 includes a pathway for Multifamily Pipeline projects (projects with awards from eligible HCD programs before January 1, 2027) that need bonds and tax credits to close their funding gap. Unique to 2027 only, until November 1, 2027, Multifamily Pipeline projects may apply directly to CDLAC and CTCAC for an allocation from the 2027 HDFC Pool with a letter of support from HDFC. Round 2 of 2027 is estimated to make awards winter 2027/2028 utilizing 2028 QRRP PAB state ceiling. [Click here](#) for more information on what the Multifamily Pipeline Projects and eligible programs are.

8. How will HDFC balance bond demand from Round 1 and Round 2? Are there a certain amount of bonds reserved for the Multifamily Pipeline vs. new applications?

Projects that are fully funded with an eligible HCD funding award may apply directly to CDLAC/CTCAC for the HDFC Bond Pool with a letter of support from HDFC. HDFC is coordinating with HCD on projecting the Multifamily Pipeline demand for bonds. Based on preliminary estimates we believe sufficient funds are available to accommodate both projects previously awarded by HCD and new applications.

9. How can acquisition/rehabilitation projects eligible under the HDFC regulations compete for tax credits?

The regulations propose a 10% set-aside of HDFC subsidy for Acquisition/Rehabilitation/Preservation. Review draft Chapter 4 Rehabilitation and Preservation Definitions and Chapter 2 Article 4 for detail.

10. What access will HDFC Projects have to 9% credits, enhanced credits, tax credits for Farmworker Housing Grant Program (FWHG) and Mixed Income Program (MIP)? Will Projects needing to compete in 9% have access to the HDFC Pool?

This FAQ focuses largely on the 50% set-aside of CDLAC QRRP private activity bonds and the 4% credits that are paired with bonds. Conversations among state agencies are

underway to further coordinate. Draft Regulation § 31005 (f) discusses 4% and 9% tax credit coordination.

13. How will HDFC work with HCD programs making new awards?

HDFC tiebreaker currently excludes eligible HCD awarded funding from requested State funds (denominator), to allow for projects in the State's pipeline to move efficiently through HDFC.

Public Feedback

11. Is there a character limit for each comment, or an option to save comments and return to complete the submission later, before submitting?

The comment field does not have a character limit. The feedback form on the public website does not allow saving, we recommend drafting comments on your own and then copy and paste them into the HDFC form once ready to submit.

Set-Asides and Allocations

12. How were regions determined and set-aside percentages set? What was the process for considering statutory requirements, geographic regions, and/or special populations? What did HDFC consider in prioritizing the order of awarding set-aside amounts to ensure fairness?

Current set-asides and amounts in HDFC website and Regulations are approximate. We hear your geographic region vs. set-aside concerns: In HDFC's preliminary rating and ranking testing the funding ran out and shorted the geographic regions if the set-asides were funded first. The HDFC team is continuing to test and will review the feedback received during this feedback period. Rural comes first in the set-aside ranking followed by Supportive Housing, Emerging Developers, and Rehabilitation/Preservation. There is a small set-aside for Statutory requirements to allow HDFC to meet these, including a proportion of the funds for Senior Projects (MHP) and Disadvantaged Communities (AHSC).

13. How will HDFC address the need for housing for those experiencing homelessness or with other special needs? Why is there a set-aside for Supportive Housing, but not Special Needs?

Draft HDFC Regulations include a Supportive Housing set aside, but not a Special Needs set-aside. See § 32040 for information on how the populations served in these two types may overlap but note the Supportive Housing Type requirements stem from HSC § 50675.14 and would be a dedicated funding source per the Veterans and Affordable

Housing Bond Act of 2026 (if approved by voters). Projects with Special Needs housing receive a benefit in the tiebreaker to account for unique project costs and the public benefits provided. Special Needs projects are intended to compete within the geographic regions, and typical project characteristics are accounted for with weighting in the tiebreaker.

Special Needs Housing type (consistent with CTCAC) generally requires the greater of 15 restricted units or 25% of units within a project to be designated for people with disabilities, at-risk of homelessness, substance use disorders, experiencing homelessness, homeless youth, and others as defined in HDFC draft regulations § 34000.

Supportive Housing type requires 40% of units within a project to be designated for those experiencing homelessness including homeless youth and those exiting institutions.

14. How are Tribes considered in the HDFC system?

HDFC draft regulations do not include a Tribal Entity set-aside. The regulations do propose threshold and scoring requirements §32040 with designated paths for Tribal Entities. HCD and HDFC continue to collaborate on the delivery of HDFC technical assistance, points structure, and built in flexibility on the most commonly requested AB 1010 waivers §32010 received previously by HCD. HCD maintains the Tribal Housing Grant Program which currently has about \$12M in funding available and will be funded with \$200M if the Veterans and Affordable Housing Bond Act of 2026 on the November ballot passes.

15. How does HDFC propose to address federal requirements to Affirmatively Further Fair Housing?

HDFC plans to continue to prioritize funding projects in high/highest resource areas, but allow for more pathways to address AFFH in scoring and tiebreaker. Projects in high/highest resources areas automatically achieve full Climate and Location points and are eligible for a higher benefit in the tiebreaker. HDFC has expanded the “locational” benefits of CDLAC tiebreaker to include benefits for projects developed by Community-based developers to allow a pathway for projects in low and moderate resource areas where a Community Revitalization Plan or Neighborhood Change are not applicable. Regardless of these pathways, all projects will be required to AFFH.

Scoring

16. How do point scoring and the tiebreaker work with the different programs, and what priorities will get maximum points? Which prior HCD program regulations, NOFAs or guidelines apply?

All the program awards administered by HDFC will be subject to the same scoring and tiebreaker requirements referenced in the HDFC Draft 2027 Regulations dated August 31, 2026, § 32040 and § 32041. There are no separate criteria for scoring these awards outside the HDFC Regulations. Here is a current link to [the Scoring and Tiebreaker Template](#).

The HDFC Draft Regulations utilize a single scoring framework that applies regardless of what funding sources are being requested, with two exceptions. AHSC and TOD have specified point options within a Climate and Location 5-point category. The draft regulations point scoring system is designed so that no single program has point priorities over other programs and projects can request and the maximum points in each category.

Prior MHP, AHSC or other funding regulations, guidelines, and scoring systems only apply to funds previously awarded to the Multifamily Pipeline projects noted above. The HDFC regulations govern awards made to the funding sources referenced in § 31002.

The system was designed to enable flexibility for applicants to identify and select alternative funding sources if the requested funding types are no longer available when the project is otherwise eligible for an award. Here is a current link to [the Scoring and Tiebreaker Template](#).

Underwriting and Feasibility:

17. What if Projects cannot meet the milestone of the 270-day construction commencement deadline in HDFC Regulations § 32022- Readiness to Proceed?

Per draft regulations § 32085. Performance Milestones - projects that cannot start construction (and other Readiness to Proceed requirements) within 270 days shall have their award rescinded, or the Sponsor will be assessed negative points on future applications, or both loss of award and negative points. Exceptions are permitted in the event of a federal or state emergency or at discretion of the Executive Director § 32022.

18. Will there be subsidies to make Permanent Supportive Housing (PSH) projects more viable?

Draft Regulations include funds for Capitalized Operating Subsidy Reserves (COSRs) for all eligible Special Needs and Supportive Housing Projects from the Multifamily Housing Program (MHP). COSR sections of the draft regulations can be found in § 32091, § 32040-41, and § 33000-01. COSR requests of \$3 million or less would not be included in the tiebreaker denominator. We are very interested in hearing specific feedback on COSR, its eligible costs, disbursement, sizing, and award process detailed in this section.

19. Do 50% FMR adjustments account for high-cost development areas like Bay Area?

HDFC draft Regulations include each region's share of cost burdened lower-income renter households, aligning to households served by HDFC's programs. The allocation includes an adjustment for each region's fair market rent (FMR) vs. the state average, which is intended to incorporate higher housing development costs.

20. Why is CEQA clearance not required until construction loan closing or disbursement of HDFC funds instead of like CTCAC at the time of application, to reduce the risk of delays due to environmental clearances?

HDFC intends to provide as much flexibility for the status of projects at time of application, provided they meet other readiness criteria. The CEQA clearance process can come after an HDFC award, but must be completed quickly after award.

21. What is the basis for the cap on total developer fee \$10M developer fee limit?

For projects using 4% tax credits the developer fee aligns with CTCAC, but proposes a cap to ensure efficient use of HDFC funds. HDFC will evaluate the proposed \$10 million cap with consideration of any stakeholder comments and feedback received.

22. How will HDFC address cost increases for awarded projects?

HDFC will not provide additional funding beyond the awarded subsidies, but is considering holding a minimal portion of the HDFC Bond Pool for supplemental increases. HDFC is considering assessing penalties for supplemental bond requests.

Definitions

23. For HCD MFSN program, Large Family is defined as "25% 3 or more bedrooms, and 25% 2 or more bedrooms". The "or more" part of that has always been a point of confusion because it double counts the 3 or more bedroom units. Has HDFC modified this definition to make it more cut and dry?

The HDFC definition for Large Family aligns with the CTCAC regulations.

24. There seems to be various definitions for "region" in TCAC, CDLAC, AHSC and HDFC - is that statutory? Have you considered one unified geographic region definition?

Varying statutory requirements by funding programs, policy decisions, and other factors led to the current differences in regions. For comparison, HCD Multifamily Finance Super NOFA (MFSN) typically used 3 regions to allow flexibility in disbursing the funds provided with different statutory requirements. Meanwhile, Affordable Housing and Sustainable Communities (AHSC) was previously targeted across 9 regions to account for unique regional differences in how greenhouse gas reductions could be achieved. HDFC proposes

to allocate funds to 5 regions, plus a rural set-aside, which is more regions than the MFSN, but fewer than AHSC (and CTCAC's 9%). We believe this is a measured approach to adding more regions than MFSN in the initial launch of HDFC, that may help set the basis for a unified geographic region approach in the future.

HDFC's proposed methodology for regional allocation of funds takes the number of each region's share of cost burdened lower-income renter households, which aligns with the households served by HDFC's programs. The allocation includes an adjustment for each region's fair market rent versus the state average, which is intended to incorporate housing development costs into the allocation.

HDFC Operations, Leadership:

25. Where is HDFC located and how is HDFC staffing up for all the work ahead? How does one apply for a job at HDFC?

The HDFC headquarters is located in the May Lee State Office Complex in Sacramento. HDFC has and will continue to quickly staff-up to meet operational needs and collaborating deeply with other housing state agencies to leverage the expertise required to implement this critical and ambitious undertaking. HDFC job openings can be found in [CalCareers](#) and the HDFC website at www.hdfc.ca.gov.

26. What type of City or County representatives will be on the Executive Committee?

HDFC is governed by an Executive Committee. According to the HDFC enabling statute (Chapter 68, Statutes of 2026) the legislature will appoint a representative from a county and a representative from a city. That selection process is still underway.

Lending and Disbursement:

27. How will HDFC make closing financing more efficient and streamline loan closing and execution?

HDFC is working closely with CalHFA and HCD, including HCD Legal or "LAD," to take a fresh look at the entire loan-closing workflow and remove inefficiencies. We expect to streamline the process by eliminating the standard agreement phase, reducing duplicative steps, and moving toward a single consolidated set of loan documents for each project – one regulatory agreement, one deed of trust, one promissory note, etc. – regardless of the number of programs involved. Preliminary thinking also includes allowing first drafts of loan documents to be produced before the transaction summary is fully complete, enabling the closing process to advance even while numbers are being finalized. In parallel, HDFC including the HDFC legal team, aims to provide a more consistent and transparent experience through modernized regulations shaped by community feedback, standardized

internal review playbooks, and a direct, time-sensitive escalation pathway that keeps deals from stalling. The overall goal is a predictable, efficient, and solution-driven closing environment supported by leadership committed to maintaining that culture.

Note: This new process may not apply to HOME and other federally funded programs administered by other state housing agencies. Furthermore, HDFC is collaborating with those partners to develop a coordinated approach to compliance and monitoring.

28. Will HDFC disburse funds during construction?

Yes. HDFC proposes allowing the disbursement of funds at construction loan closing in a percentage that is proportional to the capital contribution made by the tax credit investor. In order to be eligible to receive funds during construction, the applicant must meet HDFC's Financial-Capacity Metrics described in Section 32067. Eligible awarded projects would then fund the balance of the HDFC award at time of construction completion. This method is intended to serve as a bridge until CalHFA sets up their own construction lending program.

Note that this proposed process is not intended to apply or restrict funding that HCD has historically provided during the construction period. This includes HOME, NHTF, IIG, and Serna funds.

29. What specific metrics will HDFC use to measure HDFC's Financial-Capacity Metrics described in Section 32067?

Corporate Liquidity, Portfolio Health, Project Health are all proposed metrics to consider per § 32067(d). We propose the metrics are reported to HDFC as part of application submission, but are not scored or used to determine eligibility for anything other than the ability to use HDFC awarded funding during construction. We are open to comments on the proposed financial-capacity metrics.