

HOUSING DEVELOPMENT AND FINANCE COMMITTEE

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DATE: October 26, 2026

MEMORANDUM FOR: Housing Partners and Interested Parties

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

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

The Housing Development and Finance Committee (HDFC) is pleased to release this second draft of HDFC's regulations. The first draft was published on August 31, 2026, and elicited robust feedback including 1,836 comments and 66 detailed letters. Thanks to the thoughtful and insightful input HDFC received, we are entering this next phase of developing HDFC's regulations with a stronger and more refined set of regulations, made better by collaboration. This ongoing dialogue is vital to the advancement of HDFC's mission to make the California affordable housing system simpler, faster, and more transparent.

The publication of this second draft kicks off a public comment period that will run until 5:00 p.m. on November 17th and will include a public hearing on November 9th as well as informational webinars. Additionally, the HDFC Executive Committee meeting on November 17th will include an opportunity for public comment. HDFC staff will review and consider all comments received during the comment period, and HDFC anticipates presenting a third draft of the regulations for final adoption at the December 18th HDFC Executive Committee meeting.

After the final regulations are adopted by the Executive Committee, these regulations will govern all the loans and grants made exclusively by HDFC, starting with the Notice of Funding Availability HDFC will issue in the first quarter of 2027.

HDFC Background

HDFC was created as part of the Governor's Reorganization Plan (GRP) which established a single cabinet level agency dedicated to housing, homelessness and civil rights. The GRP was informed by extensive stakeholder engagement such as the AB 519 Affordable Housing Finance Workgroup that helped lay the foundation for HDFC. 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 Executive Director of the California Housing Finance Agency (CalHFA), the Director of the Department of Housing and Community Development (HCD), 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.

Once adopted, the regulations currently being drafted 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.

Second Draft of HDFC Regulations

In response to stakeholder comments, the second draft of HDFC's regulations recognizes that more predictable coordination and pathways for 9% LIHTC and state tax credits could help applicants assemble financing, enable HDFC to size and sequence subsidy commitments, and stretch limited state resources to support additional affordable homes. Enhanced coordination will preserve access for both HDFC-supported and non-HDFC projects while improving financing certainty, coordinating resources, and supporting shared policy goals. We encourage stakeholders to submit comments to both HDFC and CTCAC, recognizing that changes to each entity's requirements must be considered through their respective processes.

Stakeholder comments also included questions about how these new regulations interact with the Uniform Multifamily Regulations (UMRs). The second draft provides further clarity for projects in three categories:

1. Projects that have received HCD funding prior to adoption of the HDFC regulations and that are not seeking additional gap financing through HDFC shall continue to be governed by the terms of their original awards, and HCD shall continue to process these closings.
2. Projects that have received HCD funding prior to adoption of the HDFC regulations, and that subsequently apply for and are awarded by HDFC additional gap financing, shall be governed by HDFC regulations, and HDFC shall process these closings. Reconciliation of any conflicts between prior HCD award terms and the HDFC regulations will be resolved by the HDFC Executive Director. If a project with prior HCD funding is only getting a letter of support to access the HDFC bond pool, HCD will close the project by the terms of their original awards.
3. Projects that have not received any HCD funding awards prior to adoption of the HDFC regulations, and that apply to and are awarded funding by HDFC shall be governed by the HDFC regulations, and HDFC shall process these closings.

In addition to the shift away from the 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.

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- Smoother permanent conversions because the state will have entered the transaction at construction.
- 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.
- Project selection requirements are in the regulations. The Notice of Funding Availability (NOFA) will simply announce funding.
- Tiebreaker based on the CDLAC model with some adjustments to account for additional resources.
- Metrics for measuring sponsor financial capacity, which will not be scored.
- Authorizing resolutions modeled on CalHFA with expedited review relying on attorney opinion.
- Organizational documents retained in the application portal to minimize resubmissions.

To support stakeholder review, supporting materials are posted on the HDFC website. In the next few days, HDFC will upload a companion document with highlights of changes since the first draft of regulations, rationale for those changes, and guiding questions for feedback.

The public comment period will close on November 17 at 5:00 p.m. We need your comments to produce the strongest possible regulations. To comment, please visit the HDFC website at <https://www.hdfc.ca.gov/regulations>. Please use the **Public Comment Form** to share proposed wording or draft regulatory language, which will allow HDFC to swiftly track comments to a specific section of the regulations.

Alternatively, written comments can be submitted to HDFCRegComments@hdfc.ca.gov, or mailed to:

Housing Development and Finance Committee
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Attention: HDFC Regulations Public Feedback

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

Jonathan Klein
HDFC Executive Director