



Housing Development and Finance Committee

DRAFT 2027 HDFC Regulations

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CHAPTER 1. GENERAL PROVISIONS

§ 31000. Purpose, Authority and Scope.

- (a) These HDFC Regulations (Regulations) establish rules and procedures for the administration of multifamily affordable housing programs administered by the Housing Development and Finance Committee (HDFC).
- (b) These Regulations implement and interpret AB 179 (Chapter 68, Statutes of 2026) and Part 18 (commencing with HSC § Health & Saf. Code, § 54920), which establish HDFC and its Executive Committee (EC) and authorize the consolidated statewide administration of multifamily affordable housing programs.
- (c) Consistent with statutory direction, administration of programs under these Regulations requires ongoing coordination with the California Department of Housing and Community Development (HCD), the California Housing Finance Agency (CalHFA), the California Debt Limit Allocation Committee (CDLAC) and the California Tax Credit Allocation Committee (CTCAC).
- ~~(d) These Regulations do not use or incorporate the Uniform Multifamily Regulations (Cal. Code Regs., tit. 25, § 8300 et seq.) (UMRs) for HDFC-funded Projects. Any statutory or program references to the UMRs or “successor” UMRs shall be deemed to refer to these Regulations.~~
 - ~~(1) During the transition of program administration to HDFC, Projects with existing awards seeking HDFC funding must comply with both HDFC Regulations and their original awarding agency requirements. HDFC shall collaborate with partner agencies, including HCD, on mechanics allowing existing awarded programs, as well as other partner agency administered programs, to adopt and operate under these Regulations. In the interim, where standards differ, the Sponsor must satisfy all requirements.~~
- ~~(e) These Regulations do not apply to Multifamily Pipeline Projects seeking a letter of support from HDFC.~~
- ~~(f)~~(d) Where these Regulations reference requirements, procedures, or submissions associated with another agency, including but not limited to CTCAC, such references shall be understood to incorporate those requirements as HDFC’s own. ~~Any obligations to prepare, follow, or submit documents, reports, certifications, or other materials to other agencies shall instead require compliance with and submission to HDFC, unless expressly stated otherwise.~~
- (e) These Regulations do not use or incorporate the Uniform Multifamily Regulations (25 CCR § 8300 et seq.) (UMRs) for HDFC-funded Projects. Any statutory or program references to the UMRs or “successor” UMRs shall be deemed to refer to these Regulations.

- (f) These Regulations shall not apply to projects seeking solely an HDFC letter of support for access to the HDFC Qualified Residential Rental Project (QRRP) Pool, other than the provisions herein that govern the process and timing for obtaining such letter.
- (g) Applicability of HDFC Regulations to projects with HCD Awards received prior to adoption of these HDFC Regulations. HDFC shall continue to collaborate with partner agencies, including HCD, to streamline where feasible and permitted by law.
- (1) Projects that have already received one or more HCD funding awards prior to adoption of the HDFC Regulations and are not seeking additional gap financing through HDFC shall continue to be governed by the terms of their original award(s), and HCD will continue to process those closings. This includes projects that received funding from the multifamily affordable housing programs specified in Health & Saf. Code, § 54920(f). As is typical, HCD will continue to work with past awardees to reconcile any conflicts between award terms, including elevating issues to the HCD Director as needed.
- (2) Projects that have received one or more HCD funding awards prior to adoption of the HDFC Regulations, and that subsequently apply to and are awarded by HDFC for additional gap financing shall be governed by HDFC Regulations, to the extent permissible by law. Applicants with prior HCD awards shall agree, as a condition of HDFC subsidy, that HDFC shall close existing HCD loans and that these HDFC Regulations shall govern, to the fullest extent permissible by law and in conformance with any applicable federal requirements. In the event that a Sponsor is not reasonably able to comply with a requirement of the HDFC Regulations with respect to an HCD funding award without jeopardizing or materially delaying the loan closing, the Executive Director shall consider, on a case-by-case basis, permitting compliance with one or more terms of the original award to the reasonable extent necessary to resolve the issue.

Note: Authority: Sections 54928, 54931, 54920, 54940, 54941, 54942, 54943, 54944, 54945, 54946, 54949, Health and Safety Code, 8869.84 Government Code. Reference: Sections 54946 Health and Safety Code.

§ 31001. Defined Terms.

Definitions in Chapter 4, Appendices, Section 34000 shall apply to these Regulations. In addition, certain programs will include their own definition subsections in Chapter 3, the program-specific supplements.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 54940, 54943, 50675.2, 75200.1, 53559, 50517.5, 53560-53568, 50676, 50896.2, 50470.5, 50160-50161, Health and Safety Code; 987.003 Military and Veterans Code.

§ 31002. Programs Administered by HDFC.

These Regulations incorporate and operationalize the statutory authorities for the following multifamily affordable housing programs administered by HDFC, ~~upon appropriation by the legislature.~~

- (a) The Multifamily Housing Program (MHP) (~~Health & Safety Code (HSC), Chapter 6.7 (commencing with Health & Saf. Code, § 50675) of Part 2~~).
- (b) The Joe Serna, Jr. Farmworker Housing Grant Program (Serna or FWHG) (~~Chapter 3.2 (commencing with Health & Saf. Code, § 50515.2) of Part 2~~).
- (c) The Infill Infrastructure Grant Program of 2007 (~~HSC~~commencing with Health & Saf. Code, § 53545.13).
- (d) The ~~infill~~Infill Infrastructure Grant Program of 2019 (~~HSC~~commencing with Health & Saf. Code, § 53559).
- (e) The Transit-Oriented Development Implementation Program (Affordable Housing Development loans) (TOD) (~~Part 13 (commencing with Health & Saf. Code, § 53560))~~).
- (f) The Affordable Housing and Sustainable Communities Program – Housing Allocation (Affordable Housing Development capital project loans, not including housing-related infrastructure costs) (AHSC) (~~Part 1 (commencing with § 75200) of Division 44 of the Public Pub. Resources Code, § 75200~~).
- (g) Mixed Income Program (MIP) – funding loan (as referenced in ~~HSC~~Health & Saf. Code, § 50470(b)(2)(C)(iii)).

Upon adoption, these Regulations supersede and replace all prior program regulations, guidelines, rules and directives governing the programs administered by HDFC, except as otherwise provided in these Regulations. These Regulations apply prospectively only and do not have retroactive effects.

Note: Authority: Sections 54928, 54940, 54942, 54943, 54944, Health and Safety Code.
Reference: Section 54920, Health and Safety Code.

§ 31003. Single Application and Interagency Coordination.

- (a) Framework. These Regulations establish a single application process, coordinated interagency review, and an effectively simultaneous award process to provide the multifamily financing components necessary for a Project to meet its readiness milestones immediately.
- (b) Agency Participation. Other state housing agencies may elect to adopt and apply these Regulations to programs they administer. For any program where an administering agency has elected to participate under these Regulations, these Regulations shall govern the administration of that program. The manner in which an agency elects to adopt and apply the HDFC Regulations is at the sole discretion of that agency.

(c) Programs that other state housing agencies may elect to administer under these Regulations include, but are not limited to:

- (1) HOME Investment Partnerships Program (California HOME Program) – [HSC Health & Saf. Code](#), § 50896.3(b).
- (2) National Housing Trust Fund Program (NHTF) – [HSC Health & Saf. Code](#), § 50676.1(b).
- (3) Permanent Local Housing Allocation – Competitive Component (PLHA-C) – [HSC Health & Saf. Code](#), § 50470(d).

Note: Authority: Sections 54928, 54940, 54942, 54943, 54944, Health and Safety Code.
Reference: Section 54929, Health and Safety Code.

§ 31004. Forms.

HDFC shall develop such forms as are necessary to administer the programs and ~~is authorized to may~~ request such additional information from applicants as is appropriate to further the purposes of the programs. Failure to provide such additional information may cause an application to be disqualified or render an Award null and void.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54928, 54942, Health and Safety Code. Reference: Section 54928, Health and Safety Code.

§ 31005. Coordination with CDLAC and CTCAC Programs.

- (a) HDFC Pool. Pursuant to [California Government Gov.](#) Code, § 8869.84-(b), beginning January 1, 2027, and through July 1, 2029, ~~CDLAC shall reserve~~ at least ~~one-half (50%)~~ % of the state ceiling allocated to the ~~Qualified Residential Rental Project (QRRP)~~ Pool will be reserved for HDFC-approved Projects.
- (b) Annual Demand Coordination and Reallocation. Beginning in calendar year 2028 and annually thereafter, no later than March 1, HDFC will estimate its projected demand for QRRP Bonds for that calendar year and coordinate with CDLAC to request additional allocation or determine the portion, if any, of its allocation anticipated to remain unused by HDFC during that calendar year.
- (c) Multifamily Pipeline Projects Requesting QRRP Bonds and 4% Tax Credits (2027 Transition Year). Until November 1, 2027, the bond issuer for 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. After November 1, 2027, eligible applicants requesting bonds and/or 4% tax credits from the HDFC Pool must apply directly to HDFC.
- (d) Projects Requesting HDFC funds with QRRP Bonds and 4% Tax Credits. HDFC will transmit applications to CDLAC and CTCAC, as appropriate, in accordance with CDLAC regulations (4 CCR § 5110), for any HDFC awarded applications that

requested bonds and/or 4% tax credits. ~~CDLAC and CTCAC will review these applications for eligibility for a ministerial bond and/or tax credit allocation consistent with Government Code § 8869.84(b)(3)(B)(ii).~~

(e) State Low-Income Housing Tax Credits Coordination.

- (1) Projects Requesting HDFC Funds with State Tax Credit Eligibility Credits. HDFC may award funds to Projects requesting state tax low-income housing tax credits. All HDFC ~~awarded-funded~~ Projects pursuing state tax credits ~~would be subject to application submission and Award at the discretion of CTCAC and must~~ shall comply with applicable CTCAC regulations, eligibility, application, and allocation requirements under CCR Title 4, Div. 17, Chapter 1. Tax credit awards are subject to CTCAC and CDLAC award criteria, schedules, and discretion
- (2) Per Revenue & Taxation Code Mixed Income Program. Pursuant to Rev. & Tax. Code, §§ 12206(g)(1)(B), 17058(g)(1)(B), and 23610.5(g)(1)(B), CTCAC annually sets aside up to \$200 million to ~~HDFC Projects awarded funding from the Mixed Income Program (MIP) annually~~ projects awarded funding from the MIP annually. HDFC as the administrator of MIP will designate MIP subsidy awards for state tax credits allocated for MIP by CTCAC. State tax credit awards shall comply with CTCAC eligibility and allocation requirements consistent with existing law.

(f) Federal 9% Low-Income Housing Tax Credit Coordination.

- (1) Projects Requesting HDFC Funds with Federal Low-Income Housing Tax Credits. HDFC may ~~award fund~~ transmit applications to a Project pursuing CTCAC for any HDFC awarded applications that requested federal 9% tax credits, which would be subject to application submission and Award at the discretion of CTCAC. Subsections (c) and (d) above are not applicable to Projects awarded HDFC funds and permitted to pursue. All HDFC-funded Projects pursuing federal 9% tax credits shall comply with applicable CTCAC eligibility, application, underwriting, and allocation requirements under CCR Title 4, Div. 17, Chapter 1.
- (2) Coordination Within Existing CTCAC Priority Allocations. HDFC shall seek coordination with CTCAC to establish predictable financing pathways for HDFC-funded Projects to secure CTCAC tax credit awards, with particular emphasis on Projects eligible for existing rural, special needs, and nonprofit set-asides and other shared housing priorities recognized under CTCAC requirements. Nothing in this section independently establishes or modifies a CTCAC allocation or preference.
- (3) Programming HDFC Resources. In selecting projects for HDFC financing, HDFC shall seek to size its subsidy commitments to projects requesting 9% tax credits consistent with the reasonably anticipated amount of 9% credits available for allocation by CTCAC. To the extent CTCAC establishes dedicated credit amounts or other predictable allocation mechanisms for HDFC-funded Projects, HDFC shall size and schedule corresponding subsidy commitments based on the anticipated credit capacity, demonstrated eligible demand, project-level financing needs, and available HDFC resources.
- (4) Application and Award Coordination. HDFC shall publish procedures identifying the applicable 9% tax credit application process and aligning HDFC program

requirements, schedules, and materials with those required by CTCAC. HDFC commitments shall be structured to satisfy applicable CTCAC requirements and remain effective through the designated tax credit award decision, subject to stated conditions. Tax credit awards shall remain subject to CTCAC approval under the applicable allocation process.

~~(f)(5)~~ Unsuccessful Applications. HDFC shall establish and disclose deadlines for Projects unsuccessful in obtaining 9% tax credits to release their HDFC commitments for disencumbrance and inclusion in the next HDFC funding round.

Note: Authority: Sections 8869.84 Government Code; and Sections 54940, 54942, 54943, 544944, 54928, Health and Safety Code; and Sections 12206, 17058, 23610.5 Revenue and Taxation Code. Reference: Section 8869.84 Government Code.

CHAPTER 2. CORE MULTIFAMILY STANDARDS

Article 1. Eligibility Standards

§ 32010. Tribal Entities.

(a) Pursuant to HSC Health & Saf. Code, § 54931(q), HDFC may waive or modify state program requirements for Projects proposed by Tribal Entities. Tribal Entities can request waivers or modifications of requirements in the Project application. Flexibility granted for this purpose includes, but is not limited to:

(1) Sponsor experience and capacity requirements satisfied through alternative means. See Section 32020(c) in this Regulations for details

(2) Site control requirements. See Section 32021(d) for details

(3) Readiness to proceed requirements in Section 32022, including extended timelines

(4) Referrals, occupancy and property management standards. See Section 32100(b)(5) for details

~~(2)(5)~~ Loans may be converted to grants

~~(3) Extended timelines~~

~~(4)(6)~~ Modified securitySecurity instruments and recordation arrangement requirements

~~(5)(7)~~ Modified incomeIncome limits

~~(6)(8)~~ Modified infillInfill location or density requirements

~~(7)(9)~~ Waived fundFund matching requirements

~~(8)(10)~~ Waived or modified serviceService area requirements

(11) HDFC may waive or modify affordabilityAffordability levels and unit mix requirements

(b) Tribal Entities are not required to provide a Limited Waiver of Sovereign Immunity (LWSI) and are not required to consent to the jurisdiction of any forum to participate in HDFC's funding programs.

~~(9)~~

~~(b)(c)~~ Tribal Entity Sponsors are encouraged to contact HDFC early in the application process to request technical assistance.

Note: Authority: Sections 54931, 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section 54931, Health and Safety Code.

§ 32011. Projects.

- (a) Proposed Projects are eligible for funding by meeting the requirements of each funding source in the Project application, as well as all of the requirements set forth below:
- (1) The Project includes the new construction or Rehabilitation of an Affordable Housing Development or the conversion of a nonresidential structure to an Affordable Housing Development.
 - (2) The Project qualifies as one or more of the Housing Types defined in Section 32040(b).

~~(b) Ineligible Projects:~~

~~(b) Financing-Based Exclusions:~~

- ~~(1) Any Project with previously committed Private Activity Bond allocations that have not been returned by the HDFC application deadline is ineligible for the HDFC Pool and may be disqualified.~~
- ~~(2) Any hybrid new construction Project using separate 9% and 4% federal credit allocations are is ineligible.~~
- ~~(3) If ineligibility results from material nonperformance, misrepresentation, misuse or nonuse of public resources, or other adverse performance history, HDFC may evaluate the matter pursuant to Section 32098.~~

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections 50675.4, 54928, Health and Safety Code.

§ 32012. Uses of Funds.

- (a) Funds shall be used only for eligible costs directly related to the design, acquisition, or development of the Project ~~Costs~~ under this section and are subject to the applicable program-specific statutes and requirements described in Chapter 3, which will control in the event of any conflict. All costs must be necessary and ~~reflect the lowest feasible and~~ reasonable ~~cost~~ for the Project's scope and geographic context, as determined by HDFC. Eligible costs include, but are not limited to the following:
- (1) Property Acquisition costs, including lease payments;
 - (2) Architectural, Appraisal, engineering, environmental, legal and other consulting costs, and fees, which are directly related to the planning and execution of the Project, and which are incurred through third-party contracts;
 - (3) Escrow, title insurance, recording and other related costs;
 - (4) Building permits, and state and local fees;
 - (5) Local development impact fees;

- (6) Developer Fees;
- (7) Environmental hazard reports, surveys, and investigations;
- (8) Reasonable carrying costs during construction, including insurance, construction financing fees and interest, taxes, and any other expenses necessary to hold the property while the Affordable Housing Development is under construction;
- (9) Residential relocation benefits and assistance required by law;
- (10) Mobilization, demolition, site preparation, and clean up;
- (11) Residential construction and Rehabilitation costs;
- (12) Development costs of a Unit reserved for an onsite manager, childcare, after-school care, adult daycare, or social service and health amenities integrally linked to, and addressing the needs of the tenants of the Restricted Units;
- (13) Installation of broadband internet trunk line or fixed wireless infrastructure;
- (14) Onsite improvements related to the Project;
- ~~(15) Offsite improvements related to the Project;~~
- ~~(16)(15)~~ Costs related to Factory-Built Housing reservations and deposits during the design phase;
- ~~(17)(16)~~ Permanent loan to pay-off construction financing related to the Project;
- ~~(17) Monitoring fees; and~~
- (18) Any other costs of Rehabilitation or New Construction Project approved by HDFC;
- ~~(19) Monitoring fees;~~
- ~~(20) Early deposits for factory-built housing; and~~
- ~~(21) Any other costs of Rehabilitation or new construction approved by HDFC.~~

(b) Ineligible Uses of Funds

- (1) ~~Commercial Spaces. Commercial Spaces. While Commercial Space may be included in a Project's sources and uses of funds pursuant to 4 CCR § 10322(h)(15), and Commercial Space that qualifies as a community service facility may generate Eligible Basis pursuant to 4 CCR § 10322(h)(33), as may be subsequently amended,~~ HDFC funds shall not be used for costs associated with the development, construction, or Rehabilitation of Commercial Space within a mixed-use Project, or for a standalone Commercial Space, ~~except as provided in subsection (A) below.~~ Income generated from Commercial Space shall be excluded from Project underwriting pursuant to Section 32061(a)(3).
 - ~~(A) Executive Director Waiver. The Executive Director may approve the use of HDFC funds for Commercial Space only upon a written determination of:~~
 - ~~1. Direct Benefit: The proposed Commercial Space directly serves or benefits the residents of the housing Project or the surrounding community;~~
 - ~~2. Financial Viability: The proposed Commercial Space does not compromise the overall financial feasibility or affordability of the Project;~~
 - ~~3. Funding Deficiency: Alternative financing for the proposed Commercial Space is unavailable or insufficient to complete the Project; or~~
 - ~~4. Regulatory Requirement: The proposed Commercial Space is required by zoning code or other regulating requirements.~~
 - ~~(B) Community Service Facility. Commercial Space that qualifies as a community~~

~~service facility may generate Eligible Basis pursuant to 4 CCR § 10322(h)(33), as may be subsequently amended.~~

(2) Acquisition Cost and Subdivisions. If a parcel is subdivided at or prior to closing and a resulting parcel will be used for Market Rate or other nonresidential purposes under separate ownership, total Acquisition costs must be allocated proportionally based on land area and square footage. If the Appraisal or deed reflects the Pre-Subdivision Parcel, the proposed allocation method requires prior written approval from HDFC.

(3) Prior Owner Costs. HDFC funds shall not be used to reimburse or finance predevelopment, Acquisition, or other Project ~~Costs~~costs incurred by any prior unrelated ownership entities of the property, ~~except as outlined in subsection (1) below.~~ Reimbursement for eligible ~~predevelopment~~ costs is ~~strictly~~ limited to actual, documented expenses.

~~(3)(A)~~ Exemptions include directly related costs incurred by a prior owner on land donated to develop the proposed Project, and costs incurred by the current applicant or a previous owner that are directly related to the entitlement, design, acquisition or development of the proposed Project. For purposes of this exemption, "directly related" means costs that are necessary for the Project and would not have been incurred absent the Project, such as permit fees, architectural and engineering design expenses, environmental studies required for approval, and acquisition costs specific to the Project site.

Note: Authority: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section 50675.5, 54928 Health and Safety Code.

§ 32013. Affordability, Rent and Income Limit Standards.

(a) Maximum Affordability Levels. The affordability table below specifies the ~~maximum~~ affordability ~~level~~requirements for each HDFC funding program. The table does not establish a mandatory affordability requirement for any non-HDFC administered program that has not elected to participate in these Regulations.

(1) The HDFC Regulatory Agreement will apply to the Project as a whole and not by Unit and will specify the affordability commitments applicable as per the Application Evaluation and Selection Standards, Section 32040 (a) and (b). Individual Unit numbers will not be designated unless specific program restrictions require it— and, for programs that require only a certain percentage of units to be income-qualified, the targeted AMI may shift among Units rather than being fixed to individually identified Units.

(4)

Housing Program	Maximum Area Median Income (AMI)
Multifamily Housing Program (MHP)	Eighty percent (80%) of AMI*
Joe Serna, Jr. Farmworker Housing Grant Program (Serna or FWHG)	Eighty percent (80%) of AMI
Infill Infrastructure Grant Program (IIG)	15% of Units at no more than ~~Sixty~~ sixty percent (60%) of AMI
Affordable Housing and Sustainable Communities Program (AHSC)	Eighty percent (80%) of AMI
Transit-Oriented Development Program (TOD)	Eighty percent (80%) of AMI
Competitive Permanent Local Housing Allocation Program (C-PLHA)	Sixty percent (60%) of AMI
National Housing Trust Fund Program (NHTF)	Thirty percent (30%) of AMI
HOME Investment Partnerships Program (HOME)	Five (5) or more Restricted Units: twenty percent (20%) of the Restricted Units must be at or below fifty percent (50%) of AMI. The remaining eighty percent (80%) of the Restricted Units must be at or below sixty percent (60%) of AMI.
CalHFA Mixed Income Program (MIP)	One hundred twenty percent (120%) of AMI

* Per [HSC Health & Saf. Code](#), § 50675.2(a-c) MHP allows maximum affordability requirements to match CTCAC.

(b) Affordability Periods

- (1) Requirement. Projects funded under these Regulations shall maintain affordability for current and future resident households for the applicable period specified in this section.
- (2) A ~~fifty-five~~(55) year affordability period applies to all Projects, unless specified in Chapter 3, Program-Specific Supplements.
 - 4.(A) Exception for Tribal Land: Projects located on Tribal Land [or within a tribe's IHP Service Area as defined under 25 USC § 4103\(11\)](#) shall be subject to a ~~fifty~~(50) year affordability period.

(c) Rent and Income Limit Standards

- (1) Standard Limits. HDFC shall use the rent and income limits published annually by CTCAC.
- ~~(2) Rent levels must remain restricted for the entire affordability period at the lower of:~~
 - ~~(A) The limits allowed under 24 CFR § 92.252; or,~~
 - ~~(B) Another HDFC-approved rent level based on a percentage of Area Median Income. Exceptions may be granted for Units with HUD Section 8 or similar~~

~~rental assistance, or when needed to preserve the Project's financial stability due to unforeseen circumstances.~~

~~(3)~~(2) Cross-References. Rent and income restrictions and limits on increases shall comply with any additional requirement set forth in these Regulations including:

(A) Under Chapter 3, Program-Specific Supplements.

(B) Operating Budget Requirements, under Section 32061(a).

(C) Rent Increase Limitations, under Section 32094.

(3) Rent and income limits, and AMI calculations applicable to Projects on Tribal Land shall also be applicable to Projects located within a tribe's Indian Area as defined under 25 USC § 4103(11).

(d) Multiple Funding Sources. Affordability, rent, and income restrictions for projects with multiple HDFC funding sources are governed by the standards committed to during scoring and ~~tiebreakertie-breaker~~ selection. ~~Where restrictions exceed scoring commitments, affected units shall~~Projects awarded alternate sources will still be allocated in proportion obligated to the scoring and tiebreaker benefits based on primary funding amount provided by each source. requests used for Application Ranking.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections 50675.2, 50675.4, 54945, 54928, Health and Safety Code.

§ 32014. Environmental Compliance.

(a) Environmental Site Assessment (ESA)

(1) A Phase I ESA, that complies with all aspects of ASTM Standard E152, must be completed and dated no more than 12 months prior to the application deadline. ~~The Phase I ESA must demonstrate that the Project site(s) are free from severe adverse environmental conditions, such as the presence of toxic waste or hazardous substances.~~

~~(4)~~(A) If the Phase ~~4~~1 ESA indicates or discloses that the presence of toxic waste is economically infeasible to remove or cannot be mitigated, then the application is ineligible for an HDFC award.

(2) If the Phase I ESA ~~reveals known or potential contamination, a Phase II ESA is required to~~recommends it, or indicates or discloses significant Recognized Environmental Conditions and the Project still appears to be feasible, a Phase II ESA must be completed and dated no more than 12 months prior to the application deadline. If a Phase II ESA has been completed and dated within 12 months prior to the application deadline, the originating Phase I ESA may be dated more than 12 months prior to the application deadline.

(A) Note that many state and federal brownfield funding programs require a Phase I ESA to be completed within 180 days prior to the close of escrow to ensure eligibility and to establish bona fide purchaser status.

(3) Sponsor must ensure that the ESA identified environmental contamination will be

addressed in a manner that is suitable for residential development. Engaging environmental regulatory oversight for the Project should be considered when:

- (A) Environmental sampling has confirmed hazardous materials are present at levels that are unsuitable for residential development.
- (B) City or County construction permitting and entitlements required for the Project.
- (C) Hazardous materials require mitigation through engineering controls that should be monitored in the long-term to ensure residential safety.
- (D) The Project is located on or adjacent to a site listed in Department of Toxic Substances Control's EnviroStor [envirostor.dtsc.ca.gov] or the State Water Resources Control Board's GeoTracker [geotracker.waterboards.ca.gov] databases.

(b) California Environmental Quality Act (CEQA). All Projects must demonstrate compliance with CEQA (commencing with Pub. Resources Code, §21000) prior to initial closing or disbursement of HDFC funds, as evidenced by a valid notice of determination, notice of exemption, or local agency statutory exemption.

(c) National Environmental Policy Act (NEPA) and Federal Environmental Standards. Applicants considering federal funding sources shall comply with all applicable federal environmental regulations, as applicable, including NEPA requirements established at 24 CFR § 58, and, for National Housing Trust Fund assistance, federal environmental provisions as established at 24 CFR § 93.301. Failure to adequately comply with NEPA requirements may result in a choice-limiting action, as defined at 24 CFR § 58.22, and may render a project ineligible for federal assistance. Sponsors must consider environmental impacts early in the planning process to reduce Project risk, avoid delays, and prevent choice-limiting actions.

~~(e)(1)~~ Projects utilizing federal funding sources or federal vouchers must comply with all applicable federal environmental review reporting and monitoring requirements, including NEPA (24 CFR Part § 58) or federal environmental provisions. Specific NEPA thresholds, review levels, and program-specific submission deliverables are set forth in Chapter 3 of these Regulations.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections 50675.2, 50675.4, 54928, 54945, Health and Safety Code.

§ 32015. Construction, Property, and Demolition Standards.

(a) Construction, Accessibility, and Energy Efficiency Standards. Sponsor shall provide a statement that the Project meets minimum construction, accessibility, and energy efficiency standards set forth in 4 CCR § 10325(f)(7), as may be subsequently amended. In addition, the Sponsor shall commit to maintaining the applicable Building Energy Efficiency Standards (California Code of Regulations, Title 24) adopted by the California Energy Commission (CEC), as well as maintaining the quality of installed energy efficiency ~~and~~, sustainability, and accessibility features

when replacing systems or materials.

- (b) The Sponsor shall ensure that the construction work is performed by a licensed general contractor with demonstrable experience in projects of similar type, scale, and complexity. The general contractor and all subcontractors must maintain all required licenses, certifications, and insurance required under applicable law. Work shall be performed in compliance with applicable codes, in a competent, timely, and professional manner and in accordance with approved plans ~~at the lowest reasonable cost consistent with the Project's scope and budget.~~

- (c) The Sponsor shall enter into a written, ~~fully integrated~~ construction contract with an appropriately licensed contractor. The contract shall contain all covenants, conditions, and representations between the parties and specify a total contract price consistent with the HDFC approved Project budget.

~~(1) Title 24, the California Building Code, the California Accessibility Standards, all applicable life safety and fire protection requirements, and all locally adopted building, zoning, and reach code provisions authorized under Government Code §§ 38660 and 65850 and Public Resources Code § 25402.1(h)(2), inclusive of any local amendments and updates. All applicable provisions, including Chapter 7A for projects located within designated Fire Hazard Severity Zones, shall be met.~~

(d) Demolition Restrictions

- (1) Projects involving new construction that require the demolition of existing residential Units are eligible only if the number of bedrooms in the new Project is at least equal to the number of bedrooms in the demolished structures. Demolished replacement Units may exist on separate parcels provided they follow the requirements of Scattered Sites in Section (e) below.
- (2) ~~HDFC may approve exceptions to the above (d)(1) for Projects involving new construction that require demolition of existing residential Units, provided the number of bedrooms in the new Project is at least equal to the number of bedrooms in the demolished structure.~~ HDFC may grant an exemption when it determines the change will substantially improve the livability of the remaining Units or serve another compelling public policy objective (e.g., a reduction in SRO Units to add private cooking and bathing facilities, or a reduction in public housing bedrooms necessary to meet federal requirements).

(e) Scattered Sites

- (1) All parcels will collectively constitute a single Affordable Housing Development for purposes of these Regulations and meet the following requirements:
 - (A) All sites must have a single owner and Property Manager at the time of close of escrow for HDFC financing, with the exception of any non-residential condominium Units;
 - (B) The debt and associated security instruments of all Project lenders must be the same for all sites, and multiple senior lenders shall not be allowed;
 - (C) Operations across all sites must be covered by a single annual report, Schedule of Rental Income, and annual audit of the Project;

- (D) HDFC must be secured against all parcels of the Project, with lien priority relative to local public agency lenders determined in proportion to their respective assistance amounts; and
- (E) HDFC must be named as an additional insured or loss payee on all applicable insurance policies covering all sites (including but not limited to title insurance policies, hazard, liability, and flood insurance if applicable). Policies must require notice to HDFC prior to any lapse in coverage or claim, and coverage must be maintained for the full term of HDFC's award.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections 50675.4, 53559.1, Health and Safety Code; and Title 24 parts 92.251, 93.301, Code of Federal Regulations.

§ 32016. Accessibility Standards.

- (a) The Project shall meet all accessibility requirements adopted by CTCAC pursuant to 4 CCR § 10325(f)(7)(K), including for Senior Housing Type Projects as specified in 4 CCR § 10325(g)(2).
- (b) Americans with Disabilities Act of 1990 and Physical Design Accessibility Requirements
 - (1) Sponsor shall comply generally with all applicable local, state, and federal building codes and standards, as well as with all design and accessibility laws.
 - (2) Sponsor shall adopt written policies for providing reasonable accommodations, reasonable modifications, and auxiliary aids and services for effective communications with residents and applicants with Disabilities.
 - (3) Sponsor shall ensure that the Project is in compliance with the following housing and building accessibility requirements as applicable:
 - (A) California Building Code (~~CBC~~) Chapters 11A and 11B;
 - (B) The Fair Housing Act (42 U.S.C. § 3601 et seq.) and its implementing regulations at 24 CFR part 100, and the ANSI A117.11986 design and construction standard incorporated by reference at 24 CFR part 100.201a;
 - (C) The Americans with Disabilities Act of 1990 (42 U.S.C. § 12101 et seq.) and its implementing regulations at 28 Code of Federal Regulations part 35 (Title ~~44II~~) and part 36 (Title III);
 - (D) Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794) and its implementing regulations at 24 CFR part 8; and
 - (E) The Uniform Federal Accessibility Standards (UFAS) at 24 CFR part 40, or, in the alternative~~alternatively~~, the 2010 ADA Standards for Accessible Design.
- (c) ~~Project owners with adaptable dwelling Units~~Sponsor shall adopt and implement a written policy for providing reasonable accommodations, reasonable modifications, and auxiliary aids and services for effective communication with residents and applicants with disabilities. Sponsor must provide adequate and visible notice in plain language and accessible formats to tenants in units with adaptable features of their ability to request conversion of the adaptable features into make their Units-
to unit more accessible versions.

(d) All new and existing Projects with ~~fully~~ Accessible Housing Units shall adopt suitable means to ensure that information regarding the availability of Accessible Housing Units reaches eligible individuals with Disabilities and shall take reasonable nondiscriminatory steps to maximize the utilization of such Units by eligible individuals whose Disability requires the accessibility features of the particular unit. Such information shall be included in marketing plans. To this end, when an Accessible Housing Unit becomes Vacant, before offering such Unit to a household who does not need the features of the unit, the Project shall offer such unit:

- (1) First, to a current occupant of another Unit of the same Project having a Disability requiring the accessibility features of the Vacant Unit and occupying a Unit not having such features, or if no such occupant exists, then
- (2) Second, to an Eligible Household on the waiting list having a Disability requiring the accessibility features of the Vacant Unit.
- (3) If no Eligible Household meeting the criteria in subsections (1) or (2) is available, the Accessible Housing Unit may be offered to a tenant who does not need the unit's accessibility features.
- (4) When offering an Accessible Housing Unit to a household that does not require the accessibility features of the unit, the Sponsor shall require the household to execute a lease or a lease addendum agreeing to move to a comparable non-accessible Unit in the Project when such a Unit becomes available and an Eligible Household requiring the features applies.

(e) For Projects with federal funds, refer to Chapter 3, Program-Specific Supplements.

(f) If a rehabilitation applicant does not propose to meet any of the requirements of CTCAC at 4 CCR § 10325(f)(7)(A) through (I), its capital needs assessment must show why the requirements not being met are either unnecessary or excessively expensive. All waivers must be approved in advance by the Executive Director.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Title 24 Part 2 Ch. 11A & B, California Building Standards Code; and Title 24 parts 8.26, 92.251, 93.301, Code of Federal Regulations.

§ 32017. Relocation Requirements.

(a) The Sponsor is solely responsible for complying with all applicable federal, state, and local relocation laws including but not limited to California Relocation Assistance Law (Gov. Code, §7260 et seq.), Gov. Code, § 66300.5 et seq., state relocation regulations (25 CCR §6000 et seq.) and the federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 USC §4601 et seq; 49 CFR Part 24). Where multiple relocation laws apply, the Sponsor shall comply with the most restrictive requirement protecting displaced tenants.

(b) The Sponsor shall indemnify and hold harmless HDFC ~~against~~from any liabilities or ~~costs~~claims arising from Project-relocation related displacement~~costs~~.

- (c) Prior to executing HDFC documents or commencing any activity resulting in displacement, the Sponsor shall submit to HDFC an approved relocation plan or an indemnification regarding non-application of relocation benefits from HCD.
- (d) The Project budget shall include sufficient funds to cover all relocation obligations, and ~~non~~-HDFC funds ~~must~~may be used only for relocation benefits provided to ~~ineligible~~ households: that qualify as displaced under applicable relocation law.
- (e) Temporarily displaced households shall have the right of first refusal to reoccupy the Project upon completion of construction, with Eligible Households entitled to Restricted Units and ineligible households entitled to any available unrestricted Units for which they qualify. California state relocation requirements do not apply to Projects on Tribal Land; however, Projects within Indian Country (18 USC § 1151) must comply with applicable federal relocation requirements under 24 CFR § 1000.14.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Title 24 part 1000.14, Code of Federal Regulations; and Section 7260, Government Code; and Section 50675.1.1, 54928, Health and Safety Code.

Article 2. Threshold Standards

§ 32020. Eligible Applicant.

- (a) An eligible applicant is a Sponsor or a Tribal Entity as described in these Regulations ~~or a Tribal Entity.~~
- (b) A Sponsor shall be any individual, joint venture, partnership, limited partnership, trust, corporation, cooperative, Local Public Entity, ~~duly constituted governing body of an Indian reservation or rancheria~~, or other legal entity, or any combination thereof, and also includes a limited partnership in which the Sponsor or an affiliate of the Sponsor is a general partner, which also meets the requirements of this section, as applicable.
- (c) A Sponsor shall ~~submit the application for HDFC funds~~ be a Tribal Entity that meets the following:
 - (1) Experience. The Tribal Entity must demonstrate experience in developing, operating, or owning at least one Affordable Rental Housing Development of equivalent size, scope and occupancy. This may include experience of developing, operating, or owning low-income housing projects supported by state funds and/or Native American Housing Assistance and Self Determination Act of 1996 (NAHASDA) programs.
 - (A) Where a NAHASDA specific project is relied upon, the Tribal Entity may submit the Indian Housing Block Grant Annual Allocation and Annual Report

that document the use of these funds for the low-income housing developed, owned and operated by the Tribal Entity.

(2) Management Company. The management company must demonstrate prior experience in operating at least one Affordable Rental Housing Development serving a similar population to the proposed Project. If applying for Special Needs Housing Type, Supportive Housing Type, or Farmworker Housing Type, the Sponsor shall demonstrate that experience includes occupancy for Special Needs households, Supportive Housing households, or Farmworker Households, as applicable. This may include experience operating low-income housing projects regulated by HDFC members (HCD, CalHFA) and/or NAHASDA programs.

(A) Where a NAHASDA specific project is relied upon, the Tribal Entity may submit the Indian Housing Block Grant Annual Allocation and Annual Report that document the use of these funds for the low-income housing operated by the Tribal Entity.

(d) The application requesting HDFC funds must be submitted by a Sponsor.

~~(d)~~(e) If there are multiple Sponsors on a Project, the following requirements apply:

- (1) The Co-Sponsor with experience must document that experience in the application as required by this section.
- (2) The Recipient entity must be an affiliate of the experienced Co-Sponsor directly or indirectly controlled by the experienced Co-Sponsor, in accordance with the control standards defined in these Regulations, continuously from the time of award through the full term of the HDFC documents.

~~(e)~~(f) Experience Requirements. Sponsor and management company eligibility, except for Tribal Entities, is based on demonstrated experience and capacity and. Furthermore, Sponsor is evaluated under two classifications: Established Developer or Emerging Developer.

(1) Experience Requirements

~~(A)~~(1) Sponsor Experience

1.(A) An Established Developer Sponsor shall demonstrate:

- a.1. Completion of five (5) or more affordable housing projects subject to public agency affordability, occupancy, and/or rent restrictions placed in service for at least three (3) years;
- b.2. Each project contains at least ten (10) Units,
- c.3. At least two (2) projects are regulated by HDFC, HCD, CalHFA, or CTCAC; and
- d.4. At least one (1) project serves the similar population as the population identified in the HDFC Housing Type for the proposed Project. If applying for Special Needs Housing Type, Supportive Housing Project Type, or Farmworker Housing Type; the Sponsor shall demonstrate that experience includes occupancy for Special Needs Households, Supportive Housing Households, or Farmworker Households, as applicable.

2.(B) An Emerging Developer Sponsor shall demonstrate:

a.1. Completion of at least ~~one~~(1) but no more than ~~four~~(4) projects in service for at least ~~three~~(3) years; completed within 10 years of the date of application

(i)a. Emerging Developer Sponsor may use projects that were developed at other firms if it meets the requirements under paragraph subsection (d), Qualifying Prior Experience below.

b.2. Each project contains at least ~~ten~~(10) Units, and

c.3. At least ~~one~~(1) project is regulated by HDFC, HCD, CalHFA or CTCAC.

d.4. Qualifying Prior Experience

(i)a. HDFC may recognize Affordable Housing Development experience obtained by an individual who serves or served previously as a Development Manager, Senior Development Manager, Project Manager, Senior Project Manager, Director of Development, Vice President of Development, or other comparable position, provided the individual exercised substantial responsibility for planning, financing, entitlements, development, construction, Rehabilitation, or successful completion of the project(s) that is being used for qualifying experience purposes.

(ii)b. HDFC may require documentation to verify material participation in the qualifying project(s), including organizational charts, resumes, employer certifications, development agreements, closing documents, funding applications, or other evidence acceptable to HDFC projects at HDFC's discretion.

(iii)c. Experience credited under this subsection may only be used if HDFC determines the individual exercised primary responsibility for significant development activities and not merely administrative, consulting, or support functions.

(B)(2) Management Company Experience. The management company proposed for the Project must demonstrate:

(A) The management company, proposed for the Project, except for Projects proposed by Tribal Entities, must demonstrate:

1. Experience managing ~~six~~(6) or more projects placed in service for at least ~~three~~(3) years;
2. At least ~~two~~(2) projects regulated by HDFC, HCD, CalHFA or CTCAC; and
3. At least ~~two~~(2) of which must have served the similar population identified in the ~~HDFC~~ Housing Type as the proposed Project. If applying as a Special Needs Housing Type, Supportive Housing Type, or Farmworker Housing Type, the Sponsor shall demonstrate that Property Manager experience includes occupancy for Special Needs Households, Supportive Housing Households, or Farmworker Households, as applicable.

(B) If the management company will be the Emerging Developer for which the project receives Sponsor experience, the Sponsor shall contract with a management company meeting all minimum management company

experience cited in subsection (1) above, for at least three years following the date placed in service.

~~(2)(g)~~ Capacity Requirements. Sponsor and management company eligibility, except for Tribal Entities, is based on demonstrated capacity.

~~(A)(1)~~ Sponsor Capacity. The Sponsor must demonstrate sufficient organizational, financial, and operational capacity: to own and develop the proposed project. Sponsors with significant or unresolved capacity concerns may be deemed ineligible.

~~1.(A)~~ Established Developer Sponsor. An Established Developer Sponsor must provide audited financial statements showing all interrelated entities for the most recent year with no deficiencies, development staff resumes, an organizational chart including all staff involved with the development, as well as other items to confirm sufficient staffing capacity evidence of financial stability. For-profit developers must provide evidence acceptable to HDFC of growing cash and equivalents and positive net income for the past three years. Non-profit developers must provide evidence acceptable to HDFC of growing cash and equivalents and positive change in net assets over the past three years.

~~2.(B)~~ Emerging Developer Sponsor. Capacity requirements differ depending on whether the Emerging Developer applies as the sole Sponsor or partners with an eligible Established Developer as a joint venture.

~~a.1.~~ Sole Sponsor.

~~(i)a.~~ Sponsor shall provide audited or if not available other financial statements for all related entities for up in a form acceptable to the past five (5) years, as applicable, HDFC including but no fewer not limited to a balance sheet and income statement for at least one but no more than one (1) year of statements, three years for the Sponsor. A rent roll and operating statement in a form acceptable to HDFC must also be provided for each proposed Developer of project the Project Sponsor has developed as of fiscal year end for at least one but no more than three years.

~~(ii)b.~~ Sponsor shall provide resumes for all key development team members demonstrating demonstrable experience in planning, financing, and completing affordable housing projects of comparable type, scale, and complexity to the proposed Project.

~~(iii)~~ Sponsor shall provide an organizational chart including all staff involved with the development.

~~(iv)c.~~ A sole Emerging Developer Sponsor is limited to receiving HDFC funding for:

~~1.(i)~~ One (1) Project until after construction loan closing for the Project; and

~~2.(ii)~~ No more than two (2) concurrent Projects until after Permanent Loan Closing on at least one (1) Project.

~~3.~~(iii) These limitations shall not be construed to apply to any project in which the Emerging Developer Sponsor participates pursuant to a Joint Venture arrangement.

~~b.~~2. Joint venture with an Established Developer Sponsor. Joint venture applicants are not subject to the project-number limitations above, and:

(i)a. The Established Developer Sponsor must allocate ~~fifty one percent (51%)~~ at least 40% of the Developer Fee paid primarily from capital funding prior to construction completion or permanent financing close of escrow (whichever is latest), cash flow, and net sale proceeds to the Emerging Developer;

(ii)b. The Established Developer must provide commit to maintaining a material ownership interest in the Project for a minimum of 5 years following the date the project is placed in Service. Right of first refusal for purchase option must to be provided to the Emerging Developer ~~with an option to purchase the Project no sooner than three (3) years after permanent financing close of escrow;~~ and

(iii)c. Both parties must submit a draft memorandum of understanding outlining the roles and responsibilities sufficient to demonstrate adequate capacity, as determined by HDFC. The draft MOU must be executed by the time of loan closing.

(iv)d. Both parties must submit the above documentation ~~to establish in~~ subsection 2(a)(i) and (ii) above to confirm capacity.

~~(B)~~(2) Management Company Financial Capacity. The proposed management company must ~~not have deficiencies in its audited financial statements for all related entities provide evidence acceptable to HDFC of growing cash and equivalents and positive net income for the most recent Fiscal Year past three years.~~

(3) Prior Performance. In evaluating Sponsor eligibility and organizational capacity, HDFC may consider the Sponsor's prior performance ~~under HDFC administered awards and CTCAC programs. Sponsor performance history shall be evaluated in accordance with Section 32098.~~

(h) Community-Based Developers will be allowed as eligible Sponsors if they meet the following requirements:

(1) A nonprofit entity, including a Tribal Entity, and/or a for-profit entity, as required by the applicable funding Program.

(A) The entity shall have been operating in the community to be served by the Project described in the application for a period of at least 24 consecutive months immediately preceding application submittal;

(B) The entity shall reasonably define the community to be served by specifying and delineating the applicable neighborhood geographic area on a map showing, among other things, the boundaries thereof and the number of square miles contained therein, not to exceed 10 square miles for non-Rural Areas or 20 square miles for Rural Areas; and such defined community shall:

1. Be primarily or exclusively located in a Moderate and/or Low Resource area or in a High Segregation and Poverty area, as designated in the most

- recently updated CTCAC/HCD Opportunity Area Map or in such comparable federal map(s) as approved by the HDFC; and
- 2. Include the Project to be funded by the award; and
- 3. Subject to subsection (3) immediately following, include the entity's corporate office within its boundaries.
- (C) The entity satisfies either of the following geographic requirements, as applicable:
 - 1. Where the proposed Project is located in a non-Rural Area, either: (A) the entity maintains a corporate office within 5 miles of the proposed Project, or (B) the entity has developed, owned, or operated at least 3 deed-restricted affordable housing project located within 10 miles of the proposed Project; or
 - 2. Where the proposed Project is located in a Rural Area, either: (A) the entity maintains a corporate office within 10 miles of the proposed Project, or (B) the entity has developed, owned, or operated at least 3 deed-restricted affordable housing projects located within 20 miles of the proposed Project.
- (D) The entity satisfies both of the following experience requirements:
 - 1. The entity has developed, owned, or operated at least 1 Affordable Housing Development that is equivalent to the proposed Project in size, scale, level of amenities, and occupancy. The HDFC may determine experience by evaluating the experience of the entity itself or the experience of the Principal(s) within the organization. If the experience requirement is satisfied by one or more of the Community-Based Developer's Principals, then the Award Commitment Letter and loan documents shall include a Sponsor obligation to provide the HDFC with immediate written notice in the event of such member's or members' departure from or termination by the entity.
 - 2. The entity has at least 5 years' experience in the delivery of Culturally Competent Services and/or Community Benefit Programs to Very Low-Income and/or Low(er) Income Families and Households in the communities served by the entity. This experience must include direct, in-person delivery of at least 2 Culturally Competent Services and/or Community Benefit Programs to the general public within 10 miles of the proposed Project. Such services or programs must have been provided on an ongoing basis and during core business hours, and they cannot have been provided at an existing affordable housing project.
- (E) The entity, and any related parent company or controlling entities, serves no more than 3 distinct, geographic communities, as demonstrated by the location or delivery site of corporate offices, affordable housing projects, Culturally Competent Services, and/or Community Benefit Programs. Tribal entities are exempt from this requirement.
- (F) The entity has community knowledge, commitment to long-term community investment, and population-specific cultural competency, as demonstrated by evidence of at least 2 of the following:
 - 1. Receipt of grant funds for services within the relevant community.
 - 2. Bilingual staff members that provide daily language assistance during the entity's delivery of services to the relevant community.

3. A record of hiring within the community.

- a. Membership in or recruitment from a local Urban League (or substantially equivalent) organization.

(G) Community-Based Developers are encouraged to contact HDFC early in the application process to request technical assistance.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections 50669, 50675.2, 50675.7, Health and Safety Code.

§ 32021. Demonstrated Site Control.

(a) Sponsor shall provide Site Control at Application. The Sponsor must submit with their application evidence that the subject property is within the of site control of documentation as of the application submission date and to HDFC's satisfaction.

(b) Continuing Site Control. By submitting the application, the Sponsor agrees to maintain uninterrupted site control from the time of application submission through the HDFC affordability period, in accordance with requirements adopted by CTCAC pursuant to. The Sponsor shall provide updated site control documentation upon request including prior to executing loan or grant documents.

(c) Any site control documentation must include the types of evidence outlined in 4 CCR § 10325(f)(2), as may be subsequently amended by CTCAC.

(d) For Tribal Housing Projects, site control may alternatively be evidenced by:

- (1) Fee title which, for Tribal Trust Land or restricted land, may be evidenced by a title status report or an attorney's opinion regarding chain of title and current title status. Note: An uncertified title status report will satisfy application requirements. A certified title status report will be required prior to disbursement of the funds awarded.
- (2) A leasehold interest, including a leasehold with respect to Tribal Trust Land, on the property with provisions that enable the lessee to make improvements on and encumber the property provided that the terms and conditions of any proposed lease shall permit compliance with HDFC requirements.
- (3) An executed disposition and development agreement, or irrevocable offer of dedication to a public agency.
- (4) A sales contract, or other enforceable agreement for the acquisition of the property; shall have an expiration date, including extensions, no sooner than construction loan closing and/or start of construction.
- (5) An agreement with a public agency that gives the Sponsor exclusive rights to negotiate with that agency for acquisition of the site, provided that the major terms of the acquisition have been agreed to by both parties.
- (6) A letter of intent, executed by a sufficiently authorized signatory of the Sponsor, that expressly represents to HDFC, without condition or reservation, that, upon

successful application, the Sponsor shall purchase or otherwise acquire sufficient legal interest in the property to accomplish the purpose of the award within six months. The letter of intent may also be acknowledged by the party selling or otherwise conveying an interest in the subject property to the Sponsor if the selling party has been identified at time of application. If this form of evidence is relied upon at the time of application, HDFC may include additional milestones, in the Award Commitment Letter, regarding evidence of eventual site control.

- (7) Other forms of site control that give HDFC assurance (equivalent to items a. through f. above) that the Sponsor will be able to complete the Project in a timely manner and in accordance with program requirements.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections 54928, 50675.7(b)(4), Health and Safety Code.

§ 32022. Readiness to Proceed.

(a) To document readiness to proceed, applicants must submit the following evidence:

- (1) Financing Commitments. Enforceable Financing Commitment letters for all applicable sources must be provided for construction funding, permanent financing, grants, project-based rental assistance, and operating subsidies. This excludes CalHFA financing and pending tax-exempt bond allocations, state credit allocation, and low-income housing tax credits.

(A) For Projects with bond financing, any applicable permanent lender commitment of bond financing is required.

(B) For projects requesting CalHFA financing, applicants must receive initial CalHFA letters of support prior to the HDFC application deadline. All projects requesting CalHFA financing must include CalHFA as the bond issuer on the HDFC application.

- (2) Local Approvals and Zoning. A signed zoning verification form from the permitting authority (e.g., CTCAC Attachment 14), or equivalent documentation such as a legal letter of opinion.

- (3) Certify ability to commence construction within 270 days of an HDFC Award. Commencing construction means beginning the first land-disturbing activity associated with a Project, including land preparation such as clearing, grading, and filling, or the first alteration of any wall, ceiling, floor, or other structural part of a building, whether that alteration affects the external dimensions of the building.

(A) No later than 270 days after the date of the award, HDFC must receive:

1. Executed construction contract.

~~(B)~~2. Recorded deeds of trust for all construction financing (unless the Project is located on Tribal Trust Land and precludes this), binding commitments for permanent financing, binding commitments for any other financing required to complete Project construction.

3. An executed limited partnership agreement executed by the general partner and the investor providing the equity (if applicable)

~~4.~~4. Evidence of the issuance of building permits (a grading permit does

not suffice to meet this requirement except that in the event that the city or county as a rule does not issue building permits prior to the completion of grading, a grading permit shall suffice; if the Project is a design-build project in which the city or county does not issue building permits until designs are fully complete, the city or county shall have approved construction to begin) or the applicable tribal documents; —

5. Evidence of completion of Performance Milestones per Section 32085.

2.6. Notice to proceed delivered to the contractor.

3.7. In the event of a federally declared emergency by the President of the United States, a state ~~declared~~ emergency proclaimed by the Governor of the State of California, or similar event determined by the Executive Committee, and at the sole discretion of the Executive Director, extensions may be granted.

(B) The Executive Director shall rescind the HDFC funding award, if the Sponsor fails to meet the requirements set forth in subsection 3(A) above within 270 days.

1. Failure to comply with subsection 3(A), shall result in immediate rescission of HDFC funding award.

a. HDFC may, in its sole discretion, grant one 30-day extension if the Sponsor has demonstrated to HDFC's satisfaction that:

(i) The failure was due to circumstances entirely outside the Sponsor's control; and

(ii) The Sponsor can reasonably meet all requirements in subsection 3(A) within the extension period.

b. If the Sponsor fails to meet the readiness deadline after the one 30-day extension and HDFC issues a notice of recession, the Sponsor may submit a one-time appeal no later than 15 calendar days prior to the next Executive Committee meeting. The appeal must demonstrate substantial cause for the failure and request that the Project not be rescinded.

c. If the Sponsor is not successful in the appeal or fails to meet all requirements in subsection 3(A) within the one 30-day extension granted, the HDFC funding award shall be rescinded and negative points may also be assessed.

2. Rescinded funds will be reallocated according to the process in Section 32052.

3. For Projects not successful in obtaining 9% tax credits, see Section 31005 above.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections 50675.1.5, 50676, 53559, 53560, 54928, Health and Safety Code.

Article 3. Application Requirements

§ 32030. Application Forms.

(a) Applications shall be submitted using the most current forms provided by HDFC. Applicants shall submit all required application forms and supplementary materials in the manner, format, and quantity prescribed by HDFC.

(b) Applicants requesting 4% bond allocation exclusively through the HDFC pool, must satisfy all threshold and eligible applicant requirements set forth in the CDLAC regulations (4 CCR § 5110).

~~(b)~~(c) Applicants shall complete all applicable sections of the application forms, which includes the application and documentation requirements set forth in 4 CCR § 10322(h)(2) as may be subsequently amended.

~~(c)~~(d) Applicants must identify all requested HDFC funding programs and corresponding amounts on the application workbook at the time of submission, including any requests for COSRs. Applicants may identify alternative HDFC funding programs and amounts for which the Project may be eligible, based on Project feasibility and alignment with HDFC program requirements.

(1) If the funding source for the Sponsor's initial HDFC funding program request is depleted, HDFC may allocate ~~award~~ the Sponsor's ~~Sponsor funding from an alternative funding to award the Project at the same funding amount requested~~ source identified in the Sponsor's application pursuant to Article 4, Section 32045(b)(1)(A).

(A) For all HDFC funding requested, applicants must certify that the Project meets all applicable statutory, regulatory, and program-specific eligibility requirements.

(B) For ~~alternative~~ alternate funding, applicants must:

1. Demonstrate how the Project satisfies the eligibility criteria of the program, including all requirements of Chapter 3, Program-Specific Supplements.
2. Retain full responsibility for ensuring the accuracy and completeness of all certifications and supporting information required under the alternative programs, even though these materials are not required to be submitted at the time of application. All information may be subject to HDFC review. If inaccuracies or omissions are identified, HDFC may request clarification to ensure compliance with program requirements.

Note: Authority: Sections 54928, 54943, 54944 Health and Safety Code. Reference: Sections 54928, 54943, 54944 Health and Safety Code.

§ 32031. Applicant Statement.

(a) Applicants shall complete an applicant statement pursuant to 4 CCR § 10322(h)(1) as may be subsequently amended.

Note: Authority: Sections 54928, 54943, 54944 Health and Safety Code. Reference: Sections 54928, 54943, 54944 Health and Safety Code.

§ 32032. Supporting Documentation.

(a) Applicants must submit all complete supporting documents at the time of application. Where indicated below, HDFC has adopted CDLAC and CTCAC standards and shall coordinate submittal requirements with CDLAC and CTCAC to minimize duplicate reporting and ensure a seamless application process. Detailed requirements are published on the HDFC website. Required documentation includes:

(1) Site control and land cost documentation.

(2) Organizational documents.

(3) A Real Estate Owned (REO) schedule for the most recent fiscal year completed in a form acceptable to HDFC, showing key metrics for each project including but not limited to gross rent, Vacancies, Operating Expenses, net Operating Income, and Debt Service coverage.

~~(3)~~(4) Site and Project information.

~~(4)~~(5) Additional Project information (e.g., utility allowance, fair housing, shared parking, relocation requirements).

~~(5)~~(6) Environmental requirements and reports.

~~(6)~~(7) Scoring and tie-breaker information.

~~(7)~~(8) Evidence of compliance with program-specific supplements for funds requested and alternative funding sources per Chapter 3.

~~(8)~~(9) Supportive Services plans required by Section 32100 for Supportive Housing and Special Needs Housing Types described in Section 32040(b).

~~(9)~~ (10) Evidence of funding commitments.

(10) Local government approvals.

~~(A)~~(11) Appraisal. Appraisal that meets the requirements of [§Section](#) 32065.

~~(11)~~(12) A tenant relocation plan that complies with the relocation requirements set forth in Section 32017 and any other applicable relocation laws, if applicable.

~~(12)~~(13) Sponsors shall disclose within each application all non-HDFC funding source(s), including but not limited to other private, federal, state, and local sources that are under review or are anticipated to be submitted.

~~(13)~~(14) Certifications. Sponsor must submit all applicable certifications with the application. If HDFC does not provide a certification form on its website, the certification must be on professional letterhead.

(A) For Projects with tax-exempt bonds awarded, a third-party tax professional must certify the expected or actual aggregate basis (including land) financed by tax-exempt bond proceeds.

(B) If the Sponsor or an affiliate will finance any portion of the Project (other than deferred fees or \$100 General Partner equity), the Sponsor must provide documentation satisfactory to the Executive Director showing the resources are available and committed, including an audited certification

- from an independent certified public accountant. Public entities are exempt.
- (C) Applications involving High-Rise Projects must include an architect's certification consistent with CTCAC requirements in 4 CCR §10302(jj) as may be subsequently amended.
 - (D) An Eligible Basis certification that meets the requirement in 4 CCR §10322(h)(17), as may be subsequently amended.
 - (E) A tax credit certification that meets the requirement in 4 CCR §10322(h)(20), as may be subsequently amended.
 - (F) Certification of subsidies that meets the requirement in 4 CCR §10322(h)(22), as may be subsequently amended.
- ~~(14)~~(15) Housing need and demand. Applicants shall provide evidence that the type of housing proposed, including proposed rent levels, is needed and affordable to the targeted population within the community in which it is located, per 4 CCR § 10325(f), as may be subsequently amended.
- ~~(15)~~(16) Market study. A market study that meets the requirements of Section 32064 below.
- ~~(16)~~(17) Rehabilitation application. Sponsors proposing Rehabilitation of an existing structure shall provide documentation which must conform to requirements adopted pursuant to 4 CCR § 10322(h)(26).
- ~~(17)~~(18) Sponsor Financial Capacity Schedule. A completed, self-certified Sponsor financial capacity schedule pursuant to Section 32067. Submission of the schedule is required solely to deem the application complete for review and shall not serve as a threshold disqualification item or competitive scoring criterion. However, the information provided in the schedule will be used in evaluating the Sponsor's eligibility for construction funding pursuant to Section 32067(h) in these Regulations.
- ~~(18)~~(19) Any additional documentation required to demonstrate compliance with these Regulations.

Note: Authority: Sections 54928, 54943, 54944 Health and Safety Code. Reference: Sections 54928, 54943, 54944 Health and Safety Code.

Article 4. Application Evaluation & Selection Standards

§ 32040. Scoring Criteria Categories.

(a) Affordability

Projects that meet any one of the following criteria receive 45 points.

- (1) Rural Housing: Projects located in Rural areas as defined in [HSCHealth & Saf. Code](#), § 50199.21 where the average affordability of Restricted Units is less than or equal to 60% AMI, with at least 10% of Units restricted at or below 40% AMI.
- (2) Special Needs and Supportive Housing: Projects where the average affordability of Restricted Units is less than or equal to 60% AMI, with at least 25% of Units restricted at or below 30% AMI for Special Needs Populations. Only eligible for Projects meeting the requirements of Special Needs or Supportive Housing types

per Section 32040 (b) below.

- (3) All others: Projects where the average affordability of Restricted Units is less than or equal to 60% AMI, with at least 10% of Units restricted at or below 30% AMI: and an additional 10% of Units restricted at or below 50%.

(b) Housing Types. An application shall be considered a qualifying Housing Type for purposes of HDFC funding and point allocation only if it meets the requirements of one or more of the Housing Type categories below. A Scattered Site more than ~~one~~ (1) mile from the nearest other site shall meet the requirements related to common areas, play/recreational facilities, and laundry facilities independently.

- (1) New construction Projects that meet any one of the following criteria receive 35 points.

(A) Large Family Housing

1. Consistent with requirements adopted by CTCAC for “Large family projects” pursuant to 4 CCR § 10325(g), to be considered Large Family Housing, at least ~~twenty-five percent (25%)~~ 25% of the Project’s Units shall be three-bedroom or larger Units and an additional ~~twenty-five percent (25%)~~ 25% of the Units shall be two-bedroom or larger Units, in addition to meeting other requirements as further defined by CTCAC in 4 CCR § 10325(g)(1).

(B) Senior Housing

1. Consistent with requirements adopted by CTCAC for “Senior projects” pursuant to 4 CCR § 10325(g), to be considered Senior Housing, all Units shall be restricted to households eligible under applicable provisions of California Civil Code, §§ 51.3, 51.3.5, and 51.3.511 and the federal Fair Housing Act and shall be further subject to Fair Housing Laws with respect to Senior Housing. As applicable, Projects with Senior Units receiving project-based Section 8 rental subsidy, or other applicable federal rental subsidies that specifically prohibit a senior restriction, may use a senior preference for senior unit leasing, in compliance with U.S. Code Title 42 Chapter 8 Subchapter I § 1437(f), 42 USC § 1437f, in addition to meeting other requirements as further defined by CTCAC in 4 CCR § 10325(g)(2).
2. All Units must be occupied by Senior Housing residents are defined as an individual 62 years of age or older, or 80% of Units must be occupied by residents 55 years of age or older, capped after 25% of all funding awarded. in a senior housing development per Civ. Code, § 51.3(b)(4).

(C) Farmworker Housing

1. To qualify as Farmworker Housing, a Project must meet the following requirements:
 - a. At least ~~twenty-five percent (25%)~~ 25% of the Units are available to and occupied by Agricultural Farmworker Households.
 - ~~b. The Project shall adopt and implement an occupancy preference policy for households occupied by Agricultural Workers. This policy shall~~

apply to all Restricted Units at initial lease up and at each subsequent household turnover.

- c. ~~The Project's tenant screening and selection procedures must incorporate this occupancy preference, including a requirement that Agricultural Households receive priority for the next available Restricted Unit, in the order in which their application is received by the Property Manager.~~

(D) Special Needs Housing

1. To qualify as Special Needs Housing, a Project must have the greater of ~~fifteen (15)~~ Restricted Units or ~~twenty-five percent (25%)~~ of the Restricted Units reserved for Special Needs Population(s). The ~~fifteen (15)~~ Low-Income Unit minimum shall not apply to a Project with committed HUD § 811 funding. The Project must provide a preliminary Supportive Service plan as described in Section 32100 and in CTCAC under 4 CCR § 10325(g)(3)(I) addressing the needs of the ~~Target~~Special Needs Population at the time of application. Special Needs Housing applications shall also meet all requirements of 4 CCR § 10325(g)(3). ~~Below are exceptions to 4 CCR § 10325(g)(3) for, except that~~ HDFC-regulated Special Needs Housing Projects are exempt from the following requirements of 4 CCR §10325(g)(3):
 - a. ~~Exempt from average targeted income for the Special Needs Units of no more than forty percent (40%) of AMI;~~
 - b.a. Exempt from requirement~~Requirement~~ for any development with less than ~~seventy-five percent (75%)~~ of the Low-Income Units serving Special Needs Population(s), the non-Special Needs Units shall either: (i) meet the Large Family or Senior Housing requirements; or (ii) consist of at least ~~twenty percent (20%)~~ one-bedroom Units and at least 10% larger than one-bedroom Units.-
 - b. Average targeted income for the Special Needs Units of no more than 40% of AMI (4 CCR §10325(g)(3)(A)).

(E) Supportive Housing

1. To qualify as Supportive Housing, as that term is defined in HSC Health & Saf. Code, § 50675.14(c)(1), a Project must meet the following requirements:
 - a. ~~Forty percent (40%)~~ of the Restricted Units are reserved for people experiencing Chronic Homelessness or youth Homelessness or exiting institutions, as defined also in Chapter 3, ~~Article 4~~, Section 33001.
 - b. Must provide a preliminary Supportive Service plan as described in Section 32100 and in 4 CCR § 10325(g)(3)(I).

(F) Tribal Housing

1. To qualify as Tribal Housing, the Sponsor must be a Tribal Entity or the Project must be located on Tribal Land- or within a tribe's Indian Area as defined under 25 USC § 4103(11).

(G) High-Density Housing

1. To qualify as High-Density Housing, a Project must meet HDFC's required minimum Net Density (dwelling Units per acre) at completion, based on the Project's location category, as defined below. This Housing Type will be capped after ~~twenty-five (25%)~~ % of all funding ~~is~~ awarded. The ~~four (4)~~ Project location categories are defined as follows:

Project Location Designation	Minimum Net Density Requirements	
	Residential Only Projects	Mixed-Use Project (FAR)
Large City Downtown	60 Units/Acre	>3.0
Urban Center	40 Units/Acre	>2.0
All Other Areas	25 Units/Acre	>1.5
Rural	15 Units/Acre	>1.0

2. High-Density Housing may include all unit types, with minimum unit size requirements not less than the minimum size for Single Room Occupancy (SRO)/studio units as specified in CTCAC regulations (4 CCR §§ 10302 and 10325).

(H) Rehabilitation and/or Preservation Housing

1. To qualify as Rehabilitation/Preservation housing, the Project must meet the requirements defined in these Regulations and will be awarded points as follows.
2. A Project meeting any of the following criteria will receive 25 points:
 - a. At-Risk Project.
 - b. A replacement or Rehabilitation Project approved by HUD pursuant to a Section 18 or 22 Demolition/Disposition authorization.
 - c. A Project being rehabilitated under the HUD Rental Assistance Demonstration (RAD) Program, or a Rehabilitation Project that has received a new Section 515 loan from the United States Department of Agriculture.
 - d. A Project that received an award from HCD's Portfolio Reinvestment Program.
 - e. A Project with a pre-1999 HCD loan.
3. A Project that does not qualify for any of the criteria in [subsection \(H\)\(2\)](#) above and meets either of the following criteria will receive 20 points:
 - a. A Project with at least \$120,000 in hard construction costs per tax credit unit and is replacing at least ~~two (2)~~ major building systems; or
 - b. A Project applying with SRO Housing, as defined in 4 CCR § 10325(g) of the CTCAC regulations, and the Rehabilitation will add a bathroom and complete kitchen to each unit.

4. A Project meeting all of the following will receive 10 points:
 - a. The Project does not result in a distribution of net project equity, as that term is defined in 4 CCR § 10302(gg) of the CTCAC regulations, to a general partner or a related party to the general partner. For purposes of this [subparagraph section](#), there may be a buyout of a limited partner or equity distributed to a third-party seller;
 - b. There is no partial or full repayment of existing soft financing, except for loans less than or equal to the greater of \$500,000 or 1.5% of the Project's total development costs or for temporary repayments that will be restored in the permanent financing; and
 - c. The application's Developer Fee limit pursuant to 4 CCR § 10327(c)(2) is further limited to a cash-out Developer Fee no greater than 80% of the CTCAC cash-out Developer Fee limit.
- (c) Climate and Location Priorities. Projects may receive a maximum of 20 points for meeting Climate and Location criteria.
- (1) Projects ~~may receive a maximum of~~ located in High/Highest Resource areas 20 points for meeting Climate and Location requirements.
 - (A) AHSC/TOD in High/Highest Resource areas 15 points.
 - (2) Any Projects developed on Tribal Land or ~~in High/Highest Resource Locations~~ will receive within a
 - (2) tribe's Indian Area as defined under 25 USC §4103(11) 20 points.
 - (C) ~~Projects seeking AHSC and/or TOD funding will only receive a maximum of 15 points for High/Highest Resource Locations but are eligible for up to 5 points through option 4(F) below.~~
 - (3) For Projects not eligible for (1) or (2):
 - (A) Any Projects located in Moderate Resource area 5 points.
 - (3)(4) Project may receive a maximum of 15 points in the ~~Climate and Location category for meeting the Site Amenities requirements criteria~~, as defined below.
 - (C)(A) Points will be awarded as consistent with 4 CCR § 10325(c)(4)(A) of the CTCAC Regulations, with the following exceptions:
 1. Projects in Rural locations will automatically receive 3 points for any proximity to a Areas located within 5 miles of a park
 1. or community center accessible to the general public. 3 points.
 2. Projects in Rural locations will receive 3 points for being Areas located within 5 miles of a
 - qualifying medical clinic with a physician, physician's assistant, or nurse practitioner onsite for a minimum of 40 hours each-week, or hospital, and 2. 3 points for being.
 - 2.3. Projects in Rural Areas located within 10 miles of a
 - Qualifying medical clinic with a physician, physician's

assistant, or nurse practitioner onsite for a minimum of
40 hours each week, or hospital.

2 points.

(5) Projects may ~~receive a maximum of 5~~only request points in the Climate and Location category forwith one of the following benefits.:

(4) Projects pursuing AHSC and/or TOD funds ~~must meet and utilize the option (F) below and are not eligible for~~cannot obtain points in the other options. categories A through F in this section unless specified in subsection 6(A) below.

(A) Prohousing Status. Affordable Housing Developments located in a jurisdiction that has adopted a housing element that has been found by HCD to be in substantial compliance with the requirements of Article 10.6 (commencing with Gov. Code, § 65580) ~~of the Government Code~~ in compliance with State Housing Element Law and is designated prohousing pursuant to ~~subdivision (c) of Gov. Code, § 65589.9 of the Government Code (c)~~ and to California Code Regs., tit. 25, CCR § 6600 et seq. ~~and to Cal. Code Regs., tit. 25, § 6600 et seq.~~

5 points.

(B) State Excess Site. Projects to be developed on land disposed pursuant to Executive Order N-06-19. For excess state-owned property disposed of under Executive Order N-06-19, the Project must have been selected by HCD/HDFC and the Department of General Services to enter into a ground lease with the State of California for the development of affordable housing on excess state-owned land.

5 points.

(C) Local Surplus Land. Projects acquired or leased from a local agency ~~with~~must include an HCD findings letter documenting compliance with Surplus Land Act (SLA), as defined in SLA Guidelines Section 500(c). This requirement applies even if the land is determined to be exempt or excluded from SLA. All applications must include the letter directly in the application submission, even if it is available in the HCD catalogue of findings letters.

5 points.

(D) Rural Disadvantaged Community. Project is located in a census tract identified as a Disadvantaged Community on the Cal EPA~~CalEPA~~ SB 535 map and as defined in Section 34000 and is not located within a census block designated as an urban area by the United States Census Bureau in the most recent decennial census.

10

points.

(E) Projects located on Land from faith-based organizations.

5 points.

(F) In a location that is 15% below the regional average for per-capita VMT.

5 points.

~~(E)~~(G) Federal Disaster Area: Projects located within a county that is included in a federal major disaster declaration, pursuant to 42 USC § 5122, by the Federal Emergency Management Agency (FEMA) and includes Individual Assistance designation.

5 points.

1. Federal major disaster declarations with only Public Assistance do not qualify.
2. Major disaster declaration with Individual Assistance designation date must be within three years of application submission date.

3. Applicants are required to provide a copy of the disaster declaration number and FEMA webpage, or map showing the county was included in the major disaster declaration with Individual Assistance designation.
- (F)(6) ProjectsAny Project may receive a maximum of 5 points in the AHSC/TOD category for meeting the following AHSC requirements,benefits. Projects pursuing AHSC and/or TOD funds must meet and utilize the section below and obtain 5 points.
1. Prohousing: Per requirements in above Section 32040(c)(4)(A). 1 point.
(A) Criteria from above section (5)(A), (B), (C), (E), (F) and (G) are each eligible to be counted in this section for AHSC/TOD programs. 1 point.
 2. (B) Proximity to Climate-Related Public Investments. Projects that are located within 1 mile of existing, planned, or previously funded climate-related public investments, including transportation, active transportation, climate resilience, transit-oriented development, and other community-serving infrastructure improvements, through California Climate Investments Funded Programs. 1 point.
Programs. 1 point.
 3. (C) Disadvantaged Community. Projects located in a disadvantaged communityDisadvantaged Community as identified on the CalEnviroScreen SB 535 Disadvantaged Communities map. 1 point and as defined in Section 34000 of these Regulations. 2 points.
 4. (D) Parking Limits. Projects that provide one parking space or less for every two Units. 1 point.
 5. (E) Walkability. Up to 2 points will be given for the Location Efficiency of the Project site as determined by the US EPA Walkability Index using the address of the Project site. Click here for the methodology for the Walkability Index [epa.gov]. 2 points: Most Walkable (Dark Green; 15.25-20) and 1 point: Above Average Walkable (Light Green; 10.51-15.25).
 1. Most Walkable (Dark Green; 15.25-20). 2 points.
 2. Above Average Walkable (Light Green; 10.51-15.25). 1 point.
 3. For Rural Projects - Above Average Walkable. 2 points.
 6. (F) Bicycle Parking. Provide at least one1 Secure Overnight Bicycle Parking space for every two2 residential Units. 1 point.
 7. (G) Transit Passes. Provide free or discounted transit passes to all residents for not less than three (3) years. 1 point(If used here, can't be used in Amenities). 2 points.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections 50517.5, 50675.14, 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code.

§ 32041. Tie-Breakers.

If two or more applications are awarded the same total number of points, HDFC shall apply a formal tie-breaker methodology. Applications shall be ranked by the highest public benefit per dollar of cost-adjusted requests.

(a) A Project's public benefit is the sum of all of the following:

(1) The Project's rent savings benefit, which is as follows:

(A) For all Projects not covered in [subparagraph subsection](#) (B), the product of the sum across all Restricted Units of each unit's difference between the monthly fair market rent established by HUD for the County in which the Project is located and the Area Median Income monthly gross rent limit for that Unit at the targeted rent level for the appropriate bedroom size, all calculated according to the methodology for tax credit rents, multiplied by 180. If this calculation results in a negative number for any particular unit, then the rent savings benefit for that Unit shall not be lower than zero. [Units with federal project-based rental assistance or a similar local rental assistance program approved by the Executive Director shall be assigned targeted rent levels the greater of actual rent targeting or 30% AMI.](#) If the average affordability of Restricted Units, [exclusive of units with rental assistance](#), is less than ~~30~~40% AMI, then the calculation shall assume a targeted rent level of ~~30~~40% AMI for each tax credit unit [that does not have rental assistance](#).

(B) For Acquisition/Rehabilitation Projects whose actual rents are less than the CTCAC rent limits, the sum of the following: (a) for Restricted Units without federal project-based rental assistance or a similar local rental assistance program approved by the HDFC Executive Director, the product of the sum across all such Units of each Unit's difference between the monthly fair market rent established by HUD for the county in which the Project is located and the average rent charged for each Unit over the last three years, as documented with rent rolls or property audits, multiplied by 180. If this calculation results in a negative number for any particular unit, then the rent savings benefit for that Unit shall not be lower than zero.

(2) The Project's population benefit, which is comprised of a Very Low-Income (VLI) benefit and a special populations benefit.

(A) The VLI benefit is the product of the number of Restricted Units targeted at 50% of AMI or below multiplied by 180, ~~as follows:~~ [Units with federal project-based rental assistance or a similar local rental assistance program approved by the Executive Director shall be assigned targeted rent levels the greater of actual rent targeting or 30% AMI. If the average affordability of Restricted Units, exclusive of units with rental assistance, is less than 40% AMI, then the calculation shall assume a targeted rent level of 40% AMI for each tax credit unit that does not have rental assistance. The VLI benefit is calculated as follows:](#)

1. A benefit for the product of the number of Restricted Units targeted at 30% of AMI or below multiplied by \$1,250.
2. A benefit for the product of the number of Restricted Units targeted at 35% of AMI or below multiplied by \$1,000.
3. A benefit for the product of the number of Restricted Units targeted at 40% of AMI or below multiplied by \$750.

4. A benefit for the product of the number of Restricted Units targeted at 45% of AMI or below multiplied by \$500.
 5. A benefit for the product of the number of Restricted Units targeted at 50% of AMI or below multiplied by \$250.
- (B) The special populations benefit is the product of the number of Restricted Units restricted to ~~persons with~~ Special Needs ~~Population~~Populations, or Farmworkers, as defined in Section 34000 of these Regulations. ~~Benefit is limited to no more than 25% of Restricted Units, multiplied by \$100,000, or, for Projects eligible for the HDFC Special Needs or Supportive Housing Types (at least 25% of Restricted Units available to Special Needs Population or 40% for Supportive Housing) the product of the number of Restricted Units designated for Special Needs Population factors listed as follows below, and limited to no more than 50% of Restricted Units, multiplied by \$300,000.:~~
1. A benefit for the product of the number of Restricted Units dedicated to Special Needs Populations multiplied by \$100,000. Eligible to Projects with fewer than 25% of the Restricted Units dedicated to Special Needs Populations. Units receiving this special populations benefit are subject to supportive services requirements per Section 32100.
 2. A benefit for the product of the number of Restricted Units dedicated to Special Needs Populations multiplied by \$300,000. Eligible to Projects that restrict 25% or more of the Restricted Units to Special Needs Populations. Units receiving this special populations benefit are subject to supportive services requirements per Section 32100.
 3. Farmworkers multiplied by \$50,000.
- (3) The Project's location benefit, which is comprised of a Resource Area benefit, a Community Revitalization Area benefit, a Community-Based Developer benefit and a Greenhouse Gas Reduction benefit. If a Project is eligible for both a Resource Area benefit and a Community Revitalization Area benefit, the Sponsor shall select only one of these benefits. The Resource Area benefit and Community Revitalization Area benefit shall not be additive.
- (A) The Resource Area benefit is one of the following:
1. The product of the bedroom-adjusted number of Restricted Units, using the current CDLAC tie-breaker adjustment factors pursuant to CDLAC ~~regulation~~regulations 4 CCR § 5106(f), as may be subsequently amended, in a Large Family ~~or, Special Needs, Supportive Housing, or High Density Housing~~ Project per Section 32040(b) located in a Highest Resource Area as specified on the CTCAC/HCD Opportunity Area Map multiplied by ~~\$3090~~,000.
 2. The product of the bedroom-adjusted number of Restricted Units in a Large Family ~~or, Special Needs, Supportive Housing, or High Density Housing~~ Project per Section 32040(b) located in a High Resource Area as specified on the CTCAC/HCD Opportunity Area Map multiplied by ~~\$2060~~,000.
 3. The product of the bedroom-adjusted number of Restricted Units in a Large Family ~~or, Special Needs, Supportive Housing, or High Density Housing~~ Project per Section 32040(b) located in a Moderate Resource Area as specified on the CTCAC/HCD Opportunity Area Map multiplied by \$10,000. A Sponsor may choose to utilize the census tract or census block

group resource designation from the CTCAC/HCD Opportunity Maps in effect when the initial site control was obtained up to seven calendar years prior to the application.

4. The product of the bedroom-adjusted number of Restricted Units in a new construction or Acquisition/Rehabilitation Project located in neighborhoods identified as experiencing neighborhood change as specified on the HCD Neighborhood Change Map multiplied by \$30,000.
 5. A Project is ineligible for this benefit if it receives a Community Revitalization Area benefit.
- (B) The Community Revitalization Area benefit is the product of the bedroom-adjusted number of Restricted Units that are located in a Community Revitalization Area and are a component in the Area's Community Revitalization Plan multiplied by \$20,000. A Project is ineligible for this benefit if it receives a Resource Area benefit.
- (C) The Community-Based Developer benefit is the product of the bedroom-adjusted number of Restricted Units multiplied by \$20,000, for applications submitted by Community-Based Developers. A Project is ineligible for this benefit if it receives a Resource Area benefit or Community Revitalization benefit.
- (D) The Tribal Entity benefit is the product of the bedroom-adjusted number of Restricted Units multiplied by \$20,000, for applications submitted by Tribal Entities. A Project is ineligible for this benefit if it receives a Resource Area benefit or Community Revitalization benefit.
- (4) The Greenhouse Gas Reduction benefit applies to Projects that have requested and are eligible for AHSC funding in their application and meet AHSC eligibility requirements as defined in Section 33004. This benefit applies to Projects that have included AHSC in their financing plan, rather than an alternate source to prevent a Project from being skipped pursuant to this article- and Section 32030. The benefit applies to the bedroom-adjusted number of Restricted Units multiplied by \$65,000 the per-unit amount in subsection (B) that corresponds to the Project's Per-Unit GHG Reduction.
- (A) Per-Unit GHG Reduction is the total reduction in greenhouse gas emissions over the life of the Project, in metric tons of carbon dioxide equivalent (MTCO₂e), as reported in the Total GGRF GHG Emissions Change output of the AHSC Affordable Housing Benefits Calculator Tool developed by the California Air Resources Board, divided by the total number of units in the Project.
- (B) The per-unit amounts are:
1. 80 MTCO₂e or more per unit: \$85,000.
 2. 60 to less than 80 MTCO₂e per unit: \$75,000.
 3. 40 to less than 60 MTCO₂e per unit: \$65,000.
 4. 20 to less than 40 MTCO₂e per unit: \$55,000.
 5. Less than 20 MTCO₂e per unit: \$45,000.
- (b) The cost-adjusted HDFC funding request (HDFC Request) resource allocation shall be calculated by reducing the unadjusted HDFC Request, bond, state- and plus the tax-exempt bond request for 4% federal tax credit projects, plus 9% federal tax credits at a factor of 85% times the annual credit request, as

~~applicable, by the following discounts below. For HDFC Round 1, prior HCD awards (from eligible multifamily funding programs) will not be included as part of the HDFC funding request. HDFC may apply weights to each type of resource requested, as published by HDFC prior to an application deadline, in order to balance state priorities and individual resource efficiency.~~

(b) :

- (1) For purposes of this section, the unadjusted bond calculation will assume an amount equal to the greater of 3027.5% of the aggregated depreciable basis plus Land Basis or the actual amount requested for all Projects.
- (2) 15% for Projects that are paid for in whole or in part out of public funds and are subject to a legal requirement for the payment of state or federal prevailing wages on the entire Project. An additional 3% for Projects that certify that either (i) they are subject to a project labor agreement within the meaning of ~~§ 2500(b)(1) of the Public Pub.~~ Contract Code, § 2500(b)(1) that requires the employment of construction workers who are paid at least state or federal prevailing wages or (ii) the general contractor has an enforceable commitment to participate in state-approved apprenticeship training programs and provide health care for construction workers and their dependents.
- ~~(3) For purposes of this section a Capitalized Operating Subsidy Reserve (COSR) requested as part of the HDFC Request will not apply, unless the COSR requested is over \$3,000,000 per Section 33000.~~
- ~~(4)~~(3) 25% of the statewide basis delta for the county in which the Project is located, as most recently published by CTCAC the statewide basis delta for each county, which shall represent the percentage difference between the two-bedroom 4% tax credit threshold basis limit for the county and the median two-bedroom 4% tax credit threshold basis limit for any county in the state, as those limits are determined by CTCAC.
- ~~(5)~~(4) For Acquisition/Rehabilitation Projects requiring seismic upgrading of existing residential structures, and/or requiring on-site environmental remediation, including cleanup of lead or asbestos, and sporic growth, the lesser of 15% or the percentage of the cost-adjusted HDFC Requestresource allocation related to such costs, to the extent that the project architect or seismic engineer certifies in the application to the costs associated with such work.

(c) The HDFC Request shall be adjusted by the following factors:

- (1) For purposes of this section, a Capitalized Operating Subsidy Reserve (COSR) requested as part of the HDFC Request will not apply, except for the portion of COSR requested over \$6,000,000 per Section 33000.
- (2) For 2027, prior HCD awards (from eligible multifamily funding programs) will not be included as part of the HDFC Request.
- (3) HDFC may apply weights to each type of resource requested, as published by HDFC prior to an application deadline, in order to balance state priorities and individual resource efficiency.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929,
Reference: Section: 2500, Public Contract Code; and Title 24, Sections: 602.2, 602.3,
California Building Code

§ 32042. Set-Asides and Geographic Regions.

- (a) ~~Award~~HDFC shall make ~~award~~ decisions ~~will be~~ based on ~~requests for HDFC funding, including state tax credits~~the HDFC Request, according to the scoring criteria in Section 32040 and ~~all federal and state loans and grants~~the tie-breaker in Section 32041. The associated federal Private Activity Bonds and/or low-income housing tax credits will be allocated with HDFC Requests until the total allocation of ~~resources~~HDFC Requests has been exhausted for that funding round.
- (b) To promote an equitable distribution of program funds, and subject to the availability of eligible applications, HDFC shall make HDFC ~~subsidy, including subsidy and any available state tax credits,~~Requests available to the set-asides and geographic regions described below. For purposes of distributing funds across the State, HDFC intends to set-aside funding in approximately the amounts specified in each target geographic region. Notwithstanding these set-asides and geographic region targets, due to statutory or regulatory requirements or the availability of funds in a given round or program year, HDFC may be unable to achieve stated target set-aside and/or geographic region distribution levels.

As soon as practicable after the beginning of each calendar year (but also permitted to be determined at the end of the previous calendar year), and before any applications are considered, HDFC shall determine and announce the amounts available in ~~each~~the first funding round for the year to each of the set-asides and geographic regions, and the ~~order of geographic region~~ funding order pursuant to Section 32045. Subsequent funding rounds in the year will be announced in the same manner before any applications are considered. Absent action from HDFC, the following set-aside default percentages will apply.

Pursuant to Section 32045, the Executive Committee shall establish a rank-order list of all Projects to be awarded in each funding round.

- (c) Set-Asides: 3540% of total resources

Set-Aside	Default Percentage
Rural	~~40~~ <u>12.5</u> %
Supportive Housing <u>and/or Special Needs</u>	10%
Emerging Developer <u>or Community-Based Developer</u>	<u>7.5</u> %
Rehabilitation/Preservation	10%

- (1) Projects competing within the Rehabilitation/Preservation and Rural set-asides shall not compete within the geographic regions. Supportive Housing and /or Special Needs and Emerging Developer or Community Based Developer set-

aside Sponsors may, if unsuccessful in the set-aside, compete in the applicable region. Set-aside awards shall not be counted towards the geographic region targets.

~~(2) The Rural, Supportive Housing, and Emerging Developer set-asides are limited to new construction Projects only.~~

~~(3)~~(2) A Project may only compete in one set-aside.

~~(A) Rural projects may elect to compete within the Supportive Housing and/or Special Needs, Emerging Developer or Community-Based Developer, or Rehabilitation/Preservation set-aside.~~

~~(3) The Rural, Supportive Housing, and Emerging Developer or Community-Based Developer set-asides are limited to new construction Projects only.~~

~~(4) For purposes of the Supportive Housing and/or Special Needs set-aside only, Supportive Housing applications shall be awarded prior to any other application eligible for the Supportive Housing and/or Special Needs set-aside, provided that such projects earn at least 95% (rounded down to the nearest whole number) of the maximum available points pursuant to Section 32040.~~

(d) Geographic Regions: 5550% of total resources

(1) As determined by the Executive Committee pursuant to paragraph subsection (a), amounts available for geographic regions shall be made according to the following methodology:

Regional allocations are determined based on each region's share of cost-burdened, lower-income renter households (up to 80% AMI) relative to the statewide total of cost-burdened, lower renter households, excluding predominantly Rural counties not listed above. Predominantly Rural counties were excluded because projects in these areas will compete within the Rural set-aside rather than within the geographic regions. After establishing each region's percentage, values are adjusted by applying a 50% Fair Market Rent (FMR) threshold basis limit coefficient, based on the average FMR two-bedroom 4% tax credit threshold basis limit across counties within each region ~~and weighted by the number of cost-burdened lower-income renter households~~, to account for regional housing cost differences.

Data sources: HUD Fair Market Rents, HUD Consolidated Planning and Comprehensive Affordability Strategy special tabulation of 5-year estimates; TCAC Threshold Basis Limits.

(2) Geographic regions shall reflect the counties listed after each region below. The regional allocations shall be updated and published annually with the most current data. For 2027 HDfC allocation rounds, the geographic regions reflect the approximate percentages below, according to the methodology in this section:

Coastal Region (Monterey, Napa, Orange, San Benito, San Diego, San Luis Obispo, Santa Barbara, Sonoma, and Ventura Counties)	25.424.1%
Los Angeles County	34.30%

Bay Area Region (Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, and Santa Cruz Counties)	17.89%
Inland Region (Fresno, Imperial, Kern, Kings, Madera, Merced, Riverside, San Bernardino, Stanislaus, and Tulare Counties)	15.1%
Northern Region (Butte, El Dorado, Placer, Sacramento, San Joaquin, Shasta, Solano, Sutter, Yuba, and Yolo Counties)	8.49%

- (3) Awards of HDFC ~~funding, including state tax credits and all federal and state loans and grants~~ Requests to projects within any one city or county in a geographic region shall not exceed the greater of 50% of a given the per Project cap pursuant to Section 32070(a)(3) or 50% of the respective geographic region's allocation in a single round— pursuant to Section 32045(c), except in regions with a single county, in which the county limitation shall not apply.
- (4) Tribal Housing Projects in non-Rural Areas shall compete in the geographic regions listed above. Tribal Housing Projects in Rural Areas, including in predominantly Rural counties not listed here, shall compete in the Rural set-aside.

(e) Statutory Requirements Reserve – 10% of total resources

- (1) Approximately 10% of the total resources available shall be reserved in a Statutory Requirements Reserve to facilitate compliance with statutory requirements and achieve a balance of state policy goals, including but not limited to:
- (A) A percentage of MHP funds will be awarded to Senior Housing pursuant to ~~§ 50675.1(c) of the Health and Safety & Saf. Code, § 50675.1(c).~~ HDFC will determine the time period over which it will measure compliance with this requirement; that period shall be not less than once per year or every two funding cycles, whichever period is longer.
- (B) The programmatic goal of awarding 50% of AHSC funds to Projects benefiting ~~disadvantaged communities~~ Disadvantaged Communities, to the extent eligible applications are received, pursuant to ~~§ Gov. Code, § 75214 of the Government Code, as identified on the CalEnviroScreen SB 535 Disadvantaged Communities map defined in Section 34000, Definitions.~~
- (C) HDFC will prioritize maximum utilization of federal program funds with approaching federal commitment and expenditure deadlines to avoid recapture of federal funds by HUD, including but not limited to HOME and NHTF, pursuant to 24 CFR §92.500(d) and 24 CFR §93.400(d).

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section: 50675.1, Health and Safety Code; and Section: 75214, Public Resources Code; and Title 24 Part 92.201(b), Code of Federal Regulations.

§ 32043. Minimum Score Requirements.

- (a) All scoring criteria are set forth above in Sections 32040 to 32043.
- (b) Any reference outside these Regulations and Article 4, Application Evaluation & Selection Standards for the current funding round (including references in the guidelines or regulations of a similarly named Program) to ranking, rating, or administering funds in a manner consistent with other programs shall not be interpreted as authorizing funding criteria or requirements that conflict with those approved by the voters through a statewide initiative or referendum.
- (c) Applications that meet the funding round and Regulations' threshold requirements, as noted in Sections 32020-32022, that are submitted with a self-score meeting the minimum score requirement of 82, will be evaluated according to Section 32044. Incomplete applications, or those not expected to receive an award due to comparatively low scores or ranking, may not undergo full evaluation.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code.

§ 32044. Evaluation Process.

- (a) Applications received in a funding round will be reviewed for accuracy and completeness using HDFC Regulations criteria and competitively scored according to the scoring and ranking system delineated in these Regulations. Only applications that are substantially complete and with a self-score high enough to receive an award shall be reviewed.
 - (1) Projects will be evaluated and ranked based on information submitted in the application. All application requirements shall be met in the application submission through a presentation of conclusive, documented evidence. Further, a Project's points will be based solely on the current year's scoring criteria and application review, without respect to any prior year's score for the same Project.
- (b) Applications submitted within a funding round will be reviewed following the close of the application deadline. All documentation submitted with the application will be assessed for completeness, accuracy, and compliance with these Regulations.
 - (1) Point scores submitted by Sponsors are reviewed for accuracy and confirmed in accordance with the scoring criteria. Upon completion of scoring and documentation review, point letters are issued to Sponsors communicating verified scores as described in this section.
 - (2) Applications are reviewed to determine all threshold requirements have been met. Applications that do not meet threshold requirements will receive a disqualification letter outlining the basis for ineligibility.

- (c) After scoring and threshold determinations are complete, each Project's compliance with all applicable program requirements, feasibility and underwriting will be evaluated. When assessing HDFC program requirements under Chapter 3, Program-Specific Supplements, HDFC staff may request and accept corrective documentation, provided these corrections do not significantly modify threshold or scoring determinations or competitive standing.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code.

§ 32045. Application Ranking.

- (a) In each funding round, applications will be ranked according to the number of points awarded by HDFC pursuant to Section 32040. If ~~two~~² or more applications are awarded the same number of total points, those applications will be ranked according to the tie-breaker score, and according to set-aside and geographic region funding order described in this Article.

- (1) Set-asides and geographic regions will be funded to the extent eligible applications and program funds exist. If HDFC receives fewer eligible applications than funding available in a set-aside or region or if funds remain after awarding all applications according to the priority ranking order described in this Article, any unawarded funds within set-asides and/or geographic regions may be used to fund remaining eligible applications based on ranked score in tandem with the Statutory Requirements Reserve.

- (b) Applications will be ranked as follows:

- (1) All applications in a set-aside or geographic region will be ranked amongst themselves. An application that requests more than is available in its set-aside or geographic region will be ineligible for an award and will be disqualified from competing in the funding round. Applications requesting a single funding source or a combination of HDFC program funding must rank high enough to be awarded the entire requested amount. HDFC will not partially fund requested amounts. For example, if all MHP funds have been allocated through ranking and IIG funds remain available, and the next-ranked application requests both MHP and IIG, the application will be skipped.

- (A) Notwithstanding paragraph subsection (1), applicants may elect to accept alternate fund sources if a source in the submitted financing plan has been exhausted, in order to avoid getting skipped. For each funding source, an applicant will list in priority order each alternate source they would accept if a given source has been exhausted. Projects will not be skipped if eligibility and program requirements for alternate funding programs are met, per Chapter 3, Program-Specific Supplements, and the alternate program can be substituted for the funds that have run out. Prior to substituting any funds, HDFC will fully exhaust an individual fund source before supplementing with a substituted fund.

(B) Pursuant to subsection (A), if HDFC anticipates funding sources to be

undersubscribed, HDFC may contact applicants to confirm if they would accept additional alternate sources to fund eligible applications pursuant to the process in subsection (d).

- (2) Once ~~a Project is skipped due to there is~~ an insufficient balance of a given individual funding source, to award the next-ranked application's request for that source, and an application is either skipped or an alternate fund source is awarded pursuant to Section 32045(b)(1)(A), no more awards may be made from that source in geographic regions or set-asides. The remaining funds may be used to ~~fund remaining eligible applications based on ranked score make awards~~ in tandem with the Statutory Requirements Reserve ~~according to ranked score of remaining unfunded Projects regardless of set-aside or geographic region pursuant to Section 32042(e).~~
- (3) The funding order shall start with the highest ranked application from each set-aside listed in Section 32042(c) followed by the highest ranked application from each geographic region listed in Section 32042(d). The set-aside and geographic region ~~and set-aside~~ order for each calendar year will be established according to Section 32042(b) and (c). After each set-aside and geographic region ~~and set-aside~~ has had the opportunity to fund ~~one~~¹ Project to the extent possible based on the available funding sources, amounts, and limits, HDFC will award the second highest scoring Project in each set-aside and geographic region ~~and set-aside~~, if any, and continue cycling through the set-asides and geographic regions ~~and set-asides~~ until each allocation is filled. This funding order is subject to the limits of paragraph subsection (c) below.
- (4) The order for each calendar year will be established according to Section 32042(b). The geographic region order will reverse in the following funding round; however, set-asides geographic regions will always follow geographic-regions set-asides in the order of funding. The set-aside order will remain the same in each funding round as listed in Section 32042(c) and as follows from first set-aside funded to last: Rural, Supportive Housing and/or Special Needs Housing, Emerging Developer or Community-Based Developer, and Rehabilitation/Preservation.

(c) Applications will be funded in the rank order described in paragraph subsection (b) of this section so long as 110% of the remaining set-aside or geographic region's aggregate allocation is sufficient to fully fund the next-ranked application. ~~A set-aside or geographic region allocation is considered filled when awards have been made that do not exceed 110% of the total funding available to that allocation.~~ If a request would exceed the 110% threshold, the Project will be skipped, and a lower-ranking Project may be awarded. When the highest-ranking Project or next-highest ranking Project(s) would exceed the 110% threshold, HDFC shall skip over that Project to fund a Project requesting a smaller award that does not exceed the 110% requirement. However, an individual funding source may not be awarded in a set-aside or geographic region ~~or set-aside~~ if it has been depleted such that a Project has been skipped due to availability of that individual funding source, pursuant to Section 32045(b)(2) above.

(e)(d) After any of HDFC program funds are largely depleted, if the next-ranked application requests more funds than remain in any of the requested programs, the

Project may be skipped or unavailable funds under the requested program may be replaced with ~~alternative~~alternate funds as identified by HDFC and listed in priority order of the applicant pursuant to subsection (b)(1)(A) of this section. If no other fully fundable applications remain in the set-aside or region, the remaining funds may be used to fund remaining eligible applications based on ranked score in tandem with the Statutory Requirements Reserve.

~~(d)~~(e) Maximum allocations to individual Housing Types specified in Section 32040 shall apply during application ranking. Once an award has been made that exceeds a maximum allowable funds for a given Housing Type, no more awards may be made for that Housing Type in a given funding round.

After all possible awards have been made within set-asides and geographic regions ~~and set-asides~~ above, any funds remaining ~~funds in any set-aside or geographic region~~ will be awarded available to the highest ranking applications for additional awards pursuant to the Statutory Requirements Reserve. Projects not yet awarded will be ranked according to the number of points and tie-breaker. These amounts will not be counted against the geographic region targets. A Project may be eligible for Award, in rank order, if it supports the statutory requirements described in the set-asides and geographic regions ~~paragraph~~subsection (c) above. To achieve its statutory requirements, HDFC may skip Projects in the ranked list.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code.

Article 5. Application Procedures

§ 32050. Application Process & Timeline.

(a) HDFC will establish funding estimates and timelines at the start of each fiscal year, but may issue additional funds or supplemental allocations, including emergency or disaster funding, at any time.

~~As soon as possible after~~

(b) Within 10 calendar days of the application filing deadline, a list of Sponsors, Project names, Project locations, requested funding amounts, self-scoring totals, and tie-breaker scores shall be published on the HDFC website.

(1) Sponsors shall have five ~~(5)~~ calendar days from the date of publication to notify HDFC of any errors related to the information published in this subsection.

(c) Application review period. HDFC may require up to 120 days to review applications, followed by Executive Committee approval at a scheduled meeting.

(d) Incomplete applications or applications not expected to receive an award of funding from HDFC in the applicable funding round due to relatively low scores or ~~tiebreaker~~tie-breaker, may or may not be fully evaluated by HDFC.

(d)

- (e) Applications for HDFC Awarded Projects requesting QRRP Bonds and Tax Credits will be transmitted by HDFC to CDLAC and CTCAC.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code.

§ 32051. RESERVED.

§ 32052. Fund Reallocation Processes.

- (a) If HDFC receives fewer eligible applications in an available funding round, at HDFC's discretion, any unawarded funds may be used to fund eligible Projects from the most recent round: consistent with the award process in Section 32045(e) and pursuant to the Statutory Requirements Reserve required in Section 32042(e).
- (b) HDFC may reallocate funds between rounds or among programs as part of the application selection process, subject to any applicable law. Transfer of HDFC program funds within the same funding round and across different rounds may be considered at HDFC's discretion to maximize the effective use of available resources.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code.

§ 32053. Application Submission Requirements.

- (a) The complete application must be submitted through the online HDFC portal including an application workbook, all required documentation, and any applicable forms or certifications.
- (b) Incomplete application. Determination of completeness, compliance with all threshold and eligibility standards, the scoring of the application and any application submission requirements pursuant to these Regulations and the application form shall be based on the documents contained in the application as of the final filing deadline except for those identified in Section 32053(f). No application is complete without meeting all applicable standards and documentation requirements at the time of submittal.
- (c) Application-filing deadline is the published date and time for applications to be submitted.
- (d) Applications received after an application-filing deadline shall not be accepted.

- (e) HDFC retains the sole authority to disqualify an application if it fails to comply with HDFC requirements, including Sponsor experience and capacity standards.
- (f) HDFC, at its sole discretion, may request clarification or limited additional information to explain or verify any document submitted, so long as the requested information relates to materials that existed as of the application filing deadline and does not constitute a new or revised required submission.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code.

§ 32054. Application Updates, Corrections, Withdrawals, and Reapplication

- (a) Reapplication is not required when a Project is not awarded requested funding if HDFC has determined the Project is eligible for another HDFC funding source, or the Sponsor indicates eligibility for other HDFC funding sources.
- (b) Applications submitted for funding consideration may not be revised prior to HDFC issuing award announcements.
- (c) Sponsors may re-submit an application for a Project prior to the application submission deadline. However, any prior submission shall be deemed withdrawn.
- (d) Sponsors requesting to withdraw an application must provide written notice to HDFC before HDFC issues an Award Commitment Letter.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code.

§ 32055. Disqualifying Actions.

HDFC may disqualify an application for a portion of HDFC funds and/or HDFC Pool if any of the following have been documented about the Sponsor and/or the Recipient:

- (a) Significant outstanding non-compliance in matters relating to the annual Certification of Compliance I or Certification of Compliance II, Certificate of Completion, [as defined under CDLAC regulations 4 CCR § 5000](#), tenant files or physical conditions at any tax-exempt bond or low-income housing tax credit financed property in California. Requests to excuse properties monitored by HDFC or an entity acting on its behalf and owned by the Sponsor, Recipient or management company will not be considered until HDFC has received documentation that the outstanding non-compliance matters have been resolved;
- (b) Multiple or repeated failures to use committed public subsidies or Private Activity Bond allocations within applicable deadlines, or to provide committed physical

amenities or services;

- (c) Providing false or misleading information in connection with an application or a prequalification request; or
- (d) Information that leads HDFC to reasonably and in good faith conclude that an allocation would be inimical to, or incompatible with, the purposes of these Regulations, the laws regulating the allocation of the State Ceiling on Qualified Private Activity Bonds, the obligation on HDFC to affirmatively further fair housing pursuant to [Government Code](#), § 8899.50(b)(1), or the obligation on HDFC to impose remedial actions under [2 CCR](#) §§ 14052 and 14053 ~~of Title 2 of the California Code of Regulations~~. In determining whether an application is compatible with HDFC's responsibility to affirmatively further fair housing, HDFC shall consider whether the Sponsor or Recipient has a documented history of violating state or federal Fair Housing Laws.
- (e) ~~The Sponsor and/or Recipient are/have been in~~[An event of default or delinquent for more than three \(3\) months on a has been declared by a lender under any multifamily mortgage loan or CalHFA loan agreement with respect to the Sponsor and/or recipient, and such default has remained uncured for more than 3 months.](#)
- (f) Undisclosed adverse legal actions that impede progress with developing the Project.
- (g) Failure to satisfy performance milestones per Section 32085.
- (h) The disqualifying actions identified in this section establish circumstances under which HDFC may determine an application is not eligible for award consideration. Where the same facts also constitute a compliance deficiency, enforcement action, or negative point assessment under Section 32098, HDFC may proceed under said section in addition to, or in lieu of, application disqualification, as appropriate. Nothing in this section shall be construed to limit HDFC's authority under Section 32098.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section 8899.50(b)(1), Government Code, Sections 54928, 54944, Health and Safety Code.

Article 6. Underwriting and Feasibility Standards

§ 32060. Development Budget Requirements.

- (a) Sources and uses of funds. HDFC funding programs require that an Affordable Housing Development budget to meet standardized requirements based on applicable federal and state statutes. The Sponsor must detail the sources and uses of funds, including funds for early deposits for Factory-Built Housing. Applicants

must also submit all required project development budget documentation and complete an application workbook.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50675.7, 54940, 54942, 54943, 54944, 54945, 54928, 54929, 50406, 50517.5, 50675, 50675.4, 50675.5, 50896, Health and Safety Code.

§ 32061. Operating Budget Requirements.

- (a) Revenue Standards (Maximum AMI Limits, Proposed Rents, Hold Harmless)
 - (1) Restricted Unit Rent. Restricted Unit rents may be established at levels not to exceed the rent corresponding to the maximum allowable Area Median Income, less the applicable utility allowance.
 - (2) Subsidy Contract Calculation. For purposes of a Project's pro forma projections within the required affordability compliance period only, the Subsidy Contract Calculation within the application may utilize post-Rehabilitation rental subsidy contract rent assumptions, where applicable.
 - (3) Commercial Income.
 - (A) Commercial income derived from any Commercial Space within ~~an Affordable Housing Development~~ a Project, whether attached, detached, or otherwise associated with the Project, shall not be included as revenue in the Project's residential cash-flow projections within the pro forma.
- (b) Vacancy and Collection Loss Factor for the Affordability Compliance Period
 - (1) Special Needs Units and Non-Special Needs Single-Room Occupancy (SRO) Units without a significant project-based subsidy. Vacancy and collection loss rates assumptions for Special Needs Units and non-Special Needs SRO Units without a significant project-based public rental subsidy shall be ~~ten percent (10%); %~~, unless waived by the HDFC Executive Director based on Vacancy data in the market area for the population to be served.
 - (2) Proximate and comparable affordable housing market analyses must be included and submitted to HDFC to support any request for a waiver or adjustment of Vacancy factor assumptions.
 - (3) Special Needs Units and Non-Special-Needs Single-Room Occupancy (SRO) Units with significant project-based subsidies. Vacancy and collection loss rates for Special Needs Units and non-Special Needs SRO Units with a significant project based public rental subsidy shall be ~~established~~ at a rate between ~~five and ten percent (5-10%); %~~.
 - (4) All other Units. Vacancy and collection loss rates for all other Units should be ~~five percent (5%); %~~.
- (c) Operating Expenses
 - (1) Operating Expenses Amount. Operating Expenses reflect the amount approved by HDFC as necessary to cover the Project's recurring expenses, including utilities, maintenance, management, taxes, licenses, and Supportive Services costs, but excluding Debt Service and required reserve deposits.

- (2) Total Operating Expenses. Total Operating Expenses, excluding property taxes and approved on-site service coordination costs, shall not be less than the minimum operating expenses specified in California Code of Regulations, Title 4, CCR § 10327.
- (3) Operating Expenses Adjustments. Before loan closing, HDFC may approve below minimum total Operating Expenses only if the Project includes an extraordinary design feature that yields quantifiable operating cost savings and may request documentation by a qualified third party such as a California-licensed architect or engineer. In addition, ~~sponsor~~Sponsor may provide comparables from a ~~property~~ management company.
- (4) Property Tax Expense. Property tax expense minimums shall be established at ~~one percent (1%)~~% of total replacement cost pursuant to 4 CCR § 10327, unless one of the following applies: as may be subsequently amended.
 - ~~(A) The verified tax rate is higher or lower;~~
 - ~~(B) The Sponsor's proposed sponsorship includes a recognized 501(c)(3)-corporate general partner that will pursue a property tax exemption; or~~
 - ~~(C) The Sponsor's proposed sponsorship includes a tribe or Tribally Designated Housing Entity.~~

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50675.7, 54940, 54942, 54943, 54944, 54945, 54928, 54929, 50517.5, 50675.4, 50896, Health and Safety Code.

§ 32062. Reserve Requirements.

- (a) Replacement Reserve. All Projects shall budget an annual Replacement Reserve consistent with requirements adopted by CTCAC pursuant to 4 CCR § 10327(7)(a). For Rehabilitation and Adaptive Reuse Projects, the Replacement Reserve amount shall also be informed by the findings of the Project Needs Assessment and the Rehabilitation Needs Assessment.
- (b) Operating Reserve. At the time of permanent loan financing closing, the Sponsor shall provide establish a replacement reserve with not less than ~~three (3)~~three (3) months of Operating Expenses, reserve contributions, Debt Service, and monitoring fees, in the form of cash or an irrevocable letter of credit. Additional funding Following loan closing, the Sponsor shall at all times maintain the Operating Reserve at a balance of not less than 50% of the originally funded amount. Replenishment will be required only if withdrawals result in a reduction of the Operating Reserve account balance to 50% or less of the originally funded amount. and shall use available Net Cash Flow prior to any Payment required in Section 32063(d)(2)(A).
- ~~(c) Transition Operating Reserve (TOR). A Transition Operating Reserve may be required for Projects at the discretion of the Executive Director.~~
- ~~(d)~~(c) Capitalized Operating Reserves. ~~For~~ Projects seeking to ~~add~~capitalize operating reserves with ~~their own~~other funds, ~~such funds may~~shall be subject to HDFC approval for reasonableness and consistency with HDFC's

Underwriting and Feasibility Standards under Article 6 and applicable HDFC loan documents ~~if, and may do so only when~~ capitalizing ~~thesuch~~ reserves is ~~the only way necessary~~ to ensure long-term project sustainability.

~~(e)~~(d) HDFC Discretionary Authority. HDFC retains discretion regarding eligibility, reasonableness, the availability of alternative funding sources, and the financial needs of the Project. No statutory numeric underwriting limitation or formula is prescribed.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50517.5, 50896.1, 50675.5, 54943, 54944, Health and Safety Code.

§ 32063. Financial Feasibility Standards.

- (a) Inflation Factor for Affordability Compliance Period. For purposes of underwriting, inflation factors during the affordability period shall be calculated as follows:
- (1) Income. Annual inflation for all incomes shall be assumed at a ~~two and one-half percent (2.5%)~~3.5% increase in Gross Income, excluding commercial income.
 - (2) Expenses. Annual inflation for all expenses shall be assumed at a ~~three and one-half percent (3.5%)~~3.5% increase in Operating Expenses, excluding reserves such as Operating Reserves, Replacement Reserves, or any other reserves established at a prescribed amount in the HDFC ~~guideline. Supportive Services costs shall be recognized as operating costs, and the annual inflation shall be assumed at a three and one-half percent (3.5%) increase in operating expenses~~Regulations.
 - (3) Property Taxes. Annual inflation shall be assumed at a ~~two percent (2.0%)~~3.5% increase in property taxes.
 - (4) Supportive Service Costs. Supportive Services costs shall be recognized as operating costs, and the annual inflation shall be assumed at a ~~two and one-half percent (2.5%)~~3.5% increase in Operating Expenses.
 - (5) HUD Rental Subsidy. For Projects with a HUD rental subsidy that will undergo a subsidy layering review by CTCAC, HDFC shall accept underwriting assumptions consistent with requirements adopted by CTCAC pursuant to 4 CCR § 10327(g)(1)(B).
- (b) Debt Service Coverage Ratio
- (1) Debt Service Coverage Ratio (DSCR). An initial Debt Service Coverage Ratio equal to at least 1.15 in at least one of the Project's first three years is required, except for Federal Housing Administration/Housing and Urban Development (FHA/HUD) Projects, and Rural Housing Service (RHS) Projects financed with hard debt by the CalHFA; as required by CTCAC pursuant to 4 CCR § 10327(g)(6) as of the date of adoption of these Regulations.
- (c) Cash Flow Requirements
- (1) Positive Cash Flow. All HDFC Projects shall demonstrate positive Cash Flow After Debt Service for a minimum ~~fifteen-year (15)~~ period. Each Project shall

demonstrate such positive cash flow in accordance with the income escalation and expense escalation assumptions set forth in 4 CCR § 10327. Where projected income includes rental assistance or operating subsidy payments under a renewable contract, HDFC may assume renewal of such contract(s) when renewal is reasonably likely.

(2) Cash Flow After Debt Service. Cash Flow After Debt Service shall mean Gross Income consisting of:

(A) All rental income generated based on the proposed initial rent schedule included within the Project application; and,

(B) All committed federal, state, and local rental subsidies; excluding any income derived from tenant-based rental subsidies, and reduced by Vacancy, Operating Expenses, property taxes, service and site amenity expenses, Operating Reserve and Replacement Reserve deposits, and all must-pay Debt Service obligations (excluding any payments attributable to residual receipts debt).

(3) Cash Flow After Debt Service Amount. Limits on cash flow after Debt Service are subject to CTCAC requirements pursuant to 4 CCR § 10327(g)(6), including that during each of the first ~~three (3)~~ years of all HDFC Project operations, the Cash Flow After Debt Service shall be limited to the greater of the following amounts:

(A) ~~twenty-five percent (25%)~~% of the anticipated annual must-pay Debt Service amount; or,

(B) ~~eight percent (8%)~~% of Gross Income.

(d) ~~Restrictions on Use of Operating Income (Repayment Waterfall and Distribution)~~Net Cash Flow

(1) Operating Income. ~~All~~ includes all income generated from the operation of the Affordable Housing Development, including rental income from Restricted Units; ~~laundry fees;~~ equipment rental fees including for laundry; rental subsidy payments; and interest earned on accounts related to the Affordable Housing Development other than approved reserve accounts. It does not include security or equipment deposits, payments to the Sponsor for Supportive Services not included in the HDFC-approved operating budget, cash contributions by the Sponsor, or tax benefits received by the Sponsor.

(2) ~~Repayment Waterfall and Distribution~~Net Cash Flow. Operating Income remaining after payment of approved Operating Expenses and Debt Service shall be applied in the following order of priority:

(A) ~~Payment of Payments, in~~ the following ~~obligations order~~:

1. Deferred Developer Fee; paid before residual receipts as limited per Section 32070(c); and Asset management, compliance monitoring fee, and similar fees, including fees payable to investors, in an amount not to exceed limits approved by CTCAC pursuant to 4 CCR § 10323(b) and § 10335(f).

2. Residual Receipt - Distribution of Remaining Operating Income:

a. ~~Fifty percent (50%)~~% shall be distributed to the Sponsor ~~as permitted Distributions; and,~~

(i) Sponsor may elect to use its 50% distribution to pay any additional deferred Developer Fee beyond the limits of Section 32070(c) and pursuant to 4 CCR § 10338(c)(2).

- (ii) For Projects with income from project-based Section 8 or similar project-based rental assistance that is not underwritten by other Project lenders, HDFC may reduce the Sponsor's share to an amount equivalent to the amount they would receive if one of the other lender's loan amount was based on an income stream that included the income from the rental assistance.~~Fifty percent (~~
- b. ~~50%)~~% shall be paid to HDFC as payments on the HDFC loan. HDFC ~~may agree to~~shall share what would otherwise be its ~~50 percent~~% share of available cash flow with the public agencies in amounts proportional to the agencies' respective assistance amounts.
- c. ~~Investor/Lender Preferred Return (if applicable)~~
 - a. ~~If the Project's financing structure includes an investor or lender required preferred return, such preferred return shall be payable only after HDFC distributions, must be expressly documented and approved by HDFC to ensure alignment with regulatory requirements and to confirm that such preferred return does not compromise long-term affordability obligations. If the terms of other public agencies' financing also require payments from distribution of remaining operating income, HDFC shall agree to share what would otherwise be its 50% share of available cash flow with the public agencies in amounts proportional to the agencies' respective assistance amounts.~~
 - (i)b. If other public agencies financing requires Sponsor to pay more than 50% as residual receipts to such public agency, then to be consistent with the terms of other public agency loans or leases, HDFC may agree to set the percentage payable to the Sponsor under the HDFC loan documents at an amount less than 50%.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50675.7, 54940, 54942, 54943, 54944, 54945, 54928, 54929, 50675.7, 50517.9, 50675.5, 50675.12, 50675.15, 50517.5, 50675.7, 50896, Health and Safety Code, 987.005 Military and Veterans Code.

§ 32064. Market Study Requirements.

Market Studies. A full market study shall be provided consistent with the requirements adopted by CTCAC pursuant to 4 CCR § 10322(h)(10), except that the market study may be prepared or updated within 360 days prior to the filing deadline rather than 180 days as required by CTCAC. The Sponsor must submit documentation which shall conform to the Site Layout, Location, Unique Features and Surrounding Areas requirements adopted by CTCAC pursuant to 4 CCR, § 10322(h)(8), as may be subsequently amended.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50675.7, 54940, 54942, 54943, 54944, 54945, 54928, 54929, 50517.5, 50896, Health and Safety Code.

§ 32065. Appraisal Standards.

Appraisals. Appraisals shall be provided consistent with the requirements adopted by CTCAC pursuant to 4 CCR § 10322(h)(9).

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50675.7, 54940, 54942, 54943, 54944, 54945, 549428, 54929, Health and Safety Code.

§ 32066. Additional Underwriting Standards.

- (a) Variable Interest Rate Debt. Variable interest rate indebtedness shall be underwritten at the maximum permissible (ceiling) interest rate, unless HDFC determines that the application of a lower underwriting interest rate will not adversely affect or jeopardize the overall feasibility of the Project.
- (b) Utility Allowance Estimates. Utility allowance estimates must be consistent with requirements adopted by CTCAC pursuant to 4 CCR § 10322(h)(21).
- (c) Certification of Subsidies. The Sponsor must certify the full extent of all Federal, State, and local subsidies that apply to the proposed Project, in accordance with requirements adopted by CTCAC pursuant to 4 CCR § 10322(h)(22).
- (d) Underwriting Disqualifications. HDFC shall permit initial Sponsors to rectify cash flow shortages or overages consistent with requirements adopted by CTCAC pursuant to 4 CCR § 10327(g). Furthermore, in instances where Operating Expenses fall below the minimum published amount, the HDFC Executive Director is authorized to correct the discrepancy consistent with requirements adopted by CTCAC pursuant to 4 CCR § 10327(g).

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50675.7, 54940, 54942, 54943, 54944, 54945, 54928, 54929, 50560-50562, 50675.9, Health and Safety Code.

§ 32067. Sponsor Financial Capacity Metrics.

- (a) HDFC shall establish baseline financial-capacity metrics to evaluate Sponsor organizational health, inform underwriting risk management, determine eligibility for funding at construction, and support post-award asset management. This data collection further informs HDFC's broader understanding of financial capacity across the sector, helping HDFC evaluate systemic stress and identify paths towards long-term stability in furtherance of its mission.
- (b) Application Submission and Completeness. Every Sponsor applying for HDFC awards shall submit self-certified financial-capacity metrics as part of its application

for funding. Submission of the required metrics is required solely to deem the application complete for underwriting review. These metrics shall not serve as an application threshold requirement under Article 2, nor shall they be used to competitively score, rank, or disqualify an application for an HDFC award. A Sponsor shall not receive additional points or competitive preference for exceeding acceptable ranges minimum financial thresholds, nor shall a Sponsor be penalized in application scoring or award selection for reporting metrics outside acceptable ranges below the minimum financial threshold.

(1) To satisfy the application completion requirement, Sponsor shall submit a completed Sponsor Financial Capacity Schedule executed by an authorized corporate officer under penalty of perjury. Except as provided in subsection (c)(3) below, for the purposes of this section, HDFC shall not require the submission of audited financial statements ~~for~~ tax returns, bank statements, or CPA certifications, or other supporting documentation to verify Sponsor's self-reported metrics at the time of application.

(2) Each applicant shall also provide as part of their submission the number of years they have been in operation and the number of units in their portfolio.

(c) Self-Certification and Investigation

(1) Financial capacity metrics shall be self-certified by an authorized representative of the Sponsor in the form and manner prescribed by HDFC.

(2) HDFC shall design the reporting schedule and calculation instructions so that metrics can be completed without an independent audit.

(3)(2) Nothing in this Section limits HDFC's authority to request supporting documentation or investigate circumstances where HDFC has reason to believe that information submitted by a Sponsor is materially false, misleading, or incomplete.

(d) Required Financial Capacity Metrics. Sponsors shall report corporate and portfolio metrics using uniform calculation methodologies prescribed by HDFC, including:

(1) Corporate Liquidity (Unrestricted Cash and Cash Equivalents) ~~—~~. Corporate or parent-level Unrestricted cash and cash equivalents as of the Fiscal Year-end for each of the ~~five (5)~~ 3 most recently completed Fiscal Years. Sponsor shall report the absolute dollar amount for each year so that both the level and trend of liquidity can be evaluated. The minimum threshold for this metric is a greater amount of cash and equivalents at the end of year three than at the end of year one.

(2) Corporate Liquidity (Days Cash and Cash Equivalents) ~~—~~. Corporate or parent-level days cash and cash equivalents as of fiscal year end for each of the ~~five (5)~~ 3 most recently completed fiscal years, using a uniform calculation methodology prescribed by HDFC. The minimum threshold for this metric is at least 180 days of cash and equivalents for each year reported.

(3) Portfolio Health – Economic Occupancy ~~—Economic. Median economic~~ occupancy ~~at each of across~~ the Sponsor's Projects portfolio at Fiscal Year-end for each of the ~~five (5)~~ 3 most recently completed fiscal years. ~~Sponsor shall also report economic occupancy across the portfolio in the aggregate for each of the last five (5) years~~ The minimum threshold for this metric is at Fiscal Year

end least 90 percent economic occupancy for each year reported.

~~(4)~~ Portfolio Health – Debt Service Coverage— Median Debt Service Coverage Ratios for each of across the Sponsor's Projects portfolio at Fiscal Year end for each of the five (5) 3 most recently completed Fiscal Years, expressed in 1.xx form. Sponsor shall also report the aggregate portfolio Debt Service Coverage Ratio at Fiscal Year end for each of the last five (5) years.

~~(5)(4)~~ Project Deficits—For any Projects operating below the breakeven The minimum threshold for this metric is a median portfolio debt service coverage standard established by HDFC, the annual dollar amount of the operating deficit at each of the Sponsor's Projects performing below break even ratio of at least 1.10 for each year reported.

~~(6)(5)~~ Portfolio Health and Parent-Level Portfolio Support—the The annual dollar amount of cash support provided at the corporate or parent level to each Project, together with the total amount of parent-level support provided to the total portfolio during that year for each of the last five (5) 3 years. The threshold for this metric is no more than five percent of the prior year's cash and equivalents provided to the total portfolio for each year reported.

~~(7)~~ Corporate Operating Performance—Net Operating Margin—corporate or parent level net operating margin for each of the five (5) most recently completed fiscal years both including Developer Fee revenue and excluding Developer Fee revenue.

(e) Sponsors with Limited Operating History

- (1) A Sponsor with fewer than five (5) 3 completed fiscal years shall report available data for each completed fiscal year.
- (2) A Sponsor that does not own or control an operating housing portfolio via a Sponsor affiliate shall indicate portfolio metrics as not applicable.
- (3) A Sponsor shall not be deemed outside of an acceptable range solely because it is an Emerging Developer as defined in these Regulations, has fewer than five (5) 3 years of operating history, or lacks an existing operating portfolio.

(f) Acceptable Ranges. HDFC shall establish and publish acceptable ranges for the financial capacity metrics required by this Section in the applicable notice of funding availability. These ranges serve solely as underwriting risk indicators and Acceptable Thresholds. These minimal thresholds shall not constitute competitive scoring criteria.

(g) Financial Capacity Plan

- (1) A Sponsor whose reported metrics are outside do not meet any one of an applicable acceptable range published in the notice of funding availability minimum thresholds shall submit a written financial capacity plan as a condition of award acceptance, unless the Sponsor chooses to form a joint venture per subsection (h)(2) below.
- (2) HDFC shall identify the specific metrics requiring a plan but shall not prescribe a mandatory template. The Sponsor shall determine the form and substance of the plan, explaining the circumstances contributing to the metric and the specific

corrective actions taken or proposed.

- (3) The financial ~~capacity~~ plan must be signed by the ~~chair~~Chief Executive Officer and the Chair of the Board of Directors or equivalent presiding officer of the Sponsor's governing board.
- (4) HDFC's receipt of a financial capacity plan satisfies the relevant aspect of application completeness, but shall not constitute HDFC approval, endorsement, or representation regarding the effectiveness of the plan or the Sponsor's financial solvency.

(h) Eligibility For HDFC Funds During Construction

- (1) A Sponsor is eligible for funding during construction only if its reported financial capacity metrics satisfy each of the acceptable ranges published in the applicable notice of funding availability threshold minimums.
- (2) A Sponsor with metrics ~~outside below any of an acceptable range is ineligible the minimum thresholds will be eligible~~ for HDFC funding during construction. Submission of phase financing if the Sponsor chooses to form a financial capacity plan does not cure ineligibility for funding during construction. joint venture partnership with a Sponsor who meets all required minimum threshold requirements.
- (3) Ineligibility for funding during construction shall not, by itself, disqualify a Sponsor from receiving an HDFC award or utilizing permanent financing provided by HDFC.
- (4) HDFC may, in its sole discretion, restore a Sponsor's eligibility for funding during construction prior to disbursement if the Sponsor demonstrates that its metrics have returned to acceptable ranges.

(i) Post-Award Monitoring

- (1) If a Sponsor required to submit a financial capacity plan receives an HDFC Award, the plan shall become part of HDFC's asset-management and loan-monitoring process.
- (2) Following loan and grant closing, the Sponsor shall submit an updated financial capacity plan signed by its board chair ~~every six (6) months~~annually until HDFC determines, in its sole discretion, that the Sponsor's metrics have remained within acceptable ranges for a sufficient period.

- (j) Anonymized Industry Reporting. HDFC shall publish aggregated and anonymized data derived from the metrics collected under this section on its website not less than annually. Published data shall not identify individual Sponsors, Projects, or affiliates, and shall be formatted to prevent individual identification.

(k) These metrics will be required annually and not with each application if more than one application is submitted in a calendar year.

~~(k)~~(l) Nothing in this section shall be interpreted to convert financial capacity metrics into competitive scoring criteria or to favor any Sponsor.

Note: Authority: Sections: 54940, 54928, 54929, 54942, 54943, 54944, 54945, Health and Safety Code. Reference: Sections: 54920, 54928, 54929, 54942, 54943, 54944, 54945, Health and Safety Code.

Article 7. Funding Terms and Conditions

§ 32070. Award Limits.

(a) Limitation of HDFC Funds

- (1) Projects funded by HDFC are subject to annual availability of funds, credits, and bonds, in coordination with CTCAC and CDLAC.

~~(2) Combined HDFC funds~~

~~(A) The combined amount of HDFC funds, including state tax credits and federal and state loans and grants but excluding tax-exempt Private Activity Bonds and federal low-income housing tax credits, shall not exceed seventy-five percent (75%) of total development costs for each Project. This limit includes HDFC funding for construction and permanent financing, reserves, and capital subsidies.~~

~~(3)~~(2) Maximum Per Unit Funding

(A) Except where federal requirements establish applicable maximum per unit funding limits, HDFC will not impose per Unit loan limits based on the funding source. The combined total maximum per Restricted Unit amount of HDFC funding, ~~including state tax credits and all federal and state loans and grants,~~ Request shall not exceed ~~\$350,000.00 for a one-bedroom unit published limits on the HDFC website.~~ This amount shall be adjusted using the current CDLAC tie-breaker adjustment factors pursuant to ~~CDLAC-regulation 4 CCR § 5106(f), as may be subsequently amended. As of today, the applicable factors are:~~ The maximum per unit funding limit excludes HDFC funded COSR, tax-exempt Private Activity Bonds and federal low-income housing tax credits.

- ~~1. Studio unit: a 0.9 adjustment factor (maximum \$315,000)~~
- ~~2. One-bedroom unit: a 1.0 adjustment factor (maximum \$350,000)~~
- ~~3. Two-bedroom unit: a 1.25 adjustment factor (maximum \$437,500)~~
- ~~4. Three-bedroom unit: a 1.5 adjustment factor (maximum \$525,000)~~
- ~~5. Four-bedroom unit: a 1.75 adjustment factor (maximum \$612,500)~~

~~(4)~~(3) Maximum Per Project Funding

(A) HDFC shall allocate no more than fifty-five-million dollars (~~\$5055,000,000.00~~) in total HDFC Request to any single Project. ~~The maximum per project funding, including state tax credits and all federal and state loans and grants, but excluding limit excludes HDFC funded COSR, tax-exempt Private Activity Bonds and federal low-income housing tax credits, to any single Project.~~

1. An applicant may exceed this maximum only if the Executive Committee determines, by resolution, at a meeting held prior to the application due date for the applicable funding round, that the Project cannot feasibly be developed in phases at or below the ~~\$5055,000,000.00~~ level. The determination shall be based on documentation submitted in the

application that specifically demonstrates why phasing is infeasible. Such documentation may include, but is not limited to:

- a. A site plan illustrating the property layout;
- b. A potential unit mix by phase, if phasing were attempted;
- c. A description of unique site or Project features that inhibit phasing;
- d. Infrastructure requirements and related costs;
- e. A detailed cost breakdown by phase.

(5)(4) For Projects that do not request 4% or 9% tax credits, an applicant may exceed the limitation of HDFC funds in this section only if the Executive Committee determines, by resolution, at a meeting held prior to ~~the~~ application due date awards being made for the applicable funding round, that the Project cannot feasibly be developed with the use of 4% or 9% tax credits. The determination shall be based on documentation submitted in the application that specifically demonstrates why 4% or 9% tax credit financing is infeasible. Some exceptions to this process may apply to projects with federal funding or where urgent expenditure deadlines of HDFC funding programs are at risk.

(b) Limitation Of Other Funding Sources

- (1) Except for the deferred Developer Fee, HDFC funds shall not be used to replace other available financing, including funds committed from local jurisdictions.

(c) Developer Fee Limit

- (1) For non-tax credit new construction Projects or for Projects utilizing 9% tax credits, the total Developer Fee shall be consistent with the limitations applicable to 9% tax credit Projects under CTCAC regulations, as set forth in 4 CCR §10327(c)(2)(A), as may be subsequently amended.
- (2) For Projects utilizing 4% tax credits, the total Developer Fee shall be consistent with the limitations set forth in 4 CCR § 10327(c)(2)(B), as may be subsequently amended. Under no event shall the portion of the Developer Fee attributable to the Acquisition basis exceed five percent (5%) of the unadjusted eligible Acquisition basis, and in all cases the ~~total~~ Developer Fee paid prior to residual receipt payments as set forth in Section 32063(d)(2)(A)(2) shall not exceed ten million dollars (\$10,000,000.00). Any developer fee in excess of ten million dollars (\$10,000,000.00) shall be paid out of Sponsor distributions as defined in Section 32063(d)(2)(A)(1).

- (A) Previously awarded Projects that switched from a 9% to a 4% tax credit financing plan and are now applying to HDFC as a 4% Project may apply the 4% Developer Fee limits per CTCAC regulations.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 54944, 54945, 50975.1, 50675.13, 50675.1.1, 50675.1.3, 50675.3, 50675.4, 50675.6, 50675.7, Health and Safety Code.

§ 32071. Loan Terms.

- (a) Loan Terms. HDFC loan terms shall be no less than 55 years, unless applicable program-specific requirements provide otherwise- or unless the Project is within

Tribal Land.

(b) Loan Types and Uses. HDFC loans may be issued as:

- (1) Permanent Loan. HDFC funds may be used for post-construction, permanent financing.
- (2) Combination Construction and Permanent Loan. HDFC funds may be used partially for construction period financing, (in part or in whole), with any portion not disbursed during the balance construction period to be used for permanent financing. If used for construction period financing, such funding shall convert to permanent financing at project conversion.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50675.6, 50675.8, 50675.10, 50515.2, 50617.5, 50517.9, Health and Safety Code; and Sections: 75212, 75218, Public Resources Code.

§ 32072. Grant Terms.

- (a) Grant Terms. HDFC grant terms shall be no less than 55 years, unless applicable program-specific requirements provide otherwise. The grant terms will be memorialized in a recorded HDFC covenant that ensures the affordability requirements.
- (b) Tribal Land. For Projects on Tribal Trust Land or restricted land, the HDFC covenant shall comply with the following:
 - (1) Bear a term of 50 years, unless applicable program-specific requirements provide otherwise.
 - (2) Be approved by and recorded with the Bureau of Indian Affairs (BIA) against the leasehold estate, and in the case of a residential lease of Tribal Trust Land or restricted land, HDFC's form lease rider will also be approved and recorded with the BIA.
 - (3) In the case of a Tribally Designated Housing Entity (TDHE) and a Project not located on Tribal Trust Land or restricted land:
 - (A) There must be a covenant restriction recorded in the chain of title precluding such land from being placed in trust with the BIA until term of HDFC's affordability restrictions for the loan have run, or;
 - (B) Subsequent to HDFC documents recorded in the chain of title for the fee interest in the Project site, such fee interest may thereafter be placed in trust with the BIA subject to HDFC's previously recorded documents, which recorded HDFC documents the BIA must approve to the extent such approval is required by law.
- (c) Grant Type and Use.
 - (1) Infill housing and infrastructure grants are provided pursuant to terms in Chapter 3, Section 33003 (IIG).
 - (2) Grant funds will be disbursed as progress payments for approved eligible costs incurred.
 - (3) Sponsor Loan. For a Project receiving low-income housing tax credits, HDFC

grant funds may be provided to a Recipient ~~if~~ provided as a Sponsor loan:

- (A) The funds shall be issued to the tax credit limited partnership as a deferred payment loan with a term of at least 55 years at an interest rate not to exceed the amount of the HDFC monitoring fee.
- (B) The loan may be secured by a deed of trust recorded with the county recorder; however, no remedies under the deed of trust, including foreclosure, may be exercised without HDFC's prior written approval, which HDFC may grant or deny at its sole discretion.
- (C) The loan may not be sold, transferred, assigned, assumed, or conveyed without HDFC's prior written approval.
- (D) The loan shall ~~only~~ be repaid only at maturity or from allowed Project Sponsor distributions. The Sponsor shall establish and administer the loan, and all loan documents must comply with HDFC requirements and receive HDFC approval prior to execution.
- (E) Tribally-Designated Housing Entity. The loan shall be secured by a deed of trust naming HDFC as beneficiary or, in the case of TDHE's that cannot satisfy this security requirement, by other security acceptable to HDFC. With respect to Tribal Trust Land or restricted land, this deed of trust shall be approved by and recorded with the BIA against the leasehold estate.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 53559, Health and Safety Code; and Title 24 Part 92.250(d), Code of Federal Regulations.

§ 32073. Interest Rates & Repayment.

- (a) Interest rate. HDFC loans shall bear a simple interest rate of ~~three percent (3%)~~ per annum on the principal balance, accruing from the date the funds are disbursed unless applicable program-specific requirements provide otherwise.
 - (1) To the extent and only if HDFC is granted authority to approve a reduction, a Sponsor may submit a written request to HDFC to reduce the interest rate after the CTCAC tax credit reservation has been executed and prior to either construction loan closing or Permanent Loan Closing. The submission of documentation in support of the interest rate reduction or loan modification request must include, but not be limited to the following items:
 - (A) A copy of the HDFC Award Commitment Letter;
 - (B) The executed CTCAC reservation letter;
 - (C) Either of the following:
 1. A tax professional's financial analysis executed by Sponsor, the investor and their tax professional that includes a true debt test analysis to document that the loan at 3% simple interest is not eligible to be treated as debt and an analysis of the reduced loan interest rate to the nearest 0.125%, but not less than the amount determined by HDFC for monitoring fees, that will allow for improvement to a negative capital account or result in a positive capital account.
 2. A tax professional's financial analysis executed by Sponsor, investor, and their tax professional that includes a capital account analysis to document

that a 3% simple interest rate will result in a negative capital account and an analysis of the reduced loan interest rate to the nearest 0.125%, but not less than the amount determined by HDFC for monitoring fees, that will allow for a positive capital account.

- (D) A description of how a change in the interest rate will increase the feasibility of the Project.
 - (E) A description of how a change in the interest rate will ensure long-term affordability for the residents.
 - (F) The "Tax Professional" can be either a California licensed CPA or tax attorney that is under contract to the Sponsor, and their California professional license number must be included in the signature block of the application.
- (2) If HDFC funds are issued as forgivable loans, the loan will carry a zero percent (0%) interest rate, provided all of the following conditions are met:
- (A) The Sponsor remains in good standing with the California Secretary of State.
 - (B) The Project is not in default under any HDFC documents for that Project.
 - (C) The Sponsor has not received negative points on any HDFC-funded Projects within the past five years.
 - (D) During the initial ~~thirty (30)~~ year term, the Project must not convert to market-rate housing, sold, or refinanced in a way that results in a distribution of net equity.
- (3) Tax Credit Adjustment. For Projects that have received an allocation of tax credits, the interest rate may be adjusted to the maximum rate that allows the HDFC loan to be treated as debt for federal or state low-income housing tax credit purposes, or avoids syndication limitations due to projected negative capital accounts; provided that:
- (A) The interest rate shall not be less than the amount determined by HDFC for monitoring fees.
 - (B) The adjustment must:
 - 1. Materially increase the feasibility of the Project; and
 - 2. Ensure long-term affordability for the residents.
- (b) Repayment and Monitoring. All loan payments shall be deferred for the full term of the loan, except for the Project monitoring fee and Residual Receipts as described below.
- (1) Project Monitoring Fee
- (A) First ~~thirty (30)~~ Years. Beginning at the end of the Initial Operating Year, and annually thereafter for the first ~~thirty (30)~~ years, the amount of the required loan payments shall not exceed the amount determined by HDFC for monitoring fees (excluding HDFC COSR and Supportive Services Reserve amounts).
 - 1. This payment remains fixed regardless of principal reductions. Remaining accrued interest is payable only from Operating Income after paying approved Operating Expenses, other Debt Service, and reserve deposits.
 - (B) Year 31. Commencing in Year 31, an annual fee shall be paid in an amount equal to:
 - 1. All interest accruing on the original principal amount; or

2. The amount necessary to cover monitoring costs, not less than the prior year's fee.
 3. HUD § 202 and 811 Projects remain subject to this subsection.
- (2) Deferrals of Accrued Interest. Except for the required Project monitoring fees, which does not include the portion of the award amount attributable to the HDFC-funded COSR or to a capitalized Supportive Services Reserve funded, HDFC shall permit the deferral of accrued interest for such periods and subject to such conditions as will enable the Sponsor to maintain Affordable Rents, maintain the Fiscal Integrity of the Project, and pay allowable ~~Distributions~~distributions.
- (3) Application of Payments
- (A) Payments shall first be applied to expenses reasonably incurred by HDFC to protect the property or its security interest, including default cure costs or emergency repairs.
 - (B) Mandatory Project monitoring fees shall be applied directly to accrued simple interest. Receipt of this payment shall satisfy the Sponsor's required annual mandatory loan payment obligation for that applicable year. The remaining balance of the annual interest (e.g. if the monitoring fee was set at 0.42%, then this amount would be approximately 2.58% per annum when the total interest rate is 3%) shall continue to accrue and be deferred until loan maturity or paid pursuant to subsection (C) below.
 - (C) Any additional loan payments, including payments from residual receipts shall be applied in the following order:
 1. Remaining accrued interest; and
 2. Principal
- ~~(4) Residual Receipt. Net Cash Flow shall be applied in the following order:~~
- ~~(A) Fifty percent (50%) to the Sponsor as Distributions; and~~
 - ~~(B) Fifty percent (50%) to HDFC as residual receipts~~
 - ~~1. If the terms of other public agencies' financing also require payments from Net Cash Flow, HDFC may agree to share what would otherwise be its 50 percent share of available cash flow with the public agencies in amounts proportional to the agencies' respective assistance amounts.~~
 - ~~2. To be consistent with the terms of other public agency loans or leases, HDFC may agree to set the percentage payable to the Sponsor at an amount less than fifty percent (50%).~~
 - ~~3. For Projects with income from project-based Section 8 or similar project-based rental assistance that is not underwritten by other Project lenders, HDFC may reduce the Sponsor's share to an amount equivalent to the amount they would receive if one of the other lender's loan amount was based on an income stream that included the income from the rental assistance.~~
- ~~(5)~~(4) Loan Maturity. All outstanding principal and interest, including deferred interest, shall be due and payable in full at the end of the loan term, inclusive of any extensions.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50675.6, 50675.6, Health and Safety Code.

Article 8. Award Standards and Conditions of Funding

§ 32080. Executive Committee Award Review and Publication Process.

- (a) The highest ranked Projects will be recommended to the Executive Committee for an Award approval based on the ranking described in Section 32046.
- (b) At least ~~ten~~(10) calendar days prior to any Executive Committee meeting at which Awards may be approved, HDFC shall publish on its website a preliminary list of Projects expected to be recommended for an award, including anticipated award amounts.

Note: Authority: Sections 54928, 54943, 54944 Health and Safety Code. Reference: Sections 54928, 54943, 54944 Health and Safety Code.

§ 32081. Award Announcement and Post Award Requirements.

- (a) After the Executive Committee approves Awards, HDFC will issue an official award announcement and, within ~~ten~~(10) calendar days of the meeting, publish a final list of approved awards on its website, including final scores, selected Projects, and funding amounts.
- (b) Detailed post-award instructions, required forms, and ongoing compliance guidance will be made available on the HDFC website.
- (c) Disqualified applicants will receive written notice stating the basis for disqualification and may appeal under Section 32087.

Note: Authority: Sections 54928, 54943, 54944 Health and Safety Code. Reference: Sections 54928, 54943, 54944 Health and Safety Code.

§ 32082. Award Acceptance and Conditions.

- (a) By accepting the HDFC award through the execution of the Award Commitment Letter, the Sponsor commits to financing and constructing the Project in accordance with the plans and terms approved by HDFC.
- (b) HDFC funds are non-transferrable. The Sponsor shall not directly nor indirectly transfer funds, interest, or any portion between HDFC funding awards. Any transfer of funds requires HDFC's written approval.
- (c) Sponsor shall not sell, assign, transfer, encumber, or convey the awarded Project, or any interest therein or portion thereof, without the express prior written approval of

HDFC, which may be granted, delayed, or withheld in HDFC's sole and absolute discretion. HDFC may grant flexibility to remove or change a Co-Sponsor under specific circumstances such as removal of an entity due to unsuccessful tax credit award for the Project, or other circumstances as determined solely by HDFC.

- (d) HDFC may include additional conditions of award specific to a Project or funding requirements that the Sponsor must fulfill within the timeline outlined in the performance milestones. Examples of conditions may include, but are not limited to, a financial capacity plan pursuant to Section 32067, the requirement of the HUD approved Authority to Use Grant Funds (AUGF) and securing all construction and permanent sources prior to executing a HOME loan agreement or written commitment.

Note: Authority: Sections 54928, 54943, 54944 Health and Safety Code. Reference: Sections 54928, 54943, 54944 Health and Safety Code.

§ 32083. Award Commitment Letter.

- (a) HDFC shall issue an Award Commitment Letter for Projects approved for funding. The Award Commitment Letter commits and encumbers the total approved award amount.
- (b) The Award Commitment Letter with accompanying signature block and any required additional documents must be executed and returned by the Sponsor within ~~ten~~(10) calendar days of receipt of the Award Commitment Letter; and
 - (1) Prior to the execution of the Award Commitment Letter, Sponsor and Recipient (if applicable), shall submit to HDFC an authorizing resolution accompanied by an attorney opinion letter that confirmsprovides legal confirmation regarding the HDFC Sponsor and if applicable, the borrower's authority, due execution, and enforceability of the award ~~amount and authorized signatory for all HDFC documents~~commitment letter, to the satisfaction of the Executive Director.
- (c) Failure to return the Award Commitment Letter within the time specified or failure to meet the performance milestones described therein may result in award cancellation.

Note: Authority: Sections 54928, 54943, 54944 Health and Safety Code. Reference: Sections 54928, 54943, 54944 Health and Safety Code.

§ 32084. HDFC Fees.

- (a) Sponsors shall be responsible for all applicable application fees, filing fees, allocation fees, reservation fees, issuance fees, loan fees, monitoring fees, compliance fees, performance deposits, transaction fees, tax form revision fees, and any other fees or deposits required by HDFC, HCD, CDLAC, CTCAC, or any other applicable federal, state, or local funding or other financing source.

(b) ~~HDFC may establish, at the sole discretion of the HDFC, revise, charge, and collect fees and charges HDFC is not presently assessing any fees~~ for services provided in connection with the administration, underwriting, approval, closing, appeals, monitoring, servicing, restructuring, modification, extension, subordination, transfer, compliance review, or enforcement of HDFC-administered funding. Notwithstanding the foregoing, HDFC may establish, at the sole discretion of the HDFC, revise, charge, and collect fees and charges at any time in the future.

(c) Fees and deposits may be included as project development costs only to the extent permitted by the applicable funding source and underwriting requirements.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section: 54942(c), 54931(f), Health and Safety Code.

§ 32085. Performance Milestones.

Awarded Projects will be subject to the performance milestones in this Section. In the case Sponsor fails to satisfy performance milestones HDFC shall rescind Award, assess negative points to the Sponsor, or both, pursuant to this Section and Section 32098.

(a) Execution of HDFC Award Commitment Letter, within ~~ten~~ (10) calendar days of receipt of the Award Commitment Letter.

(b) Formation of any Recipient affiliate ~~entities to include entity(ies) into which the~~ tax credit investor will be admitted (if applicable), within ~~243~~ 180 calendar days of the Award Commitment Letter date.

~~(c)~~ Completion of all state ~~and environmental~~ requirements in accordance with Section 32014 (b), within 90 calendar days of the HDFC Award Commitment Letter date.

~~(e)~~ ~~(d)~~ Completion of all federal environmental requirements in accordance with Section 32014, ~~(c)~~, within 270 calendar days of the HDFC Award Commitment Letter date.

~~(d)~~ ~~(e)~~ Submission of all required documentation demonstrating satisfaction of the readiness requirements specified in Section 32022(b) or as specified in the Award Commitment Letter.

~~(e)~~ ~~(f)~~ The Award of MIP or other CalHFA financing, HOME or NHTF funds may result in different performance milestones, which will be specified in the Award Commitment Letter subject to the applicable program-specific requirements.

(g) HDFC may, in its sole and absolute discretion, provide extensions to Performance Milestones if Sponsor demonstrates, to HDFC's satisfaction, that the relevant delay is caused by unforeseeable events, conditions, or circumstances and will not cause the project to fail subsequent Readiness to Proceed requirements in Section 32022.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section: 54944, Health and Safety Code.

§ 32086. Post Award Reporting and Compliance.

- (a) Sponsors must submit the following post-award documents to HDFC or as applicable, through the interagency process, established pursuant to AB 2006 (Chapter 646, Statutes of 2022) and Chapter 9 (commencing with [§ HSC 50260 Health & Saf. Code, § 50260](#)), and as further outlined in the July 21, 2025, Memorandum of Understanding between CalHFA, HCD, and CTCAC. When HDFC provides a form for a required item, the Sponsor must use that form:
- ~~(1) Fiscal Year~~ [Fiscal Year](#) ~~All~~ Projects shall comply with all reporting requirements specified in Section 32096. -
 - ~~(2) Due no later than 90 days after the end of the Fiscal Year: Annual reports.~~
 - ~~(A)(1) Projects requiring audited financial statements must submit audited financial statement within 90 days after the end of the Fiscal Year and are exempt from annual report forms.~~
 - ~~(3)(2)~~ Submitted annually prior to expiration: Evidence of renewal of required insurance coverage.
 - ~~(4)(3)~~ Due no later than ~~forty-five (45)~~ days after the Fiscal Year in which the expenses were incurred and prior to withdrawing funds: Combined reserve disbursement requests for HDFC and CalHFA jointly funded Projects.
 - ~~(5)(4)~~ Submitted when requesting a project management change:
 - (A) Management Agent Change Form;
 - (B) Management Contract and Contract Checklist;
 - (C) Management ~~Plan Checklist~~ [plan checklist](#);
 - (D) Appeal and Grievance Procedure (if applicable); and
 - (E) Lease Addendum (if applicable).
 - ~~(6)(5)~~ Submitted when requesting an ownership change: Ownership change form.
- (b) HDFC will monitor rental Projects for compliance with applicable HDFC requirements by conducting routine physical site inspections, including, but not limited to, examination of tenant files, Unit conditions, property standards (common areas, exterior conditions), and management documents. For co-regulated Projects, physical site inspections will be conducted in accordance with the streamlined monitoring procedures established pursuant to AB 2006.
- (c) Sponsor must also meet all program-specific compliance requirements. Program materials, forms, checklists, and management documents are available on the HDFC website.

Note: Authority: Sections: 50260, 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section: 54947(a)-(b), Health and Safety Code.

§ 32087. Appeals and Procedure.

(a) Appeals

- (1) Sponsors may submit an appeal to HDFC under the following circumstances:
 - (A) Disqualification for incomplete application.
 - (B) Disqualification for failed threshold standards.
 - (C) Determination of application scoring and/or tie-breaker scores
 - (D) Assessment of negative points.
- (2) Sponsors may not appeal ~~the~~ HDFC's review, scoring, or determinations made with respect to another Sponsor's application.
- (3) HDFC will determine the application completeness, threshold compliance, scoring, and all submission requirements based solely on the documents included at time of application submission, unless specifically allowed by these Regulations.
- (4) HDFC, at its sole discretion, may request clarification or additional information regarding any document submitted during an appeal.
- (5) Any additional documents submitted during an appeal of a disqualified application must include evidence showing that the document either existed as of the application filing deadline or certifies a condition that existed at that time.

(b) Appeal Procedure and Deadlines

- (1) An appeal must be submitted in writing and received by HDFC no later than ~~seven~~(7) calendar days following the date of the HDFC determination letter. The appeal shall identify the grounds for the appeal and must be based on documentation that existed as of the application deadline.
- (2) HDFC will respond in writing with an appeal determination no later than ~~fifteen~~(15) calendar days after receiving the appeal letter.
- (3) If the Sponsor wishes to request a review of the HDFC appeal determination, the Sponsor may submit its request in writing to the Executive Committee. The request must be received by the Executive Committee at least ~~thirty~~(30) calendar days prior to an Executive Committee meeting scheduled to make Awards for that funding round.
- (4) All appeal decisions rendered by the Executive Committee shall be final, binding, and conclusive, and shall constitute the final action of HDFC.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section: 54944, Health and Safety Code.

§ 32088. Award Adjustments.

The Executive Director, at their sole discretion, may cancel an award for the following reasons, including but not limited to:

- (a) Failing to accept the ~~award~~Award and pay required fees within 20 calendar days of receipt of the Award Commitment Letter.

- (b) Making unapproved Project changes (e.g. change in Recipient structure; number or size of Units etc.) after awards have been issued.
- (c) Failing to start construction by required deadline identified in the Award Commitment Letter, ~~typically nine (270) days from award.~~
- (d) Failing to maintain the Project's ongoing financial feasibility.
- (e) Failing to provide required compliance documentation.
- (f) If it is discovered at any time after award, that the application included material misrepresentations or omissions, regardless of whether such misrepresentations or omissions were innocent, unintentional, and/or based upon belief.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Section: 54928, 54944, Health and Safety Code.

Article 9. Program Operations

§ 32090. Loan and Grant Disbursement Procedures.

- (a) Recipient agrees that the HDFC funds must be expended only in accordance with the statutes and regulations governing the HDFC funding program(s) and only for the purposes and activities and in the amount set forth in the loan/grant documents or other documents associated with the Project.
- (b) HDFC funds may be disbursed when all of the following conditions are satisfied:
 - (1) All loan/grant documents have been duly executed in a form acceptable to HDFC and where necessary acknowledged and suitable for recordation and recorded where required;
 - (2) Recordation of HDFC affordability covenant
 - ~~(2)~~(3) Recipient has obtained all required permits and approvals required for the lawful construction and occupancy of the units;
 - ~~(3)~~(4) Recipient has obtained all necessary insurance;
 - ~~(4)~~(5) There exists no event of default, or any other of the loan documents, or event, omission or failure of condition which would constitute a default or event of default after notice or lapse of time, or both that will not be cured concurrently with the funding of the award;
 - ~~(5)~~(6) Recipient has obtained all required construction and permanent financing and has adequate funding to operate the Project;
 - ~~(6)~~(7) Recipient has obtained for HDFC, at Recipient's expense, a title policy insuring the deed of trust, when applicable;
 - ~~(7)~~(8) Recipient has satisfied all requirements for receipt of HDFC funds in accordance with these Regulations, Award Commitment Letter, loan/grant documents and closing due diligence lists;
 - ~~(8)~~(9) Recipient will comply and/or has complied with all special conditions contained in the Award Commitment Letter and associated loan and grant documents; and
 - (9) The funds for the loan/grant are available to State of California and/or HUD.

(10) Sponsor and Recipient (if applicable), shall submit to HDFC an authorizing resolution accompanied by an attorney opinion letter that provides legal confirmation regarding the Sponsor and if applicable, the borrower's authority, due execution, and enforceability of the loan/grant documents, to the satisfaction of the Executive Director.

(c) Funding at Conversion to Permanent Financing Only

(1) For Projects awarded permanent financing only, HDFC does not disburse HDFC state funds during the construction period. HDFC funds are held until the following:

(A) All items under Section 32090(b) must be met.

(B) HDFC state funds may be sent to escrow for the Permanent Loan Closing when the Recipient submits an accurate, completed and executed audited cost certification and HDFC disbursement request form to HDFC no less than 45 days prior to the close of escrow. The funds must remain in escrow until HDFC authorizes release of the HDFC funds to the Recipient.

(C) No retention applies to HDFC state funds disbursed under this Permanent Loan Closing payment.

(d) Funding During Construction

(1) HDFC's construction disbursement structure is intended to operate until CalHFA's construction lending program is established, at which time HDFC will coordinate with CalHFA to ensure alignment.

(2) Two-Phase Construction Disbursement Structure. HDFC construction disbursements shall consist of both: (A) an initial advance at construction financing closing and (B) a completion advance at Project Completion. HDFC shall not administer periodic construction draws between the initial advance and project completion except as provided for in subsection (C) below.

(A) Initial Advance

1. Eligibility. To receive an initial advance, the Project must have received an HDFC award and an allocation of federal tax credits (LIHTC), and the Recipient must satisfy HDFC's Financial-Capacity Metrics as described in Section 32067.

2. Amount. The initial advance shall equal the total HDFC award multiplied by the initial advance percentage. ~~The initial advance percentage equals the of the tax credit investor's initial capital contribution. For example, if the investor's initial capital contribution made by the tax credit investor at or concurrently with construction loan closing, divided by equals 10% of the investor's total committed tax credit investor equity investment, then~~ HDFC's initial advice of loan proceeds made at construction loan closing shall equal 10% of the total HDFC loan.

3. Conditions. The initial advance is conditioned solely upon satisfaction of the Financial-Capacity Metrics, execution and where applicable, recordation of all required HDFC documents, concurrent closing of the primary construction loan, concurrent funding of the initial tax credit equity contribution, and the absence of any known uncured material default

under the HDFC documents.

4. Reliance and Efficiency. HDFC shall publish a standardized checklist of required closing documents to disburse at construction closing. To eliminate duplicative review, HDFC may rely on closing statements, inspections, title policies, and certifications prepared or accepted by the construction lender, tax credit investor, local jurisdiction, or escrow holder.

(B) Completion Advance

1. Project Completion. For purposes of this section, "Completion" shall mean the occurrence of physical construction completion as evidenced by documentation including but not limited to a copy of a temporary certificate of occupancy, ~~a local agency building sign-off~~ certificate of occupancy, an architect's certificate of substantial completion, and other equivalent documents ~~accepted by~~ acceptable to HDFC in its sole and absolute discretion.
2. Disbursement at Completion. Upon Completion, HDFC shall disburse the remaining balance of the HDFC award directly into escrow, in an amount determined in part by the senior construction lender's payment demand, for the sole purpose of paying down the construction loan. Such funds shall not be disbursed directly to the Recipient. Disbursement shall not be conditioned upon lease up, permanent loan conversion, tax credit capital contributions at conversion or upon issuance of LIHTC Form 8609, or formal Permanent Loan Closing.

(C) Exclusions. This two-phase disbursement structure shall not apply to funding that HCD has historically provided during construction period:

1. Awards of HOME and NHTF funds awarded by HDFC/HCD,
2. Awards of IIG and Serna funds administered by HDFC₋₁ or
3. Any other program where HDFC determines, in its sole discretion, that applying this structure would violate statutory mandates or jeopardize Project funding.

(D) Disbursement Procedures for Excluded Programs. The following procedures are applicable to the excluded programs described in Section 32090(d)(2)(C) above.

1. HDFC funds may be sent to escrow for the construction closing when the Recipient submits an accurate, completed and executed HDFC disbursement request form and supporting documentation for eligible costs to HDFC no less than 45 days prior to the planned date to close escrow. The funds must remain in escrow until HDFC authorizes release of the HDFC funds to the Recipient.
2. HDFC funds must be disbursed for eligible costs, less a retention amount not to exceed five percent (5%) of the total HDFC loan/grant amount, as determined by HDFC in its sole discretion, pursuant to Civil Civ. Code, § 8811 ~~(Chapter 49, Statutes of 2025)~~₋₁, unless HDFC releases retention in order to expend the funds prior to a statutory and/or regulatory expenditure deadline. The retention amount, less applicable cost savings, will be released at conversion to permanent financing. The COSR grant amount is not included in the calculation of the retention.

3. HDFC funds may be wired to escrow for the Permanent Loan Closing when the Recipient/ submits an accurate, completed and executed audited cost certification and HDFC disbursement request form to HDFC no less than 30 days prior to the close of escrow. The funds must remain in escrow until HDFC authorizes release of the HDFC funds to the Recipient.
 4. If, upon completion of construction, the total development funding sources exceed the total development costs, HDFC may, after re-underwriting the project and revising the funding layering review, reduce the amount of the HDFC award provided in the Award Commitment Letter on a pro-rata basis. HDFC may reallocate the cost savings in the following manner but not limited to: use for future funding awards or directly fund a Project with existing HDFC financing that is under construction and has a financing gap due to cost overruns or other circumstances approved by HDFC.
- (e) Cost Savings at Permanent Loan Conversion. If, upon permanent loan conversion, total development funding sources exceed total actual development costs, HDFC may reduce the amount of the HDFC award provided in the Award Commitment Letter on a pro-rata basis. HDFC may reallocate the cost savings in the following manner but not limited to: use for future funding awards, or directly fund a Project with existing HDFC financing that is under construction and has a financing gap due to cost overruns or other circumstances approved by HDFC.
- (f) HDFC shall apply standard industry practices, as identified and approved by HDFC, including industry standard closing policies that allow a closing with timing gap between recording documents and wiring of funds, which are insured by title, consistent with HDFC's internal policies and risk-management requirements. These practices and procedures shall be used to ensure prudent administration of HDFC funds, maintain the financial integrity of the Project, and support compliance with all applicable program requirements.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50675.8, 50675.6, Health and Safety Code.

§ 32091. Disbursement of COSR Funds.

COSR reimbursement for the HDFC-funded COSR is based solely on deficits attributable to COSR Units, governed by [HSC Health & Saf. Code, § 50675.5\(b\)\(8\)](#) and available HDFC funding. The process of COSR disbursements may be revised in these regulations prior to the release of subsequent HDFC regulations, to allow entities other than HDFC to hold and disburse COSR award according to the terms of the HDFC Regulations and documents. All disbursement terms below may be modified as appropriate by HDFC based on the award amount, underwriting, and Project financial need according to these regulations and HDFC COSR amount per Project.

(a) Initial Disbursements

- (1) Up to ~~seven percent (7%)~~ 7% of the COSR award may be drawn for the Initial

Operating Year (including rent-up).

(2) Up to ~~seven percent (7%)~~ 5% may be drawn in the second year.

(3) Combined first draw period may not exceed 24 months.

(b) Ongoing Annual Disbursements

(1) Default limit: ~~five percent (5%)~~ 5% of total COSR award per year.

(2) If operating deficits exceed the ~~five percent (5%)~~ 5% limit, HDFC may permit up to ~~seven percent (7%)~~ 5%.

(3) If a prior year draw was below ~~five percent (5%)~~ 5%, averaging may be used.

(c) Conditions for Disbursement

(1) HDFC-awarded COSR funds must not be drawn in any year where total Project cash flow is sufficient to pay:

(A) All Operating Expenses.

(B) Mandatory Debt Service.

(C) Required reserve deposits.

(d) Audit, Review, and Reconciliation Requirements

(1) Audits. Each year, the Sponsor must submit an independent audit that identifies:

(A) All income and expenses for Restricted Units;

(2) Overutilization Adjustments. If a Project receives more COSR than needed for the prior year, the HDFC may:

(A) Reduce future disbursements,

(B) Require return of excess funds, or

(C) Recalculate allowable annual disbursement to preserve the COSR for ~~15~~ 20 years.

(e) Five-Year Utilization Review. If more than 25% of COSR funds are drawn in the first five years, the Project may be subject to revised annual withdrawal limits.

Similar reviews may occur at years 10 and 15.

(f) Duration and Longevity of COSR

(1) COSR must be structured to last ~~15~~ 20 years.

(2) If COSR funds remain after ~~15~~ 20 years, Project may continue using them holding them and may establish ongoing rules for their use, subject to HDFC approval or re-capture.

(3) Prohibited Uses. COSR funds may be subject to program-specific requirements under Chapter 3, including limitations on ineligible uses.

(4) HDFC Control COSR Funds

(A) HDFC may hold COSR in a separate subaccount.

(B) Disbursements may require HDFC review and written approval.

(C) COSR management is governed by HDFC documents, audit requirements, and HDFC policies.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 50675.5, Health and Safety Code.

§ 32092. Prevailing Wage Requirements.

Sponsor's use of HDFC funds is subject to applicable tribal, federal and/or California prevailing wage law. Prior to disbursing any HDFC funds, HDFC will require a certification of compliance with applicable tribal, federal and/or California prevailing wage law. The certification must verify that prevailing wages have been or will be paid if such payment is required by law, in conformance with the requirements of Chapter 1 (commencing with §1720) of Part 7 of the Labor Code, and that labor records shall be made available to any enforcement agency upon request. The certification must be signed by the Sponsor.

Note: Authority: Sections 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section 50675.4, Health and Safety Code

§ 32093. RESERVED.

§ 32094. Rent Increase Limitation.

(a) Rent Increase Limitation

~~(1) As a condition of funding, HDFC establishes rent increase limitations for For all Projects receiving HDFC funds. These limitations shall be enforced through the HDFC documents and these Regulations.~~

~~(2)(1)~~ For Projects subject to a CTCAC regulatory agreement, annual gross rent increases for Low-IncomeRestricted Units shall not exceed the rent increase limitation established and published annually by CTCAC, including any exceptions provided in the CTCAC regulations. Any adjustment to the CTCAC limit shall automatically apply to the HDFC limit.

~~(3)(2)~~ For Projects not subject to a CTCAC regulatory agreement, Sponsors shall comply with all applicable state and federal rent limitation laws, including local rent control ordinances where applicable.

~~(4)(3)~~ The rent increase limitations established in this section are subject to the applicable program-specific requirements set forth in Chapter 3, which shall control in the event of any conflict.

(b) Tribal EntityHousing Projects

(1) For Tribal Housing Projects ~~proposed by a Tribal Entity, or located on Tribal Trust Land or restricted land, as defined in Section 32040(b)(1)(F)~~, HDFC shall apply this section with maximum feasible flexibility, consistent with HSCHealth & Saf. Code, § 54931(q)(3). HDFC shall not impose rent increase limitations or related administrative requirements in a manner inconsistent with Tribal sovereignty or federal law. HDFC may approve alternative rent increase structures for Tribal EntityHousing Projects provided the alternative does not

violate ~~applicable programmatic rent limits established in the HDFC documents,~~ state law, or federal statutory or regulatory requirements.

(c) Waiver

- (1) For Projects subject to a CTCAC regulatory agreement, HDFC shall defer to CTCAC's determination on rent increase limit waiver requests. A separate waiver request to HDFC is not required for co-funded Projects where CTCAC has approved the waiver, consistent with the CTCAC Rent Increase Limit Waiver Memorandum, or any successor guidance, as published on the CTCAC website.
- (2) For Projects not subject to a CTCAC regulatory agreement, the Executive Director may grant a waiver to exceed the rent increase limit if the Sponsor demonstrates that the proposed increase is necessary to ensure the financial stability or Fiscal Integrity of the property and does not unreasonably impact the tenants. The Executive Director shall establish and publish the process and criteria for waiver requests.
- (3) A waiver denial is subject to the appeals process described in Section 32087.

(d) Notice

- (1) For Projects subject to a CTCAC regulatory agreement, owners shall comply with the tenant notice requirements established by CTCAC under 4 CCR § 10336(a)(3), including the notice required under [CivilCiv. Code, § 827](#). For Projects not subject to a CTCAC regulatory agreement, Sponsor shall provide written notice of any rent increase in accordance with [CivilCiv. Code, § 827](#). The notice must state the amount of the increase, the new rent, the applicable rent increase limit, and the effective date, in plain, accessible language. The notice must include the name, telephone number, and email address of a representative who can answer the tenant's questions about the increase.

(e) Annual Rent Limitation Review

- (1) Annually, and in coordination with CTCAC's annual assessment required under AB 846 (Ch. 674, Statutes of 2024), the Executive Director shall review the rent increase limitation established under this section to confirm continued alignment with CTCAC's published limit and evaluate its impact on the HDFC portfolio. The Executive Director may recommend adjustments to the HDFC Executive Committee based on that review. Any adjustment adopted by the HDFC Executive Committee shall be published and take effect for the following calendar year.

(f) Noncompliance

- (1) Failure to comply with the rent increase limitations in this section shall be subject to such remedies as HDFC determines appropriate in its sole discretion, consistent with the HDFC documents and applicable law.

(g) Restricted Units Assisted with Rental Subsidy Programs

- (1) For Restricted Units receiving Housing Choice Vouchers (pursuant to 24 CFR

Part 982) or other similar rental assistance, the rules of the rental assistance program pertaining to rent increases shall prevail for as long as the rental assistance remains in place. Changes in the tenant contribution amounts may occur more often than annually, as required by the rental assistance program. HDFC will defer to the subsidy program to set rents and determine the tenant-paid portion.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Section: 54942, 54944, Health and Safety Code.

§ 32095. Fair Housing, Tenant Protections, and Tenant ProtectionsSelection.

The Sponsor must comply with all applicable local, state, and federal laws, constitutions, codes, standards, rules, guidelines, and regulations, including, without limitation, those that pertain to accessibility, construction, health and safety, labor, fair housing, fair employment practices, affirmatively further fair housing, nondiscrimination, and equal opportunity. In addition, Sponsor must do all the following:

(a) Nondiscrimination policy. Adopt a written nondiscrimination policy requiring that no person, on the basis of any protected class under federal or state Fair Housing Laws, including race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, age, medical condition, genetic information, citizenship, primary language, immigration status (except where prohibited by federal law), criminal history, arbitrary characteristics, perceived membership in a protected class, record of membership in a protected class, or association with a protected class, be excluded from participation in, denied benefits of, or subjected to discrimination under any HDFC funding program or activity receiving tax credits and bonds.

~~(b) Tenant Selection Policy. Adopt a written tenant selection policy, in clear, intelligible, and unambiguous language, that complies with state and federal law, includes the Fair Housing Laws, and is consistent with any Housing Type requirements, including WIC § 8255 for Special Needs and Supportive Housing Types.~~

~~(c)~~ Affirmative Fair Housing Marketing Plan. Develop and implement an affirmative fair housing marketing plan. Such plan shall be consistent with the Fair Housing Act, 42 USC § 3601 et seq. and consistent with HUD's equal opportunity regulations at 24 CFR part 200, subpart M.

~~(d)~~(b) Accessible Housing Units. All new and existing projects with Accessible Housing Units shall adopt a process to market information about these Units to eligible individuals with Disabilities and take reasonable, nondiscriminatory steps to maximize their use by individuals who require accessibility features. When an Accessible Housing Unit becomes Vacant, the owner or Property Manager shall

offer the unit: First, to a current occupant of another Unit in the same Project, or in a comparable Project under common control, who has a Disability requiring the accessibility features of the Vacant Unit and is occupying a Unit without those features, including, but not limited to, adaptable Units; Units with audio and visual assistance; and all Units meeting the latest adopted California Building Codes and standards, and Americans with Disabilities Act standards; or, if no such occupant exists, then Second, to an eligible, qualified Sponsortenant applicant on the waiting list who has a Disability requiring the accessibility features of the Vacant Unit, as defined by the latest adopted California Building Codes and standards, and Americans with Disabilities Act standards. If no Sponsortenant meeting the criteria in the above subsections (1) or (2) is available, the Accessible Housing Unit may be offered to a tenant ~~or Sponsor~~ who does not require the unit's accessibility features. When offering an Accessible Housing Unit to a Sponsortenant who does not require its accessibility features, the owner or Property Manager shall require the Sponsortenant to agree to move to a non-accessible Unit when a comparable Unit becomes available. This agreement shall be incorporated into the lease or a lease addendum.

(c) Reasonable Accommodation. Adopt and implement a written policy for providing reasonable accommodations, reasonable modifications, and auxiliary aids and services, as defined by the American Disability Act, and any enhanced accessibility features of the property or unit, to ensure effective communication with residents and Sponsors with Disabilities. Sponsor must provide notice, in plain language and accessible formats, to tenants in Units with adaptable features of their ability to request conversion of those features to make the Unit more accessible.

(d) Violence Against Women Act (VAWA). Where applicable, ensure that individuals are not denied assistance, evicted, or have their assistance terminated because they are survivors of domestic violence, dating violence, sexual assault, or stalking, or because they are affiliated with a victim, pursuant to 34 USC § 12491. Sponsor must inform prospective and current tenants of their rights under federal law by providing the Notice of Occupancy Rights (Form HUD-5380) and the VAWA Self-Certification (Form HUD-5382). Notice must be provided when a person is denied housing, when admitted to housing, and when a tenant is notified of eviction or termination. Sponsor and Property Managers must also comply with additional protections under state law, including Civ. Code, § 1946.7 (early lease termination without penalty) and Civ. Code, §§ 1941.5 and 1941.6.

(e) Tenant Selection Policy. Coordinated Entry System Referrals. To the extent possible, Projects where one or more of the Low Income Units is restricted to occupancy by Chronically Homeless or Homeless must fill vacancies for such Units with local Coordinated Entry System (CES) referrals of people experiencing Homelessness or At Risk of Homelessness. All Projects shall adopt the following policies and procedures in furtherance of the Fair Housing Laws and Housing and Accessibility Requirements and submit them to HDGC upon request. If the local CES does not refer tenants within thirty (30) days of written notice of a Vacancy, Units may be occupied by tenants referred from other referral sources consistent with WIC

~~§ 8255, subdivision(b)(3), including homeless shelters. Where the local office of the U.S. Department of Veterans Affairs is not participating in a CES, vacancies may be filled with those Veterans who are referred directly by that local office. If acuity (the severity of presenting issues) is used as the basis for selecting tenants, it must be measured using the Vulnerability Index—Service Prioritization Decision Assistance Tool (VI-SPDAT) or some other standardized assessment tool, pursuant to 24 CFR § 578.7, and as approved by HDFO Executive Director. Tribal entities may use another approved system that prioritizes households based on need and barriers to housing stability. Where CES is not operational, referrals must be made through a similar approved system using the same prioritization criteria.~~

(e) Adopt a written tenant selection policy, in clear, intelligible, and unambiguous language, that complies with state and federal law, includes Fair Housing Laws, and is consistent with the Project's Housing Type requirements in Section 32040 (b). The tenant selection policy must include how accessibility needs are addressed for any populations with Disabilities or exiting institutions. Tenant selection must be described in the management plan required in Section 32100 (b)(4).

(1) For Special Needs and Supportive Housing Types:

(A) The tenant selection policy must include Housing First requirements in Welf. & Inst. Code, § 8255.

(B) Referrals shall be made through the Coordinated Entry System or a comparable prioritization and/or referral system based on greatest need. If referrals will be made using a prioritization system other than CES, the Sponsor must describe the plan for tenant referrals in detail, including which agency is responsible for managing the referral approach and the prioritization process.

(f) Waiting List Due to Disasters. Sponsors and Property Manager shall comply with any federal, state, or local laws, rules or policies that require a tenant waitlist priority for households displaced and experiencing Homelessness due to a Presidentially declared disaster under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 USC § 5121 et seq.) or State of Emergency declared by the Governor of California in accordance with the State of California Constitution and California Emergency Services Act (GovernmentGov. Code, § 8550 et seq.).

~~(g) Reasonable Accommodation. Adopt and implement a written policy for providing reasonable accommodations, reasonable modifications, and auxiliary aids and services, as defined by the American Disability Act, and any enhanced accessibility features of the property or unit, to ensure effective communication with residents and Sponsors with Disabilities. Sponsor must provide notice, in plain language and accessible formats, to tenants in Units with adaptable features of their ability to request conversion of those features to make the Unit more accessible.~~

~~(1) Where applicable, ensure that individuals are not denied assistance, evicted, or have their assistance terminated because they are survivors of domestic violence, dating violence, sexual assault, or stalking, or because they are affiliated with a victim, pursuant to 34 U.S.C. § 12491.~~

~~(2) Sponsor must inform prospective and current tenants of their rights under federal law by providing the Notice of Occupancy Rights (Form HUD-5380) and the VAWA Self-Certification (Form HUD-5382). Notice must be provided when an Sponsor is denied housing, when admitted to housing, and when a tenant is notified of eviction or termination. Sponsor and Property Managers must also comply with additional protections under state law, including Civil Code § 1946.7 (early lease termination without penalty) and Civil Code §§ 1941.5 and 1941.6.~~

~~(h) Service Animals. Adopt a policy allowing service animals as of right, providing reasonable accommodations for assistance animals under Fair Employment and Housing Act (FEHA), and permitting tenants to own or maintain one or more common household pets pursuant to the Pet Friendly Housing Act of 2017 (HSC § 50466).~~

~~(i)(g)~~ Tenant Grievance and Appeal Procedure. Unless required by another federal, state, or local program, adopt a tenant grievance and appeal procedure to resolve grievances filed by tenants and appeals of adverse actions taken by Sponsor or managers regarding occupancy of a Low-Income Unit or applications for occupancy.

(1) The grievance and appeal procedure shall be subject to HDFC review upon request and shall, at a minimum, include:

(A) A requirement to provide each tenant and Sponsor with a written copy of the grievance and appeal procedure;

(B) Procedures for informal dispute resolution;

(C) A right to a hearing before an impartial body consisting of one or more persons with the authority to render a final decision on the appeal or grievance; and

(D) Procedures for conducting an appeal or grievance hearing and for appointing an impartial body.

(2) Neither use of, nor participation in any of the appeal and grievance procedures shall constitute a waiver of or affect the rights of the tenant, prospective tenant, or owner to a trial de novo or judicial review in any judicial proceeding which may thereafter be brought in the matter or the rights to file a judicial or administrative complaint under applicable Fair Housing Laws.

~~(i)(h)~~ Language Access. Provide meaningful language access to Limited English Proficiency (LEP) tenants, including a written language access plan that provides for translation of notices concerning tenants' rights and interpretive services to facilitate communication between LEP tenants and owners.

(i) Service Animals. Adopt a policy allowing service animals as of right, providing reasonable accommodations for assistance animals under Fair Employment and Housing Act (FEHA), and permitting tenants to own or maintain one or more common household pets pursuant to the Pet Friendly Housing Act of 2017 (Health & Saf. Code, § 50466).

and Safety Code. Reference: Section: 54940(b), Health and Safety Code.

§ 32096. Reporting Requirements.

- (a) The general compliance and reporting requirements applicable to all HDFC-funded Projects are set forth in this section. Additional program-specific requirements are set forth under Chapter 3, Program-Specific Supplements.
- (b) Prior to Permanent Loan Closing, Sponsors must submit data on the numbers and percentages of minority contractors, subcontractors, suppliers, architects, engineers, attorneys, mortgage bankers or other lenders, insurance agents and managing agents for the purpose of reporting data annually to the HDFC.
- (c) No later than ~~ninety~~ (90) days after the end of each Project Fiscal Year, and until the final Project Fiscal Year during the state affordability period or federal affordability period, the Sponsor shall submit all of the following:
 - (1) Annual Audit. An independent audit of the Project prepared by a certified public accountant in accordance with HDFC audit requirements, including the HCD/CalHFA Audited Financial Statements Handbook for Multifamily Rental Housing, and compliance with HDFC underwriting guideline, as periodically updated and incorporated by reference; and,
 - (2) Annual Compliance Report. A complete annual compliance report, including data on the numbers and percentages of Restricted Units, bedroom sizes for each unit, incomes of households occupying Restricted Units, monthly rentals charged to occupants of the Restricted Units, elderly and orthopedic Disability occupancy, congregate housing for the elderly and other tenant demographics pursuant to HDFC defined reporting requirements, as may be updated from time to time.
 - (3) Annual Operating Budget and Schedule of Rental Income. No later than ~~sixty~~ (60) days prior to the beginning of each Project Fiscal Year, the Sponsor shall submit the proposed Annual Operating Budget and Schedule of Rental Income to HDFC, which shall be utilized for all HDFC and CalHFA programs, as well as CTCAC and CDLAC awards. Refer to Chapter 4, Section 34000 for expanded definitions of these terms.
- (d) HDFC may require Sponsor to provide any report it deems necessary to assess compliance with these Regulations or applicable state and federal law, and other laws and statutes.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54947 54928, 54929, Health and Safety Code; and Section: 8869.84, Government Code. Reference: Sections: 51005, 54949, 54944, Health and Safety Code.

§ 32097. Ongoing Compliance.

- (a) Where a Project is receiving renewable project-based rental assistance, similar rental subsidies, or operating subsidy, as approved by HDFC:

- (1) The Sponsor shall in good faith apply for and accept all renewals available;
 - (2) If the project-based rental assistance or operating subsidy is terminated through no-fault of the Sponsor, the Sponsor shall notify HDFC in writing immediately and shall make every effort to find alternative subsidies or financing structures that would maintain the deeper income targeting contained in the recorded HDFC loan document. Upon documenting [to](#) HDFC's satisfaction unsuccessful efforts to identify and obtain alternative resources, the Sponsor may increase rents and income targeting for Low-Income Units above the levels allowed by the recorded Regulatory Agreement up to the federally permitted maximum. Rents shall be raised only to the extent required for Financial Feasibility and the Project's Fiscal Integrity, as determined by HDFC, and in coordination with CDLAC and CTCAC, as applicable. Where possible, remedies shall include skewing rents higher on portions of the Project in order to preserve affordability for Units regulated by HDFC at Extremely Low-Income targeting. Any necessary rent increases shall be phased in as gradually as possible, consistent with maintaining the Project's financial feasibility. If housing Special Needs Population, the Sponsor shall attempt to minimize disruption to existing households, and transition to non-Special Needs households only as necessary and upon Vacancy whenever possible.
- (b) For Projects developed under a long-term ground lease, the lease and any amendments must be in a form acceptable to HDFC. A memorandum of the ground lease and memoranda of any amendments shall be recorded in the county where the Project is located prior to the recordation of HDFC documents.
- (c) HDFC will continue to implement the streamlined long-term monitoring procedures for Co-Regulated Developments, as established pursuant to AB 2006 for developments subject to regulatory agreements with two or more agencies, HCD, CalHFA and CTCAC. The development is subject to a single agency's monitoring process, which may be amended from time to time to meet state and/or federal program requirements and laws.
- (d) Findings arising from ongoing compliance activities shall be resolved through the compliance review and enforcement procedures established in Section 32098.
- (e) [For Projects A Sponsor](#) that is required to submit a financial capacity plan pursuant to Section 32067 shall also be subject to the post-award monitoring obligations set forth in that section.

Note: Authority: Sections: 50260, 54940, 54942, 54943, 54944, 54945, 54947, 54928, 54929, Health and Safety Code; and 8869.84, Government Code. Reference: Sections: 54943, 54944, Health and Safety Code.

§ 32098. Compliance Review and Enforcement.

- (a) HDFC may review the compliance history and performance of Sponsors, [as noted in](#)

[this section](#), for purposes of administering HDFC programs, evaluating applications, determining eligibility, making funding decisions, monitoring HDFC Projects, and protecting public funds and residents.

- (b) HDFC may assess negative points against a Sponsor when HDFC determines that a demonstrated pattern of noncompliance, repeated violations, material defaults, unresolved deficiencies, or other actions adversely affecting the administration of HDFC programs warrant such assessment. HDFC may assess negative points without a prior pattern determination where the underlying conduct involves fraud, material misrepresentation, falsified documents, misuse of funds, material default, serious habitability or health and safety concerns, resident harm, or other conduct that HDFC determines materially affects program integrity.
- (c) In determining whether enforcement action or negative points are appropriate, HDFC may consider the nature, severity, frequency, duration, materiality, and resolution of compliance deficiencies, contractual defaults, reporting failures, financial obligations, program violations, enforcement actions, resident impacts, habitability concerns, and any other factor relevant to a Sponsor's performance.
- (d) Unless immediate enforcement is warranted due to fraud, material misrepresentation, falsified documents, material default, health or safety conditions, habitability concerns, resident harm, misuse of funds, or other significant program risk, HDFC's compliance process should generally be progressive and may include written notice, an opportunity to cure, technical assistance, corrective action, administrative fines or fees where authorized, and assessment of negative points where a pattern of noncompliance or other serious concern remains.
- (e) HDFC may consider compliance findings, monitoring findings, enforcement actions, negative point determinations, defaults, ineligibility determinations, or other adverse actions issued by other governmental housing finance, funding, or regulatory agencies when evaluating a Sponsor's compliance history, provided such consideration is consistent with HDFC policy and applicable law.
- (f) Nothing in this section limits HDFC's authority to pursue any other remedy authorized by statute, regulation, notices of funding availability, loan documents, grant agreements, Award Commitment Letter, other written commitments, regulatory agreements, covenants, committee resolutions, or other contractual agreements.
- (g) Negative points may be assessed for concerns involving habitability, resident livability, affordability compliance, rent and income restrictions, financial obligations, reserve requirements, reporting obligations, project delivery, milestone performance, readiness, use of awarded funds, regulatory agreement compliance, ownership or management changes, defaults, material misrepresentation, fraud, falsified

documents, fair housing, accessibility, or other matters affecting HDFC program administration.

- (h) HDFC may recognize and consider negative points or equivalent sanctions assessed by the CTCAC, CDLAC, CalHFA, HCD, federal agencies, local public agencies, or other governmental funding or regulatory bodies, consistent with HDFC policy and applicable law.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54947, 54928, 54929, Health and Safety Code; and Section: 8869.84, Government Code. Reference: Section: 54943, Health and Safety Code.

§ 32099. Roles of Reviewing Entities.

- (a) HDFC as Lead Monitoring Entity. HDFC is the lead entity responsible for ongoing compliance and long-term monitoring of Projects funded under the programs it administers. HDFC holds the Regulatory Agreement, oversees compliance with these Regulations and the loan/grant documents, and serves as the primary point of decision for compliance and asset management matters throughout the term of the affordability and funding obligations.
- (b) Coordinated Monitoring for Co-Regulated Projects. Many Projects receive funding or allocations from more than one reviewing entity, including HDFC, CTCAC, CDLAC, CalHFA, and HCD. For these co-regulated Projects, HDFC shall coordinate ongoing compliance and monitoring with the other reviewing entities consistent with [Assembly Bill 2006 \(Statutes of 2022\) AB 179](#) and any memorandum of understanding or successor agreement among the reviewing entities. The goals of this coordination are to ensure that a single entity conducts physical inspections of a Project, to eliminate duplicate submissions, and to align the processes for obtaining required approvals, including reserve draws, ownership changes, property management changes, operating budgets, and capital needs assessments. HDFC may enter into, modify, and implement agreements with the other reviewing entities to carry out this coordination as the roles of the reviewing entities evolve.
- (c) Federal Grantee Responsibilities. For Projects receiving HOME or NHTF funds, HCD retains the grantee responsibilities and oversight obligations required under 24 CFR Parts 92 and 93. Coordination with other reviewing entities under this section does not delegate, diminish, or transfer HCD's responsibilities to HUD, and HCD remains responsible for ensuring ongoing compliance with applicable federal requirements.
- (d) Division of Responsibilities. The reviewing entities may allocate ongoing compliance and monitoring responsibilities among themselves as appropriate to each Project's funding sources and regulatory agreements. These responsibilities include, but are

not limited to, annual reporting, audited financial statements, operating budget review, reserve disbursement approvals, physical inspections, occupancy and income compliance, and review of ownership and management changes. HDFC may rely on the monitoring, inspections, or determinations of another reviewing entity where appropriate, and may establish the documentation and reporting required to support that reliance. Allocation of responsibilities under this section does not relieve a Sponsor of any obligation under the loan documents, the applicable regulatory agreements, or applicable law.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54947, 54928, 54929, Health and Safety Code; and Section: 8869.84, Government Code. Reference: Sections: 54929, 54944, Health and Safety Code.

§ 32100. Responsibilities, Supportive Services, and Management Requirements.

(a) Responsibilities of Sponsor

(1) Compliance

(A) All compliance requirements monitored by HDFC shall be the responsibility of the Sponsor.

(B) Sponsor is required to annually certify tenant incomes in conformance with IRS regulation § 1.42-5(c)(3).

(C) If the Project is a ~~one hundred percent (100%)~~ tax credit property exempted under IRC § 142(d)(3)(A), Sponsors ~~of a one hundred percent (100%) tax credit property~~ must perform a first annual income recertification in addition to the required initial move-in certification. After initial move-in certification and first annual recertification, Sponsors ~~of 100% tax credit properties~~ may discontinue obtaining income verifications.

(2) Sponsors of ~~one hundred percent (100%)~~ tax credit properties must continue to check for full-time student status of all households during the entire tenancy of the households and throughout the initial compliance period and continue recordkeeping. These requirements continue if the tax credit property is sold, transferred, or under new management. Any failure by the Sponsor's to respond to compliance reports and certification requirements will be considered an act of noncompliance and shall be reported to the IRS if reasonable attempts by HDFC to obtain the information are unsuccessful.

(2)(A) Homeless youth and federal student rule. After the 15-year federal compliance period has lapsed, Units in a Special Needs Project designated at reservation for Homeless youth may be occupied entirely by full-time students who are not dependent on another individual.

(3) Prohibition against requiring tenants to participate in services. All new and existing tax credit Projects are prohibited from requiring tenants to participate in services, unless the tenant occupies a Unit restricted by a federal source that requires tenant participation in services.

(4) Compliance with state and federal laws. The initial and all subsequent proposed Schedules of Rental Income (~~SRI~~SRI) are subject to HDFC approval, based on HDFC's determination that the proposed rents comply with these Regulations

and all applicable state and federal laws, regulations and statutes.

- (5) List of Reporting Requirements for Sponsor. At the beginning of each calendar year, HDFC shall provide a list of reports due at Permanent Loan Closing for each HDFC-funded Project and for each reporting year.
- (6) Technical Assistance. HDFC to provide year-round technical assistance to the Sponsor during each reporting year.

(b) Management and Maintenance

- (1) The Sponsor shall be responsible for all management functions of the Project, including tenant selection, annual income and household recertifications, evictions, and rent collection.
- (2) Repair and Maintenance. The Sponsor is responsible for all repair and maintenance of the Project, including routine maintenance, capital replacements, repair and upkeep of accessibility features (including reasonable modifications for residents with Disabilities), and any extraordinary or unforeseen work needed to protect the health and safety of the Project and its residents. The Sponsor shall maintain all Units, Commercial Space, and common areas in compliance with local health, building, and housing codes, and the management plan.
- (3) Management Contract. The Sponsor shall ensure the Project is managed by a HDFC-approved entity experienced in managing low-income housing. Section 32020(f)(B). All management contracts and activities are subject to HDFC approval and must allow the Sponsor to terminate the contract with 30 days' notice. The Sponsor shall terminate the contract at HDFC's direction if management fails to comply with HDFC requirements
- (4) Management Plan. The Sponsor shall develop a management plan, subject to HDFC approval before loan closing. Permanent Loan Closing. Any changes to the plan require HDFC approval. HDFC may review and request updates as needed. The plan Sponsor shall ensure the Project plan complies with all applicable state and federal law with respect to any preference policies for and reflects occupancy of particular requirements as per the Project's Housing Types, as specified and set forth in a written analysis that is submitted with the application. No written analysis is required if priority placement will be given only to prospective tenants who qualify for the preference categories listed in Type, Section 32040. (b). The plan shall also follow best practices and other HDFC requirements and include the following, where applicable and not restricted by other funding:
 - (A) The role and responsibility of the Sponsor and its delegation of authority, if any, to the managing agent company;
 - (B) Personnel policy and staffing arrangements;
 - (C) Plans Affirmative Fair Housing Marketing Plan. Develop and procedures for publicizing and achieving early and sustained occupancy, including implement an affirmative fair housing marketing and application intake. The plan-. Such plan shall be consistent with the Fair Housing Act, 42 USC § 3601 et seq. and consistent with HUD's equal opportunity regulations at 24 CFR part 200, subpart M and must include a policy for marketing, matching, and leasing Accessible Housing Units units in compliance with 24 CFR § 8.27.-

- (D) Procedures for determining tenant eligibility, selecting tenants, and certifying and annually recertifying household income and size;
- (E) The Sponsor's tenant screening and selection policy. Tenants qualifying under a Special Needs or Supportive Housing Population shall be selected through a need-based referral system. Tenants qualifying as Chronically Homeless or Homeless shall be selected through a CES, where operational; otherwise, a similar need-based system shall be used. Tenant selection plans must comply with the requirements in Section 32095, and any other applicable Program-Specific requirements in Chapter 3.
- (F) Plans for implementing an effective maintenance and repair program;
- (G) Rent collection policies and procedures;
- (H) A program for maintaining adequate accounting records and processing required forms and vouchers;
- (I) Plans for strengthening tenant-management relations, including strategies to maximize tenant retention;
- (J) The management agreement, if any;
- (K) Provisions for periodic update of the management plan;
- (L) Appeal and grievance procedures;
- (M) Sponsor's written nondiscrimination policy;
- (N) The Sponsor's written reasonable accommodation policy, compliant with state and federal law, including California Code of Regulations, title 2, CCR §§ 12176-218512185; and
- (O) Plans for collecting tenant-caused damages and for processing evictions and terminations.

~~(5) Standards include tenancy selection and screening, voluntary services, use of coordinated entry and prioritization systems for referral, and design of units and buildings suitable to the target population.~~

~~(6)~~(5) Tribal Admissions and Occupancy Standards (TAOS). In place of a Management Plan, Tribal Entities may use the Sponsor's duly adopted TAOS for Projects on Tribal Land. The TAOS must contain the tenancy, eviction and termination policies, in accordance with NAHASDA P.L. 104-330, as amended, including, but not limited to, sections 201, 203 and 207 and implementing regulations; and the TAOS must comply with applicable non-discrimination requirements, including, but not limited to, those described in 24 CFR § 1000.12.

(c) ~~Resident~~ Supportive Services

(1) Supportive Services are required for Special Needs and Supportive Housing Types, as appropriate, pursuant to populations served as specified the Project's Housing Type and the requirements in Section 32040(b) of these Regulations, and for any and all Restricted Units serving Special Needs or Supportive Housing Populations as defined in Section 34000 in a Project.

~~(4)~~(A) Any changes to the Supportive Services for the Project in operation during the affordability period must be submitted to HDGC for review and approval. Lead Service Providers shall not be replaced without written approval by HDGC, per CTCAC regulations at 4 CCR § 10338, as may be subsequently amended by CTCAC.

(2) Supportive Services Plan: The Sponsor shall be responsible for all Supportive Services functions of the Project and shall comply with all Fair Housing laws consistent with CTCAC regulations at 4 CCR § 10302-(aa), as may be subsequently amended by CTCAC.

(A) Submission.

1. Sponsors shall submit a preliminary Supportive Services plan at the time of application.
2. After an HDFC award and prior to the Permanent Loan Closing, the Sponsor must submit a final Supportive Services plan for HDFC review and approval including the final documentation an executed agreement with the Lead Service Provider.

(B) The final Supportive Services plan shall include ~~(Special Needs Housing Types are exempt from certain requirements):~~

1. A description of how the ~~Property Manager and~~ Lead Services Provider or service providers have experience with serving residents as per the Special Needs or Supportive Project's Housing Target Population Type requirements, and meet CTCAC experience requirements, as applicable. This includes providing a list of recent projects with applicable experience and supportive service amenity experience documentation.
- ~~2. A Tenant Selection plan including how the selection process will comply with applicable requirements of the HDFC Supportive Housing and Special Needs funding source(s) targeted by the Project. This must include a description of whether the Coordinated Entry System (CES) or a comparable needs-based prioritization system will be used as needed;~~
- ~~3. A budget describing anticipated income (all funding sources, cash and in-kind) and expenses associated with the Supportive Services program including transportation;~~
2. A description of how the services will integrate and ensure compliance with the tenant selection policy as required in Section 32095, and adhere to all state and federal privacy, confidentiality, and Fair Housing laws. The plan must describe how property management and services will coordinate to ensure seamless referrals and protections under HIPAA, California, and local referral system policies.
- 4.3. A description (with exception for Projects with federal funding and Special Needs funding) of how the Project will comply with Housing First standards state requirements in WICWelf. & Inst. Code, § 8255. A description of who will provide services providing evidence that Case Managers and/or service coordinators are trained in and actively employ evidence-based practices for client engagement, including, but not limited to, motivational interviewing and client-centered counseling. Housing First standards include tenancy selection and screening, voluntary services, use of coordinated entry and prioritization systems for referral, progressive engagement, harm reduction, and design of units and buildings suitable to the target population.
- 5.4. A description of how the Project will track measurable outcomes and report the required information in HSCHealth & Saf. Code, § 50675.14(h)(1) and preserve confidentiality of protected information in

capturing and reporting the data.

~~6.5.~~ A description of any on-site Property Managers, manager units, and Manager or resident services space or offices and how the services support resident stability and any other service plan objectives.

~~7.6.~~ Projects serving ~~sixteen (16)~~ or more Units in a single site must include an onsite manager unit, maintenance, or other person responsible, as required by 25 CCR Title 25 § 42.

- a. Sponsors seeking an exemption from this requirement must demonstrate that they will provide tenants with an equivalent number of desk or security staff, who are not tenants, capable of responding to emergencies for the hours when property management staff are not working.

Note: Authority: Sections: 50674.14; 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 54929, 54944, Health and Safety Code.

Article 10. Loan Restructuring

§ 32101. Loan Restructuring.

~~Certain HDFC-administered programs give HDFC authority to extend certain existing loans or to subordinate an existing loan to a new debt or to an investment of tax credit equity. Relevant statutory authority includes:~~

~~—HSC § 50675.6(2)—MHP~~

~~—HSC § 50515.2—SERNA and RHCP/SUHRP/DPRLP~~

Rehabilitation Projects subject to existing HCD restrictions must comply with loan restructuring program requirements pursuant to HSC Health & Saf. Code, §§ 50560 through 50562 and current HCD Portfolio Restructuring guidelines. Any proposed increases to rent restrictions or associated operating budget underwriting assumptions submitted in an application will be evaluated by HCD.

Note: Authority: Sections 50675.6, 50515.2, 54928, Health and Safety Code. Reference: Sections 50675.6, 50515.2, 54928, Health and Safety

Article 11. Legal Administration

§ 32110. Required Legal Documents.

- (a) Award Commitment Letter. Upon awarding HDFC funds to a Project, HDFC shall enter into one or more agreements with the Sponsor that encumber the approved funding amount, subject to specified conditions. These agreement(s) shall require the Sponsor to comply with these Regulations and all other applicable laws. ~~If an affiliated entity is the ultimate recipient of the funds, the agreement shall also require~~

~~the Sponsor to provide a guaranty ensuring full performance of all non-monetary obligations and requirements associated with the awarded program funds.~~ At minimum, the agreement(s) must set forth the Project description, funding terms, legal and regulatory obligations, construction and disbursement requirements, schedules and budgets, reporting and monitoring responsibilities, relocation and publicity requirements, available remedies, and any authorized Tribal Entity waivers.

(1) If the Recipient of the funds is not the Sponsor, the agreement(s) shall require a guaranty securing the Sponsor's specific performance of all contractual requirements associated with the awarded program funds. The guaranty is not a repayment guaranty.

(b) Loan Documents. Prior to disbursement of any loan funds, the Recipient must enter into the following HDFC loan documents:

(1) Promissory Note and Deed of Trust. All HDFC loans shall be evidenced by a promissory note payable to HDFC, stating the principal amount of the loan and the loan terms required under the applicable program. The note shall be secured by a deed of trust encumbering all sites comprising the Project property, naming HDFC as beneficiary or, for Tribal Entities, by other security acceptable to HDFC. The deed of trust or other approved security instruments shall be recorded and shall be junior only to such liens, encumbrances and other matters of record approved by HDFC subject to [§Section](#) 32112 of these Regulations. This security shall secure HDFC's financial interest in the Project and ensure specific performance of the Recipient's obligations subject to applicable California law.

(2) Affordability Agreement—

~~(2)(A)~~ For all HDFC loans, HDFC shall enter into ~~aan~~ affordability agreement with the Recipient for a term not less than the original term of the loan. The HDFC affordability agreement shall be recorded in first position ahead of any and all liens that include foreclosure remedies. ~~The HDFC affordability agreement~~ it is not required to be senior in priority to any ~~other~~ regulatory agreements or similar documents that do not ~~provide their holder with grant~~ foreclosure remedies.

(B) The affordability agreement shall include only those terms necessary to ensure that the Project remains restricted to the same affordability level for all occupants, rents or amounts charged pursuant thereto, reporting requirements not related to tenant occupancy and affordability, and level of operations and maintenance.

(C) If project based rental assistance is terminated, the affordability agreement may permit rents to increase only to the minimum extent necessary to maintain fiscal integrity; however, in no event shall rents exceed 30% of 60% of AMI, as determined by HUD and adjusted for unit size using TCAC's annually published income limits and maximum rents.

(3) Regulatory Agreement. HDFC shall also enter into a Regulatory Agreement with the Recipient for a term not less than the original term of the loan. The HDFC Regulatory Agreement shall be recorded in the official records of the county where the Project is located, against the property prior to the disbursement of funds. The HDFC Regulatory Agreement shall include, but not be limited to all terms, conditions, obligations, and restrictions applicable to the Project based on

the program(s) from which it receives funding. Such terms may address requirements related to the Project as a whole, Restricted Units, tenant selection, rental and occupancy agreement provisions, unit mix, operating and management standards, reserve accounts, sponsor distributions, reporting and oversight, property maintenance, enforcement mechanisms, successor obligations, special conditions of award, and any other provisions necessary to ensure full compliance with all applicable program requirements.

- (4) Standard State Forms. The Recipient shall complete all documentation required by the State of California to authorize the transfer of funds. This may include standard 213/215 forms or any other state-approved disbursement forms necessary for [releasereleasing](#) funds from the State to the Project.

- (c) Grant Documents. Prior to disbursement of any grant funds, the Recipient [mustshall](#) enter into the following HDFC grant documents:

- (1) Covenant. HDFC shall enter into a covenant agreement with the Recipient for a term not less than the original term of the grant. The HDFC covenant shall be recorded in the official records of the county where the Project is located, against the property prior to the disbursement of funds. The HDFC covenant shall include, but is not limited to all terms, conditions, obligations, and restrictions applicable to the Project based on the program(s) from which it receives funding. Such terms shall address requirements related to Restricted Units, tenant selection, rental and occupancy agreement provisions, unit mix, operating and management standards, reserve accounts, sponsor distributions, reporting and oversight, property maintenance, enforcement mechanisms, successor obligations, special conditions of award, and any other provisions necessary to ensure full compliance with all applicable program requirements.
- (2) Disbursement Agreement. HDFC may enter into a disbursement agreement to ensure timely completion of the Project. The disbursement agreement will define the manner, timing, and conditions under which grant funds will be disbursed, and it must be fully executed before any grant funds are disbursed. The disbursement agreement will identify the Recipient and include any provisions that HDFC determines necessary to fulfill the program's requirements and objectives. These provisions may include, but are not limited to: general conditions for disbursement; conditions that must be satisfied before individual disbursements; procedures for submitting draw requests; remedies in the event of default; a disbursement scheduled; and special conditions if applicable.
- (3) Standard State Forms. The Recipient shall complete all documentation required by the State of California to authorize the transfer of funds. This may include standard 213/215 forms or any other state-approved disbursement forms necessary for release funds from the State to the Project.

Note: Authority: Sections: 54940, 54941, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section: 54928, Health and Safety Code.

§ 32111. Leasehold Policy.

- (a) Any Project application proposing site control through a ground lease shall meet the

following requirements at the time HDFC documents are recorded:

- (1) The ground lease term must be at least 10 years longer than the term of the HDFC loan or grant; and
- (2) The ground lease term must extend through at least the end of the affordability period.

(b) Recording Requirements

- (1) Except as provided in [paragraph subsection](#) (2) below, the HDFC documents shall be recorded in the county where the Project is located against both the fee estate and leasehold estate.
- (2) The HDFC documents shall be recorded against only the leasehold estate when HDFC's approved form of lease rider is executed and recorded against the fee estate. The lease rider shall include provisions providing that:
 - (A) The ground lease is not subject to any liens, encumbrances, or interests that could extinguish, impair, or subordinate the lease rider;
 - (B) The HDFC loan, grant, and all related HDFC documents remain valid, enforceable, and fully effective with respect to the leasehold estate;
 - (C) The ground lease permits the Project to meet all HDFC requirements and allows HDFC to enforce all provisions of the HDFC loan and/or grant without limitation;
 - (D) The lessor must provide the lessee and HDFC written notice of any default and a reasonable opportunity to cure prior to terminating the lease or accelerating the rent due to the lessee's breach.
- (3) For any Project application where the State of California or any instrumentality or entity of the State is the ground lessor, or for any Project within Tribal Land, HDFC may modify or waive these provisions as appropriate and as permitted under applicable law.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections 53559, 54940, 54942, Health and Safety Code.

§ 32112. Subordination Policy.

- (a) Upon request, HDFC shall execute [an a subordination agreement subordinating for its loan or grant documents, unless HDFC determines that such subordination fails to further except where the interests of the proposed subordination would materially compromise HDFC's program: requirements or the enforceability of its documents.](#) In all cases, the HDFC affordability agreement shall remain senior [pursuant to § in accordance with Section](#) 32110.
- (b) [Subordination does not further the interest of HDFC's programs if the No subordination agreement contains any of the following terms, or any other provision that materially impairs HDFC's rights, remedies, or security interests: shall include:](#)
 - (1) Any limitation on HDFC's ability to exercise its remedies under [HDFC's](#) loan or

grant documents, including issuing notices of default based solely on a breach of senior lender documents.

- (2) Any term providing that a senior lienholder's acceptance of a deed in lieu of foreclosure results in the senior lienholder obtaining title free and clear of HDFC's loan or grant documents.
 - (3) Any terms permitting modification or supplementation of the senior lienholder's lien without HDFC prior written consent, except that HDFC may allow advances made by the senior lienholder to make advances to:
 - (A) Cure a default under a lien senior to HDFC loan or grant documents;
 - (B) Pay delinquent property taxes;
 - (C) Pay delinquent hazard or liability insurance premiums;
 - (D) Address conditions necessary for the health and safety of the tenants.
 - (4) Any [agreement provision](#) requiring HDFC to undertake additional obligations to any party excluding customary obligations to provide notices of default to senior lenders.
- (c) HDFC is not required to ~~execute a subordination agreement for~~ [subordinate its documents to](#) instruments that do not convey a power of sale, right of judicial or non-judicial foreclosure, or other ~~mechanism enforceable mechanisms~~ capable of extinguishing HDFC's security interest, including the items listed below. ~~However, if~~ [For clarity, instruments reserving "all rights and remedies" without granting foreclosure authority are not considered to contain such mechanisms. If required by](#) a co-lender or other funding source requires subordination of such instruments, HDFC may subordinate its documents accordingly:
- (1) General [or limited](#) partner or property purchase option, right of first refusal, and put option clauses.
 - (2) Local or state land use, zoning, or development covenants, including:
 - (A) Density bonus agreements
 - ~~(B)~~ [Inclusionary housing agreement](#)
 - ~~(B)(C)~~ [By-Right or](#) Streamlined ministerial approval covenants recorded pursuant to [Government Gov.](#) Code [§, §](#) 65913.4 (formerly SB 35, 2017); or
 - ~~(C)(D)~~ [Surplus land act covenants](#)
 - (3) Instruments or agreements that benefit the property, including but not limited to:
 - (A) Cell tower leases
 - (B) Laundry leases
 - (C) Water district covenants
 - (D) Cable or telecommunications provider agreements
 - (E) Utility easements, including PG&E [and](#) easements
 - (F) Environmental covenants and restrictions
 - (4) Bond regulatory agreements
 - (5) CTCAC regulatory agreements
 - (6) Other public governmental affordability or regulatory agreements or another agreement of similar nature.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health

and Safety Code. Reference: Sections: 50675.6, 50515.2, Health and Safety Code.

~~Note: Authority: 54928, Health and Safety Code. Reference: Section 54928, Health and Safety Code.~~

§ 32113. Amendments.

HDFC may approve limited minor modifications to existing loan documents. Such modifications may address minor technical matters that do not alter the loan's core financial terms.

Note: Authority: Section: 54940, 54941, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Sections: 54928, Health and Safety Code.

§ 32114. Transfers & Sales.

- (a) A Sponsor/[Recipient](#) shall not sell, assign, transfer, or convey the Project, or any interest in it, without ~~CTCAG, CDLAG, CalHFA, and/or~~ HDFC's prior written approval. Approval may be granted only if all of the following requirements are met:
- (1) The existing Sponsor/[Recipient](#) is in compliance with the HDFC loan document and other applicable loan documents, or the sale, transfer, or conveyance will cure any existing violations;
 - (2) The successor-in-interest agrees to assume all obligations of the existing Sponsor/[Recipient](#) under the HDFC loan document, other ~~loan~~[HDFC](#) documents, and the HDFC funding program(s);
 - (3) The successor-in-interest must be an eligible Sponsor/[Recipient](#) and demonstrate to HDFC's satisfaction the ability to successfully own and operate the Project and comply with all HDFC requirements; and
 - (4) No terms of the sale, transfer, or conveyance may jeopardize HDFC's security or the successor's ability to comply with all HDFC requirements.
- (b) If the Sponsor/[Recipient](#) or its successor-in-interest is a partnership, the Sponsor/[Recipient](#) shall not discharge or replace any general partner, or amend or modify the partnership agreement or the general partner's organizational documents, without HDFC's prior written approval.
- (c) The Sponsor/[Recipient](#) may transfer limited partner equity interests without HDFC's prior written approval.
- (d) If HDFC approves a sale, assignment, transfer, or conveyance, approval shall be conditioned as needed to preserve or establish the Project's Fiscal Integrity. Conditions may include, but are not limited to:
- (1) Depositing all or a portion of sales proceeds to maintain required Project reserves or offset negative cash flow;

(2) Recapture of syndication proceeds or other funds, or residual receipts, into the Project, in accordance with any special conditions in the Sponsor's Sponsor/Recipient's agreements; and/or,

(3) Any conditions necessary to ensure compliance with HDFC requirements.

(e) The Sponsor/Recipient shall not encumber, pledge, hypothecate, or permit any liens, charge, or assessments against the Project, without HDFC's prior written approval. HDFC may allow refinancing or additional financing secured by the Project only as needed to maintain the Project's Fiscal Integrity, maintain Affordable Rents, or reduce rents—~~not for any other purposes, including cash payments to the Sponsor, repayment of partner loans, recapturing appraised value at Re-syndication, or limited partner buyouts~~. Reserve balances may not be used for limited partner buyouts or exits.

(f) No loan may be prepaid before maturity without the HDFC's prior written consent, which may include conditions necessary to ensure compliance with HDFC requirements. All HDFC loan documents and agreements, including the deed of trust and Regulatory Agreement, shall remain in full force and effect despite any partial or full prepayment.

~~(g) For Projects that received federal tax credits, where all general partners are qualified nonprofit organizations, Sponsor may exercise the right of first refusal to allow one or more nonprofit general partners to purchase the Project after the 15th year federal compliance period.~~

~~(h) For any Project with tax credits that re-syndicates at year 15, the Project's residual receipts shall be used exclusively for the Project to ensure its Fiscal Integrity and long term feasibility, and shall not be distributed to the Sponsor or HDFC.~~

Note: Authority: Sections: 54940, 54941, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section: 54928, 54931, Health and Safety Code.

§ 32115. Defaults & Remedies.

(a) If the Sponsor breaches any provision of the loan document, promissory note, deed of trust, or any other Project agreement, HDFC may issue written notice to of the breach and the opportunity to cure. The Sponsor shall have at least ~~thirty~~ (30) days from the date of such notice to cure. If the breach is not cured to HDFC's satisfaction within that time, HDFC may declare a default and pursue legal remedies, including the following:

(1) HDFC may accelerate all amounts due under the loan, including principal and interest, and demand immediate repayment, as well as repayment of any grant award. If these accelerated amounts are not fully repaid, HDFC may initiate foreclosure in accordance with the deed of trust or grant security agreement and applicable state law.

(2) HDFC may seek court action for specific performance, breach of contract, or for

appointment of a receiver to operate the Affordable Housing Development in compliance with HDFC requirements.

- (3) HDFC may pursue any other remedies available under the agreement or applicable law.
 - (4) If the Project has multiple HDFC funding sources, all such funding shall be cross-defaulted. A default under one source constitutes a default under all other HDFC funding for the Project.
- (b) If the breach involves charging tenants Rent or other fees above amounts allowed under the Regulatory Agreement, HDFC may require repayment of the excess to the affected households. In enforcing the Regulatory Agreement, HDFC may also seek repayment of such overcharges as an additional remedy.
- (c) HDFC may cancel loan or grant commitments under any of the following conditions:
- (1) The HDFC's objectives and requirements [reflected in program documents](#) cannot be met;
 - (2) The Project cannot proceed in a timely manner in accordance with approved plans and schedules;
 - (3) Special conditions have not been fulfilled within required time periods; or
 - (4) There has been a material, unapproved change in the Project or in the Sponsor's principals or management.
- (d) If the Sponsor demonstrates good cause, HDFC may extend the compliance deadline and shall provide the extension in writing.
- (e) Upon receiving a notice of intent to cancel the loan or grant, the Sponsor may appeal to HDFC's Executive Director.
- (f) HDFC may use additional funding amounts to cure or prevent a Sponsor's default that jeopardizes the Project's Fiscal Integrity or HDFC's security, including defaults in mortgage payments, property taxes, insurance, or required reserves. Any such advance is at HDFC's sole discretion, creates no entitlement, and becomes part of the HDFC loan, or due to HDFC upon demand. HDFC may take any necessary actions, including foreclosure or forced sale, to prevent future occurrences and ensure compliance with applicable agreements.

Note: Authority: Sections: 54940, 54941, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section: 54928, 54931, Health and Safety Code.

§ 32116. Waiver and Regulatory Alignment.

- (a) In accordance with AB 179 ([Chapter 68, Statutes of 2026](#)), which establishes and affirms the State's policy objective of promoting alignment and coordination among housing programs administered by state agencies, HDFC may waive or modify non-statutory provisions in these Regulations where:

- (1) Federal funding requirements or LIHTC conditions applicable to a Project directly conflict with these Regulations; or
- (2) Minor technical or operational inconsistencies between these Regulations and state or local regulations, guidelines, or tax-credit requirements create an administrative burden without furthering a core policy goal, as determined by the Executive Director based on substantial evidence.

(b) Procedures and Limitations

- (1) All waiver requests shall be submitted in writing by the Sponsor, detailing the specific provision to be waived, the conflicting requirement or administrative burden, and the proposed alignment mechanism.
- (2) Waivers or modifications shall be issued in writing by the Executive Director, granted only to the minimum extent necessary to achieve program compatibility, and maintained in the permanent Project file.
- (3) In no event shall a waiver relieve a Sponsor of any statutory mandate, compromise HDFC security, or undermine the financial feasibility or long-term affordability of the Project.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, Health and Safety Code. Reference: Section: 54929, 54931, 54940, Health and Safety Code.

CHAPTER 3. PROGRAM-SPECIFIC SUPPLEMENTS

§ 33000. MHP.

(a) Eligibility Standards

~~(1) Projects:~~

~~(A) Pursuant to HSC § 50675.7(c), Projects shall serve households at the lowest income levels, consistent with long-term feasibility, considering regional variations; address the most serious identified local housing needs; and leverage other funds in those jurisdictions where they are available.~~

~~(2)(1)~~ Uses of Funds

(A) Eligible Uses of Funds

1. HDFC Capitalized Operating Subsidy Reserve (COSR) pursuant to [HSC Health & Saf. Code, § 50675.5\(b\)\(8\)\(A\)](#).
2. COSR reimbursement for the HDFC-funded COSR is based solely on deficits attributable to Restricted Units and is governed by [HSC Health & Saf. Code, § 50675.5\(b\)\(8\)](#).
3. Projects requesting over ~~\$36~~,000,000 in funding for COSR must include the portion of COSR requested over \$6,000,000 in the HDFC funding

[request amount of resource allocation](#) tiebreaker [calculation](#) per Section 32041.

4. All COSR awards are subject to the requirements and included in HDFC - award limits per Section 32070.
5. Funds may be used only for approved Eligible Costs pursuant to Section 32012 and as listed above.

(B) Ineligible Uses of Funds

1. Deposits to reserves beyond those required by HDFC, including reserves required by other Project financing sources, are ineligible.
2. If there is Vacancy loss for a tenant who has vacated or who was incarcerated or hospitalized for prolonged period in a Restricted Unit, the requirements of the rental subsidy source shall apply. COSR may only cover Vacancy loss if there is an unanticipated Vacancy in the Unit and the existing rental subsidies will no longer cover the Vacancy. The Project must demonstrate efforts to move the tenant on to the appropriate inpatient level of care if needed, or if the Unit is eligible for turn-over, fill the Vacancy.
3. Under no circumstances may COSR funds be used for or in connection with a limited partner buyout, substitution, or assignment of ownership interest, neither during an operating (fiscal) year or at any potential Restructure or Re-syndication transaction.
4. COSR funds are restricted to Supportive Housing and Special Needs Projects and may not be used to cover operating deficits in any other undesignated projects.

~~(3)~~(2) Construction, Property, and Demolition Standards

- (A) Property obtained via eminent domain is not allowed.

(b) Funding Terms and Conditions

- (1) HDFC funds are not issued as forgivable loans.

(2) Capitalized Operating Subsidy Reserves (COSR)

- (A) For Projects seeking MHP funding for Supportive and Special Needs Housing Types, HDFC is obligated, pursuant to [HSC Health & Saf. Code, § 50675.5\(b\)\(8\)](#), to offer COSR funds as funds are available. COSR funds are available for a [45-20](#)-year period starting after permanent loan conversion and must follow the disbursement requirements outlined in Section 32091. HDFC may offer COSR for operations and Supportive Services in the form of a grant based upon the need in the Project.

(B) COSR fund requirements:

1. COSR will be sized over a [45-20](#) year period beginning the first year of Project occupancy.
 - a. COSR funding levels will be based on total project operating deficits (Operating Expenses, mandatory Debt Service, mandatory monitoring fee, and required reserve deposits) and COSR may fund asset management, partnership management, and similar fees within the requirements described under Article 1, Eligibility Standards.
 - b. COSR funding levels and sizing will be evaluated at application stage based on projected Project closing dates and adjusted at the award stage based on projected financial feasibility.

- c. Demonstration of need in the application operation budget and cash flow:
 - (i) COSR funds from HDFC must not be part of the development budget.
 - (ii) Total COSR awards may also be capped depending upon the total dollar amount of funds eligible for use as COSR by HDFC annually depending on specific requirements of the funding programs.
 - (iii) COSR may be awarded by HDFC with an allowance for DSCR up to 1.10 in in the first year.
- d. HDFC will award COSR for Supportive Housing or Special Needs Projects based on financial feasibility and adjusted annually for inflation or subsidy contract allowances anticipated at the closing date. Both Rehabilitation and new construction MHP Projects are eligible for COSR so long as they meet requirements. Project must meet the requirements for Special Needs or Supportive Housing Types in Section 32040 to receive the operating subsidy amounts as well as HDFC's Underwriting and Feasibility Standards in Article 6. Projects are responsible for reviewing the full HDFC regulations for all MHP COSR requirements and consider them in populating their application budget.
- e. HDFC reserves the right to size awards based on reasonable benchmarks and in alignment Article 6, Underwriting and Feasibility Standards.
- f. At the time of application, Applicants must confirm that they have pursued rental and/or operating subsidies from other potential funding sources and were denied or that funds were not otherwise available. Existing funds in the Project must fully reflect the total subsidy available from other sources that is allowed to be used as COSR.
- g. At any point during application, award, or operations, applicants must notify HDFC if they seek or are awarded other operating or rental assistance funding. HDFC reserves the right to adjust the COSR should this be necessary.
- h. HDFC Discretionary Authority. HDFC retains discretion regarding eligibility, reasonableness, the availability of alternative funding sources, and the financial needs of the Project.

Note: Authority: Section 50675.6, 54928, Health and Safety Code. Reference: Section 50675.5, [5429854928](#) Health and Safety Code.

§ 33001. MHP Supportive Housing.

(a) Eligibility Standards

(1) Uses of Funds

(A) Eligible Uses of Funds

1. Funds may be used only for approved Eligible Costs pursuant to Section 32012.

(b) Funding Terms and Conditions

- (1) HDFC funds are not issued as forgivable loans.
- (2) HDFC COSR grant fund requirements for Supportive and Special Needs Housing Types are included in Section 32040, Section 3209, and Section 33000 above.

(c) Program Operations

- (1) HDFC shall ensure that at least ~~forty percent (40%)~~ 40% of the Units in each development funded under the Supportive Housing Type are targeted to one or more ~~of the following~~ Supportive Housing ~~Target~~ Populations: as defined in Section 34000.
 - ~~(A) Individuals or families experiencing "Chronic Homelessness," as defined by the United States Department of Housing and Urban Development's Super Notice of Funding Availability for Continuum of Care or Collaborative Applicant Program.~~
 - ~~(B) "Homeless youth," as that term is defined by paragraph (2) of subdivision (e) of § 12957 of the Government Code.~~
 - ~~(C) Individuals exiting institutional settings, including, but not limited to, jails, hospitals, prisons, and institutes of mental disease, who were Homeless when entering the institutional setting, who have a Disability, and who resided in that setting for a period of not less than 15 days.~~
- ~~(2)~~ (A) HDFC may decrease the number of Units required to meet the criteria identified in ~~paragraph subsection~~ (1) if HDFC determines that the program is undersubscribed after issuing at least one notice of funding availability.
- ~~(3) Individuals and families currently residing in Supportive Housing meet the qualifications under this subdivision if the individual or family met any of the criteria specified in subparagraph (A), (B), or (C) of paragraph (1) when approved for tenancy in the Supportive Housing Project in which they currently reside.~~
- ~~(4) Notwithstanding any other provision of law, the Sponsor of a Supportive Housing development may restrict occupancy to persons with veteran status if all the following conditions apply:~~
 - ~~(A) The veteran's possess significant barriers to social reintegration and employment that require specialized treatment and services that are due to a physical or mental Disability, substance abuse, or the effects of long-term Homelessness.~~
 - ~~(B) The veteran's are otherwise eligible to reside in a Restricted Unit.~~
 - ~~(C) The sponsor also provides, or assists in providing, the specialized treatment and services.~~

~~(5)~~ (2) Reporting Requirements

(A) Homeless Management Information System (HMIS) Data Entry

1. For Projects with Units restricted to Homeless, including Chronically Homeless persons:
 - a. Sponsors shall report client data in the local Homeless Management Information System (HMIS), if such systems are available, and must comply with the local Continuum of Care (CoC)'s HMIS requirements.
 - b. For guidance on the entry format of HMIS data, as well as other project setup requirements, Sponsors should refer to the "AB 977 HMIS Project Setup Instructions," dated March 23, 2023, as may be

subsequently amended.

(B) Occupancy

1. Following the second year after full occupancy, include in annual reports the length of occupancy of each Supportive Housing resident, changes in employment status, source and amount of income and tenants housing status prior to occupancy per Health and Saf. Code, § 50675.14(h).

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 50675.1, 50675.1.5, 50675.2, 50675.4, 50675.5, 50675.6, 50675.7, 50675.14, 50675.15, Health and Safety Code.

§ 33002. Serna (FWHG).

(a) Eligibility Standards

(1) Uses of Funds

(A) Eligible Uses of Funds

1. Migrant Farmworker assistance as permitted under HSCHealth & Saf. Code, § 50517.10(a).
2. The Sponsor must provide linguistically appropriate services and publications to the occupants of the Affordable Housing Development (HSCHealth & Saf. Code, § 50517.5(c)(3)).
3. Funds may be used only for approved Eligible Costs pursuant to Section 32012 and as listed above.

~~(2)~~(B) Ineligible Uses of Funds

- ~~(A)~~1. Per HSCHealth & Saf. Code, § 50517.10(b)(1), no funds shall be used for the purpose of funding predevelopment of developing or operating any housing that is rented, sold, or subleased to an agricultural employer, as defined in SectionLab. Code, § 1140.4 of the Labor Code, or its agent, or a farm labor contractor, as defined in SectionLab. Code, § 1682 of the Labor Code, or its agent, who employs at least one H-2A worker as defined in 50205, until the expiration of the regulatory agreement or affordability covenant, as applicable. A person or entity who receives any grant or loan under Serna on or after January 1, 2020, and expends any of those funds for any housing that is rented, sold, or subleased to an agricultural employer, as defined in SectionLab. Code, § 1140.4 of the Labor Code, or its agent, or a farm labor contractor, as defined in SectionLab. Code, § 1682 of the Labor Code, or its agent, who employs at least one H-2A worker, as defined in Section 50205, until the expiration of the regulatory agreement or affordability covenant, as applicable, shall reimburse the department.

(b) Eligible Applicant

- (1) Each Sponsor shall be a Local Public Entity, nonprofit corporation, or a limited liability company or limited partnership in which all members or general partners must be nonprofit, as defined under HSC-Health & Saf. Code, § 50517.5(e).

(2) A ~~Tribally Tribal~~ Entity is an eligible Sponsor as it is included in the definition of a nonprofit corporation pursuant to ~~HSC §~~Health & Saf. Code, § 50517.5(e)(7).

(c) Funding Terms and Conditions

(1) HDFC Serna funds are not issued as forgivable loans.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 50517.5, 50517.9, 50517.10, 50675.8 Health and Safety Code.

§ 33003. TOD.

(a) Overview

(1) ~~AB 130~~ (Chapter 22, Statutes of 2025 ~~(AB130)~~) authorizes ~~the making of~~ loans under the existing TOD program for the development of vehicle miles traveled ~~–~~ (VMT) efficient affordable housing, as specified, or ~~to make~~ grants for infrastructure necessary for the development of affordable housing, as specified. Any ~~such~~ loan ~~structure is used to address administrative considerations will be structured to align with programmatic objectives~~, including gap financing and long-term monitoring, and does not affect the treatment of mitigation contributions funded into the Transit-Oriented Development Implementation Fund as fully expended for purposes of CEQA compliance.

(2) The initial phase of TOD implementation will be handled as follows:

(A) TOD project funding may be available for Mitigating Projects as currently defined (i.e., higher density, VMT-efficient multifamily rental Affordable Housing Developments). Related Infrastructure Projects will not be funded during the initial phase of TOD implementation. However, Mitigating Project applications may also propose and receive loan funding for standard onsite infrastructure necessary to support the Mitigating Project, such as sewer, water, utilities, and similar onsite improvements.

(B) This phased approach is an administrative implementation strategy and does not alter applicable CEQA requirements or the underlying statutory structure and mandate of the Mitigation Program.

(b) Eligibility Standards

(a) Eligibility Standards

(1) HDFC may establish a supplemental award process, separate from the HDFC scoring and award process described in these regulations, under which an Affordable Housing Development Projectproject applicant that ~~(4A)~~ achieves a high score under the HDFC scoring criteria and ~~(2B)~~ independently meets the eligibility requirements of the TOD Implementation Program listed in this section may be considered for a TOD Program award.

(2) ~~The~~ process described in subdivision (1) may be funded, in whole or in part, by contributions from Project SponsorsImpacting Projects seeking to satisfy vehicle-

miles-traveled mitigation obligations under CEQA through investment in eligible transit-oriented affordable housing, and is contingent on the timing and availability of such funds.

- (3) HDFC shall establish, by Notice of Funding Availability, or subsequent amendment to these regulations, the criteria and procedures governing the supplemental awards process described in this section.
- (4) Eligibility for, or participation in, the process described in this section does not affect an applicant's score, ranking, or funding determination under the HDFC award process.

- (5) Additional eligibility standards to be considered in the supplemental award process include the following:

(A) A Location. A Mitigating Project must be wholly located in an area that meets the requirements of 1. or 2. Belowbelow:

1. A Location-Efficient Area that meets the requirements of § 4.1 of the LCI Guidance. Such requirements are broadly summarized in the following table for initial reference. If any one of the criteria listed below in Table 1 (and specified and described in the LCI Guidance) are met, a location would qualify as being a “Location-Efficient Area.”)

Table 1 Location-Efficient Areas (PRC 21080.44(c)(1)(A), (C))		
Criteria	General Metric	Specific Metric
1	Regional VMT per Capita	In a location that is 15 percent below the regional average for per-capita VMT.
2	Transit Accessibility	Within one half-mile of an existing Major Transit Stop or High-Quality Transit Corridor, with unobstructed access.
3	Transit Accessibility & Infill	Served by at least two Existing Transit Routes, each with at least one stop within one half-mile of the Mitigating Project, with unobstructed access. AND Mitigating Project is located on a site within an urban area (as defined by the United States Census Bureau) that has been previously developed, or on a vacant site where at least 75 percent of the perimeter of the site adjoins or is separated only by an improved public right-of-way from, parcels that are developed with qualified Urban Uses.

2. A Low-VMT Area that meets the requirements of § 4.2 of the LCI Guidance. Such requirements are broadly summarized in the following table for initial reference. If any two of the criteria listed below in Table 2 (and specified and described in the LCI Guidance) are met, a location would qualify as being a “Low-VMT Area”.

<u>Table 2 Low-VMT Areas (PRC § 21080.44(c)(1)(B))</u>		
<u>Criteria</u>	<u>General Metric</u>	<u>Specific Metric</u>
<u>1</u>	<u>Regional VMT per Capita</u>	<u>In a location that is below the regional average for per-capita VMT.</u>
<u>2</u>	<u>Transit Accessibility</u>	<u>Within one mile of an existing Major Transit Stop or High-Quality Transit Corridor, with unobstructed access.</u> <u>OR</u> <u>Served by at least two Existing Transit Routes, each with at least one stop within one mile of the Mitigating Project, with unobstructed access.</u>
<u>3</u>	<u>Infill</u>	<u>Mitigating Project is located on a site where at least 50% of the perimeter of the site adjoins, or is separated only by an improved public right-of-way from, parcels that are developed with qualified Urban Uses.</u>

(B) Prioritization Among Locations. TOD award selection will prioritize Mitigation Project selection according to the following:

1. First priority will be given to Mitigating Projects in Location-Efficient Areas within the same Region as the Impacting Project.
2. Second priority will be given to Mitigating Projects in Low-VMT Areas within the same Region as the Impacting Project.
3. Third priority to Mitigating Projects in Location-Efficient Areas that are outside of the Impacting Project's Region but within an adjacent Region, provided the project site is located within a defined proximity radius established by LCI pursuant to subsection (a) below.
 - a. The proximity radius shall be specified in the LCI Guidance and may vary based on the regional characteristics such as population density and travel patterns. The intent of this provision is to support projects in neighboring regions that offer similar vehicle miles traveled-reducing benefits due to the project's location efficiency, including access to high-quality transit, jobs, and essential services.

(C) Prioritization within Each Location. Within each location, specific priority specified in subdivision (B) immediately preceding, TOD award selection will prioritize Mitigating Project selection according to the following:

1. Affordability, with highest priority given to Mitigating Projects that include a greater percentage of units restricted to very low-, low- or lower income households (as specified in Health & Saf. Code, § 50079.5).
2. Mitigating Projects which applied for other state funding programs but were not awarded due to limited program resources, or which have committed state or federal funding but are still in need of gap funding to begin construction may be considered for funding pursuant to this subdivision.

3. Mitigating Projects that demonstrate project readiness above and beyond the threshold requirements set forth in these Regulations.
- a. Mitigating Projects proposed on publicly owned land, including state and local surplus properties, may be prioritized to maximize public benefit and reduce overall development costs.
- (6) The Project must demonstrate consistency with the applicable Region's sustainable communities strategy pursuant to Govt. Code, § 65080 or alternative planning strategy pursuant to Govt. Code, § 65080.
- (7) The Project may include a mixed-use development of residential and non-residential uses; however, no funds may be used for non-residential spaces.
- (8) Uses of Funds
- (A) Ineligible Uses of Funds
- (A)1. _____ Parking spaces and parking structures.
- (b) Demonstrate consistency with the applicable region's alternative planning strategy pursuant to § 65080 of the Government Code.
- (c) Eligible Applicants
- (1) Eligible Applicants for Mitigating Projects:
- (A) Per HSCHealth & Saf. Code, § 53562(b) and HSCHealth & Saf. Code, § 53560(a) the eligible applicant for a rental or Homeownership Affordable Housing Development loan is a Sponsor, including Tribal Entities.
- (B) The Eligible Applicant for a Related Infrastructure Project grant is a Local Public Entity or Tribal Entity.
- (2) The Sponsor must apply jointly with an Established Developer Sponsor serving as a Co-Sponsor, whereby the Established Developer Sponsor must serve in the lead project management role and will receive the funding directly.
- (d) Additional Funding Terms and Conditions
- (1) HDFC TOD funds may be issued as either a repayable or a forgivable loan.
- (e) TOD Definitions. In addition to the definitions in Chapter 4 and elsewhere in these Regulations, the following TOD specific definitions apply to all TOD related provisions. If any inconsistency arises between capitalized terms not defined in this section and the TOD specific definitions, the TOD specific definitions shall govern all TOD related provisions.
- (1) Existing Transit Route – means a transit route that is operational at the time the Mitigating Project applies to TOD funds. At a minimum, the transit route must provide service on all five weekdays and stop near the mitigating site at least five times a day. On-demand/paratransit services within Rural communities will be reviewed and approved by HDFC on a case-by-case.
- (2) High-Quality Transit Corridor – has the same meaning as set forth in Pub. Resources Code, § 21155(b): a high-quality transit corridor means a corridor with fixed route bus service with service intervals no longer than 15 minutes during peak commute hours.

- (3) Impacting Project – means a project that requires mitigation under CEQA because it is expected to have a significant VMT impact and that elects to utilize the Mitigation Program to mitigate its impact.
- (4) LCI – means the Governor’s Office of Land Use and Climate Innovation.
- (5) LCI Guidance means the AB 130 Statewide Vehicle Miles Traveled (VMT) Mitigation Program Guidance issued by LCI effective June 30, 2026, as may be subsequently amended.
- (6) Lead Agency – means the public agency which has the principal responsibility for carrying out or approving a project which may have a significant effect upon the environment.
- (7) Location-Efficient Area – means areas that will be prioritized in the allocation of VMT mitigation contributions to Mitigating Projects through the TOD program pursuant to Pub. Resources Code § 21080.44(c)(1) based on a select set of criteria that contribute to VMT reductions. Specifically, a Location-Efficient Area must meet the requirements described in Table 1 of above.
- (8) Low-VMT Area – is described in Table 2 above.
- (9) Mitigating Project or Project – for projects awarded TOD program funds, means a higher density, VMT-efficient multifamily rental Affordable Housing Development that qualifies for (and is selected to receive funding through) the TOD program.
- (10) Mitigation Program – means the voluntary statewide VMT mitigation program established pursuant to Pub. Resources Code, §21080.43 and §21080.44, which allows Lead Agencies to mitigate a project’s significant CEQA VMT impacts by contributing an amount to the TDIF for purposes of the TOD Program.
- (11) Proximity Radius – has a meaning set forth in LCI Guidance. The term is relevant to the HDfC’s implementation of the funding priority order for Mitigation Projects set forth in § 3.2 of LCI’s Guidance and at Pub. Resources Code, § 21080.44(c)(1).
- (12) Publicly Funded – for purposes of the initial TOD implementation phase means Impacting Projects receiving direct financial assistance, grants, subsidies, loans, tax credits and/or funding support from federal, state, regional, or local public sources.
- (13) TDIF – means the Transit Oriented Development Implementation Fund established pursuant to Health & Saf. Code, § 53561, and which pursuant to AB 130 is authorized to be used as a mitigation bank that receives funds from CEQA transportation impact mitigation contributions determined by Lead Agencies pursuant to the contribution methodology established in the LCI Guidance pursuant to Pub. Resources Code § 21080.44(d).
- (14) Set-Asides – the set-asides and geographic regions provisions of Section 32042 of these Regulations applicable to the TDIF or to the TOD Program funding of Mitigating Projects with TDIF funds.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 53562, 54940, 54942, 54945, 54946, 54947, Health and Safety Code; and 21155, 21155.1, 75210, 75214, Public Resources Code.

§ 33004. AHSC – Housing Allocation.

(a) Eligibility Standards

(1) Project

~~(A)~~ A Project shall be preserving and developing affordable rental and/or owner-occupied housing for lower income households, as defined in Section 50079.5 of the Health and Safety Code.

~~(B)~~(A) The Project must demonstrate that it will achieve a reduction in greenhouse gas emissions ~~(, by showing a negative value ingreater than zero on the “Total GGRF GHG Emissions ChangeReduction (MTCO2e) as a Result of Project) as an output of” field in the AHSC Affordable Housing Benefits Calculator Tool developed by California Air Resources Board (cell C21 of Tool).~~ (Pub. Resources Code, § 75211(a))

~~(C)~~(B) The Project must support implementation of an adopted or draft sustainable communities strategy or, if a sustainable communities strategy is not required for a region by law, a regional plan that includes policies and programs to reduce greenhouse gas emissions. This support may come from metropolitan planning organizations or other regional agencies. (PRCPub. Resources Code, § 75211-(b))

~~(D)~~(C) The Project must demonstrate consistency with the state planning priorities established pursuant to § 65041.1 of the Government(Pub. Resources Code. (PRC, § 75211)(c)).

(D) The Project, as feasible, shall promote must include any of the objectives of PRC § 75210, following:

1. Affordable rental and economic growth, reduce public fiscal costs, owner-occupied housing that support civic partnershipsinfill and stakeholder-engagement, compact development, including, but not limited to, transit-oriented development projects; or

~~(E)~~2. Activities that support the development or implementation of Affordable rental and integrateowner-occupied housing that support infill and leverage existing housing, transportation, and land use programs and resources. (PRC § 75213)compact development, including, but not limited to, transit-oriented development projects (Pub. Resources Code, § 75212(b)(1))

~~(F)~~(E) The Project site must not be designated as Agricultural Land according to the California Department of Conservation’s Farmland Mapping and Monitoring Program (FMMP) Tool (California Important Farmland Finder). An exemption to the Agricultural Land designation may be allowed for applications that submit documentation that substantiates that at least fifty-percent (50%)% of the perimeter of the site adjoins, or is separated only by an improved public right-of-way from, parcels that are developed with qualified Urban Uses. (PRCSee also Pub. Resources Code, § 75210(h)).

~~(G)~~(F) The Project must satisfy at least one of the criteria below:

1. Be located within proximity to, served by, or demonstrating substantial benefit from, existing or planned transit, active transportation, utility, climate resilience, or other community-serving improvements funded through the Greenhouse Gas Reduction Fund or other state, regional, or local transportation, infrastructure, and sustainable community programs.
2. Be located near, served by, or coordinated with existing, planned, or previously funded climate-related public investments, including transportation, active transportation, climate resilience, transit-oriented development, and other community-serving infrastructure improvements.

(H)(G) The Project ~~is~~shall be powered entirely through electricity with no connections to natural gas infrastructure. Projects required to include fossil fuel-based backup power by regulation or code should consider the cleanest and most renewable technology first, starting with gaseous fuel (e.g., Renewable Natural Gas ~~(RNG)~~₁, Natural Gas ~~(NG)~~₁, Liquefied Petroleum Gas ~~(LPG)~~₁, and then Tier 4 compliant diesel.

(H)(H) The Project ~~demonstrates~~must demonstrate transit proximity by being located within one-half mile of a transit station or stop as defined below ~~in (1) or (2).~~

1. A station or stop on a transit line serving the public that includes various forms of fixed transit at time of application. A fixed service transit line requires service that departs two or more times on the same route during the hours of ~~7:00 – 9:00~~ a.m. and ~~4:00 – 6:00~~ p.m.₁, at the time of application. The transit service must be operated by the following:
 - a. Directly operated by a public entity;

~~b.2.~~ Operated by a public entity via a contract for purchased transportation service with a private or non-profit provider; or

~~2.3.~~ A station or stop on a transit line with high frequencies AND permanent infrastructure as follows:

- a. Frequency: During the two periods of the day with the highest ridership during the entire transit service day, (Unless otherwise publicly documented by the agency, this shall be ~~7:00AM00 a.m. – 9:00AM00 a.m.~~ and ~~4:00PM00 p.m. – 6:00PM00 p.m.~~ Monday through Friday. If defined by the transit operator, each period cannot be longer than two hours.) must have headway frequency on the same route, in the same direction, of every 20 minutes or less (e.g., every scheduled departure is not more than 20 minutes from the last) and service seven days a week. This level of service must have been publicly posted by the provider at some point between January 2027 and the time of application.
- b. “Permanent Infrastructure” means transit must operate on a railway or bus rapid transit as described in ~~Public Resources Code (PRC) 21060.2 and is listed as a ‘major_stop_brt’ (under ‘hqta_type’) in the dataset of the California Open Data Portal:~~ <https://data.ca.gov/dataset/high-quality-transit-stops> ~~Pub. Resources Code, § 21060.2.~~

(2) Uses of Funds

(A) Eligible Uses of Funds

1. Other activities that support the development and implementation of the Affordable Housing Development, including transit passes, bicycle parking, EV charging, and internet service for residents.
- ~~2. Funds may be used only for approved Eligible Costs pursuant to Section 32012 and as listed above.~~

~~(B) Ineligible Uses~~

- ~~2. Parking spaces, except for Transit Station Structured Parking spaces required to replace existing transit station patron parking displaced by the construction of new housing identified in the application. Awarded funds for Transit Station Structured Parking may not exceed \$50,000 per space and may not exceed thirty percent (30%) of the total AHSC award amount. Homeownership Affordable Housing Development.~~
3. Funds may be used only for approved Eligible Costs pursuant to Section 32012 and as listed above.

(B) Ineligible Uses of Funds

1. Parking spaces and parking structures.

(b) Funding Terms and Conditions

- (1) HDFC funds are not issued as forgivable loans.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 54940, 54942, 54945, 54946, 54947, Health and Safety Code; and 21155, 21155.1, 75210, 75211, 75212, 75213, 75214, Public Resources Code.

§ 33005. IIG.

This section applies only to funds awarded under the IIG Program of 2019 (Health & Saf. Code, § 53559). No funds are anticipated to be awarded under the IIG Program of 2007 (Health & Saf. Code, § 53545.12) and the requirements of that program are not addressed in this section.

(a) Eligibility Standards

~~(a) Eligibility Standards~~

(1) Projects

- (A) This grant program ~~is to allocate those~~allocates IIG funds to selected Capital Improvement Projects that are an integral part of, or necessary to facilitate the development of, a Qualifying Infill Project.
- (B) The application must meet the eligibility requirements for Qualifying Infill Project(s) and ~~Geographic Distribution~~geographic distribution and is consistent with an adopted sustainable communities strategy pursuant to Gov. Code, § 65080 ~~of the Government Code,~~, alternative planning strategy pursuant to Gov. Code, § 65450 ~~of the Government Code,~~ or other adopted regional growth plan intended to foster efficient land use.
- (C) Qualifying Infill Area and Catalytic IIG funds are not administered by HDFC.

(2) Uses of Funds

(A) Eligible Uses of Funds

1. The creation, development, or Rehabilitation of parks or open space.
 2. Water, sewer, or other utility service improvements.
 3. Streets, roads, or transit linkages or facilities, including, but not limited to, related access plazas or pathways, bus or transit shelters, or facilities that support pedestrian or bicycle transit.
 4. Facilities that support pedestrian or bicycle transit.
 5. Traffic mitigation.
 6. Sidewalk or streetscape improvements, including, but not limited to, the reconstruction or resurfacing of sidewalks and streets or the installation of lighting, signage, or other related amenities.
 7. [Site preparation or demolition of the Qualifying Infill Project site or related to the Capital Improvement Project.](#) Funds may be used only for approved Eligible Costs pursuant to Section 32012 and as listed above and below.
- (B) Ineligible Uses of Funds
1. Costs of site Acquisition for housing and mixed-use structural improvements, unless the site contains building structures and the Capital Improvement Project described in the application includes Adaptive Reuse of said building structures.
 2. Costs of new housing or mixed-use structure construction and Rehabilitation not including Adaptive Reuse and Factory-Built Housing costs;
 3. Soft Costs related to ineligible costs;
 4. In-Lieu Fees for Local Inclusionary Programs.
- (3) Construction, Property, and Demolition Standards
- (A) Qualifying Infill Project(s) sites must be located within an [urbanized area, which is an Incorporated City](#), or, for sites located within an unincorporated city, the site must be [within a designated urban service area that is designated in the local general plan for urban development and is served by public sewer and water, as set forth in Health & Saf. Code, § 53559.1\(i\).](#)
- ~~(B)~~ [Located within a Large Jurisdiction pursuant to Health & Saf. Code, § 53559.1\(h\) and Health & Saf. Code, § 53559.1\(g\).](#)
- ~~(B)(C)~~ The site must be located on previously developed land, or on a vacant site where at least 75% of the perimeter adjoins parcels developed with Urban Uses.
- ~~1. For a Small Jurisdiction Project, at least fifty percent (50%) of the perimeter must adjoin parcels developed with Urban Uses.~~
- ~~(C)(D)~~ Per [HSC Health & Saf. Code, § 53559\(g\)\(4\)](#) the Project must be located in an area designated for residential or mixed-use development, [pursuant to one of the following:](#)
- ~~1. The Project must be within a jurisdiction with a certified A general plan adopted pursuant to Gov. Code, § 65300.~~
 - ~~2. A sustainable communities strategy adopted pursuant to Gov. Code, § 65080.~~
 - ~~3. A specific plan adopted pursuant to Gov. Code, § 65450.~~
 - ~~4. A Workforce Housing Opportunity Zone established pursuant to Gov. Code, § 65620.~~

~~(D)~~5. A housing elements sustainability district established pursuant to Gov. Code, § 66201.

(E) Density must meet requirements of Gov. Code, § 65583.2(c)(3)(B).

~~(F) For Projects developed on Tribal Land, the following exceptions apply:~~

- ~~1. Where site control is a ground lease, the lease agreement between the Tribal Entity and the owner of the Qualifying Infill Project is for a period not less than 50 years. The Recipient is responsible for ensuring that the Tribally Designated Housing Entity (TDHE) and owner of the Qualifying Infill Project execute HDFC's covenant; and where applicable, the HDFC's form lease rider will be approved by and recorded with the BIA; and~~
- ~~2. For Tribal Trust Land or restricted land, a current title status report issued by the BIA is acceptable in lieu of a title report.~~

(b) Underwriting and Feasibility Standards

(1) Development Budget Requirements

(A) The eligible Sponsor must demonstrate no other source of compatible funding is reasonably available as evidenced in the Capital Improvement Project development budget.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 50669, 53559, 53545.13, Health and Safety Code.

§ 33006. MIP.

(a) Eligibility Standards

(1) Projects

~~(A)~~ The MIP subsidy loan is a permanent phase funding source, which must be paired with CalHFA's Conduit Bond Issuer

~~(A)(B)~~ Program, a construction loan from CalHFA or a qualified Mixed Income Construction Lender, and CalHFA's Tax Exempt Permanent Loan Program.

~~(B)(C)~~ A Mixed-Income Qualified Construction Lender is defined as a Construction Lender that has closed at least five construction loans using tax-exempt bonds and 4% federal and/or state tax credits in California within the last three years.

~~(C)(D)~~ 10% of total Units must be restricted between 60% and 80% of AMI with an average of 70% of AMI or greater, unless a market study demonstrates that rents cannot be supported to fulfil this requirement, in which case 30% of total Units must be restricted at or above 60% of AMI.

(2) Uses of Funds

(A) Eligible Uses of Funds

1. Longterm subordinate financing for new multifamily construction with Units restricted to 30%–120% AMI.
2. Funds may be used only for approved Eligible Costs pursuant to Section 32012 and as listed above and below.

(B) Ineligible Uses of Funds

1. MIP cannot be combined with the CTCAC 9% tax credit program.
2. Projects without adequate Units at or below 30% AMI are ineligible as MIP's affordability restrictions require 10% of total Units must be at or below 30% AMI.

(b) Underwriting and Feasibility Standards

- (1) All project applications approved for a MIP subsidy loan must utilize CalHFA's Permanent Loan Program, which includes the requirement that the underwriting prior to construction and Permanent Loan Closing shows a minimum 1.15 initial DSCR (including any financing with amortizing debt) for the term of the permanent loan. CalHFA may require the initial DSCR to be higher than the minimum 1.15 if deemed necessary to meet the Agency's underwriting standards and credit risk assessment. A maximum of 1.20 DSCR is allowed at year 1 and the MIP subsidy loan shall be reduced in order to achieve such maximum.

(c) Funding Terms and Conditions

- (1) Loan Terms, Interest Rates, and Repayment
 - (A) HDFC funds are not issued as forgivable loans.
 - (B) The MIP subordinate loan shall bear 3% simple interest. A higher simple interest rate may be used at time of MIP loan closing in the event the true debt test is at risk for tax credit purposes.
 - (C) The MIP subordinate loan affordability term is 55 years.
 - (D) The CalHFA Tax-Exempt Permanent Loan interest rate is subject to the program term sheet published by CalHFA.

(d) Award Standards and Conditions of Funding

- (1) MIP awards are subject to CalHFA underwriting review and approval pursuant to the CalHFA Permanent Loan Program and the Construction Loan Program term sheets and other program requirements published by CalHFA. Approval of all CalHFA commitments, including commitments for funds awarded by HDFC, will be subject to CalHFA underwriting standards and will be at the sole discretion of CalHFA.

(e) Legal Administration

- (1) Permanent First Lien Loan
 - (A) All Project applications approved for a MIP subsidy loan must utilize CalHFA's Permanent Loan Program and are subject to the CalHFA Permanent Loan Program term sheet and other program requirements published by CalHFA.
- (2) Construction First Lien Loan
 - (A) All Project applications receiving a MIP loan must use a [Construction-Loan/construction loan](#) provided by CalHFA or a Mixed-Income Qualified Construction Lender pursuant to the CalHFA Conduit Bond Issuer Program term sheet and other program requirements published by CalHFA.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, 50470, Health and Safety Code.

§ 33007. NHTF.

These program-specific requirements shall apply to Projects only if the agency administering the program elects to participate in these HDFC Regulations.

This section applies only to rental housing Projects. HCD retains responsibility for federal administration, commitment, disbursement, and enforcement of NHTF funds, in coordination with HDFC's consolidated process. In the event of a conflict, applicable federal requirements control.

(a) Eligibility Standards

(1) Project

- (A) Projects must comply with the applicable property standards under 24 CFR § 93.301 and these Regulations. Rehabilitation Projects must also comply with the adopted HOME and NHTF Combined Multifamily Rehabilitation Standards dated January 1, 2023, as may be subsequently amended, pursuant to 24 CFR § 93.01(b)(1).

(2) Uses of Funds

- (B) Up to 10 percent of funding may be used to support home ownership for Extremely Low Income and Very Low Income households.

~~(2) Uses of Funds~~

(A) Eligible Uses

1. FundsNHTF funds may be used only for approved Eligible Costs pursuant to Section 32012. that are eligible under 24 CFR § 93.201. Financing may be provided as specified in subsection (d)(1).

(B) Ineligible Uses of Funds

1. NHTF funds may not be used for any activity, cost, or fee prohibited under 24 CFR § 93.204.

(3) Affordability, Rent, and Income Limit Standards

- (A) Subject to HUD Multifamily Tax Subsidy Projects (MTSP) Income Limits published yearly.

- (B) Any home ownership Projects will be restricted with an affordability period of 30 years.

- (A) Affordability Periods. Section 32013 is subject to subsection (d)(3) below. In no event shall the applicable affordability period be less than required under 24 CFR § 93.302. HCD shall specify the applicable NHTF affordability period and associated requirements in the Project's legal documents in accordance with 24 CFR § 93.302.

- (B) Rent Limits. Rents for NHTF-assisted Units must comply with the applicable HTF rent limits and utility allowance requirements under 24 CFR § 93.302(b) and (c). Notwithstanding Section 32013(c), HCD shall determine the applicable federal rent requirements for NHTF-assisted Units.

- (C) Income Limits. NHTF-assisted Units must comply with the income-targeting requirements under 24 CFR § 93.250 and the HUD-approved Allocation Plan. Applicable HUD HTF income limits shall be used to determine NHTF income eligibility.

~~(b)(4)~~ Construction Standards, Property, and Demolition

- ~~(1)(A)~~ Projects receiving National Housing Trust Fund (NHTF) funds shall must comply with the applicable property standards set forth in 24 CFR § 93.301 under 24 CFR § 93.301 and these Regulations. Rehabilitation Projects must also comply with the adopted HOME and NHTF Combined Multifamily Rehabilitation Standards dated January 1, 2023, as may be subsequently amended from time to time, in addition to the applicable requirements of Chapter 2 of these Regulations.
- ~~(2)~~ The Sponsor shall ensure that the Project complies with all applicable federal requirements governing construction and rehabilitation standards, accessibility, energy efficiency, disaster mitigation, construction documents, and property inspections required pursuant to 24 CFR § 93.301.
- ~~(3)~~ Construction documents, including plans and specifications, shall be sufficient to must demonstrate compliance with applicable NHTF property standards and shall be submitted to HDGC for review in the required form and manner required by HDGC.
- ~~(4)(B)~~ HDGC shall conduct, or may rely upon, Projects must undergo the inspections conducted in accordance with required by 24 CFR § 93.301 and these Regulations, to determine compliance with applicable NHTF property standards during construction or Rehabilitation and upon Project completion.
- ~~(5)~~ Where the requirements of this section differ from otherwise applicable HDGC property or construction standards, the Project shall comply with the requirement necessary to satisfy applicable federal NHTF requirements.

~~(e)(b)~~ Eligible Applicant

- ~~(1)~~ None of the Project's Sponsors may be excluded or disqualified from participation in covered federal transactions, as reflected in SAM.gov Exclusions.
- ~~(2)~~ A Recipient Sponsors and Recipients must demonstrate its familiarity comply with the applicable financial accountability and administrative requirements of other Federal, State, or local housing programs that may be used in conjunction with NHTF funds under 24 CFR § 93.405 and 2 CFR part 200, to ensure compliance with all the extent applicable to the entity and assistance provided.
- ~~(2)(3)~~ Recipients must satisfy the eligibility requirements and regulations of such programs under 24 CFR § 93.2.

~~(d)(c)~~ Underwriting and Feasibility Standards

~~(1)~~ Operating Budget Requirements

~~(1)~~ Underwriting Standards

- ~~(A)~~ The Project must meet the requirements of 24 CFR: § 93.300, which includes but not limited to, the maximum per-unit and limits on a Recipient. Before committing NHTF funds, HCD shall determine financial feasibility, reasonable profit or return.
- ~~(2)~~ Reserve Requirements
- ~~(B)~~ A transition reserve included in rental subsidies is required.
- ~~1.(A)~~ The Project shall comply, and that NHTF funds, alone or with the Pooled Transition Reserve Policy Administrative Memorandum dated January 3, 2023 (Administrative Notice No. 2208), as amended on August 8, 2023

~~(Administrative Notice No. 2301), implementing statutory changes under Senate Bill 948 (Chapter 667, Statutes of 2022) other governmental assistance, do not exceed the amount necessary to provide quality affordable housing, in accordance with HCD's applicable to HSC § 50468, as federal underwriting and subsidy layering requirements. HCD may be subsequently amended. Projects shall also comply with any subsequent Transition Reserve Policy administrative memoranda adopted by HDFC, as applicable. rely on the consolidated application and underwriting materials to make these determinations~~

(2) Maximum per Unit Subsidy

(A) The amount of NHTF funds invested per assisted Unit must not exceed the limits established by HCD under 24 CFR § 93.300(a) and included in the applicable Consolidated Plan, as updated annually.

(3) Financial Feasibility Standards

(A) Positive Cash Flow. Projects shall demonstrate positive Cash Flow After Debt Service for a minimum ~~thirty-30~~ year ~~(30)~~ period.

~~(e)~~(d) Funding Terms and Conditions

~~(1) Award Limits~~

~~(A) The Project will receive no more NHTF funds, alone or with other governmental assistance, than necessary to provide quality affordable housing.~~

~~(1) HDFC shall apply HCD's NHTF income targeting requirements when evaluating Projects Acquisition, Construction, and Permanent Financing~~

(A) NHTF funds may be provided for acquisition, construction, and permanent financing of eligible rental housing Projects, including combinations of these financing phases. Sections 32071 through 32073 apply, subject to applicable federal requirements and this section.

(B) HCD shall establish the financing terms for NHTF funds, consistent with applicable federal and state requirements. Sections 32071 through 32073 apply to NHTF funds only to the extent adopted by HCD.

(C) For Projects undertaken by eligible Tribal Entities, NHTF assistance may be provided as a loan or grant, as determined by HCD.

(2) Disbursement of Funds and Retention

~~(B)~~(A) Section 32090 applies to NHTF funds except as provided in this subsection. HCD shall authorize NHTF disbursements in coordination with HDFC and in accordance with 24 CFR § 93.250402. The two-phase construction disbursement structure in Section 32090 does not apply to NHTF funds.

~~(2) Loan Terms.~~

~~(A) HDFC funds are not issued as forgivable loans.~~

~~(3) Grant Terms.~~

(B) HCD may approve acquisition disbursements and monthly construction draws for eligible costs when funds are needed for payment. HCD shall determine the disbursement conditions applicable to each approved financing phase. Conditions under Section 32090 that apply solely to a subsequent financing phase shall not prevent disbursement for an approved earlier phase. All

applicable federal commitment, environmental, and disbursement requirements must be satisfied.

(C) Notwithstanding Section 32090, HCD shall establish the retention requirements for NHTF funds, including the amount, timing, and conditions for release, in coordination with HDFC. HCD may reduce, waive, or eliminate retention as necessary to meet applicable federal expenditure deadlines, consistent with applicable federal and state requirements and the executed legal documents.

(3) Tribal Land Covenant Terms

(A) For Projects on Tribal Trust Land or restricted land that receive receiving NHTF funding (without state funding), the required covenant term is thirty (30) years for new construction and Rehabilitation.

(e) Award Standards and Conditions of Funding

(1) HDFC Fees

(A) Notwithstanding Section 32084, fees attributable to NHTF assistance must comply with 24 CFR § 93.204(b) and the applicable written agreement requirements under 24 CFR § 93.404(c).

(f) Program Operations

(1) Federal Funding Requirements

(A) Projects, Sponsors, and Recipients must comply with applicable requirements under 24 CFR part 93 and Section 34002, including affordability, occupancy, tenant income, fixed and floating Units, leases, and tenant protections under 24 CFR §§ 93.302 and 93.303.

(B) Program Income and repayments must be handled in accordance with 24 CFR § 93.403.

(C) Environmental Review. HCD shall retain responsibility for determining and documenting compliance with the applicable NHTF environmental provisions under 24 CFR § 93.301(f). HDFC and applicants shall coordinate with HCD regarding these requirements.

(2) Reporting Requirements

(A) Inclusion of all Federal Funding Requirements pursuant to Appendix 34002. Federal Funding Requirements must be adhered to.

(A) Sponsors and Recipients must maintain and retain records and submit reports required by Section 32096, applicable federal requirements under 24 CFR §§ 93.404 and 93.407, and the federal written agreement. HCD and HDFC shall coordinate reporting through the consolidated process; HCD shall retain access to the records and reports necessary to administer the federal program. HCD may require additional reports and information necessary to fulfill its federal administration and compliance responsibilities.

(2) Reporting Requirements

(A) Beginning on NHTF program award date, and no later than ten (10) days after the end of each month, Recipients must submit a monthly status report to HDFC and any additional information which may be requested by HDFC to ensure compliance with these Regulations and any applicable state and federal laws. For Projects under construction, a monthly labor compliance certification is required.

- ~~(B) For Projects located on Indian Country, Project owners may implement duly adopted Tribally Determined Wage ("TDW") in accordance with Native American Housing Assistance and Self-Determination Act (NAHASDA) in lieu of State of California prevailing wages. It is encouraged that the Recipient seek counsel on prevailing wage determinations on a project-by-project basis.~~
- ~~(C) Recipients must continue submitting monthly status reports to HDFC until the final Project Completion report is accepted in the Federal Disbursement and Information System. Each monthly status report must include the following:~~
- ~~1. Information to determine the progress of efforts to comply with environmental and labor standards requirements, as applicable;~~
 - ~~2. Information to determine the progress of efforts to obtain all necessary Project financing;~~
 - ~~3. Information to determine the progress of efforts to obtain required local government approvals for the Project;~~
 - ~~4. Information to determine whether there have been any changes in Project site control;~~
 - ~~5. Information to determine the timeline for completion of the Project;~~
- ~~6. Current contact information for individuals or firms overseeing the development of the Project.~~
- ~~(D) Upon the HDFC's execution of the loan document, and no later than thirty (30) calendar days after the end of each calendar quarter, until the final Project Completion report is accepted in the Federal Disbursement and Information System, Recipients must submit a quarterly performance report to HDFC, which must include the following information:~~
- ~~1. Activities undertaken to implement the Project and to meet milestones contained in the Written Commitment;~~
 - ~~2. Anticipated activities in the next quarter to implement the Project and to meet milestones contained in the Written Commitment;~~
 - ~~3. Problems in implementing the Project or complaints received during the reporting period and actions taken to resolve such problems and complaints;~~
 - ~~4. Financial information related to expenditures of NHTF funds;~~
 - ~~5. Any additional information which may be requested by HDFC to ensure compliance with these Regulations and any applicable state and federal laws.~~
 - ~~6. Recipients must submit to HDFC a cost certification performed by a certified public accountant for each Project receiving NHTF funds.~~
- ~~(E) Award Recipients must submit an annual report to the HDFC on services provided to residents of the Units, the qualifying characteristics of each resident, and related information. Recipients must maintain records as required by 24 CFR § 93.407(a)(1)-(5) and retain them for the periods specified in 24 CFR § 93.407(b). All records must be made available to HDFC for inspection and provided upon request.~~

- (g) Legal Administration
(1) Required Legal Documents

- (A) For Projects receiving federal NHTF funds, the loan executed legal documents shall ~~constitute~~ satisfy all applicable legal documentation requirements under 24 CFR part 93, including the requirements for a commitment of NHTF funds under § 93.2 and the written agreement required under the applicable federal program regulations and shall contain all provisions required thereunder. This requirement applies requirements under § 93.404(b) and (c)(2). An award under these Regulations does not, by itself, constitute a federal commitment. These requirements apply in addition to, and ~~does~~ do not displace, the requirements applicable to all HDFC programs, except as otherwise provided in this section.
- (B) ~~The loan documents must comply with 24 CFR § 93.404(c), including the specific requirements under § 93.404(c)(2). The loan documents must evidence HDFC's commitment of NHTF funds consistent with the Project's construction schedule and be executed at construction loan closing.~~
- (C)(B) The Recipient ~~must~~ shall execute ~~loan/grant documents~~ the required NHTF written agreement with HDFCHCD, in coordination with HCD. HDFCHDFC. Notwithstanding Section 32110, HCD shall be the lender or grantor, as applicable, and shall hold the rights under the financing, security, and other legal documents necessary to administer and enforce its NHTF funding. HCD is under no obligation to execute the loan document written agreement if it cancels the Recipient's award is canceled before execution.
- (2) Additional Legal Requirements for Tribal Entities
- (D) For ~~NHTF~~ Projects undertaken by Tribal Entities receiving NHTF assistance, whether through loans or grants, the following additional requirements apply ~~for Tribal Entities, as applicable to the form of assistance:~~
- 1.(A) Tribal Land. For Projects located on Tribal Land that are subject to a leasehold interest created through a long-term ground lease the following requirements will generally apply:
- a.1. The Ground Lease, and the Lease Rider (, as applicable), must be approved by the BIA pursuant to 25 C.F.R. Part CFR part 162 or by the applicable Tribal authority under federally approved Tribal leasing regulations, to the extent required by applicable law, prior to disbursement of funds.
- b.2. The Ground Lease, and the Lease Rider (, and related documents, as applicable), must have superior rights to any other instrument(s) that may encumber the Project's leasehold interest preserve HCD's ability to enforce applicable NHTF requirements and affordability restrictions, consistent with applicable law and approved financing arrangements.
3. ~~Lessor~~ The lessor, lessee, and HDFCHCD must execute a Declaration of Restrictive Covenants or a Regulatory Agreement that runs, or other legally enforceable instrument acceptable to HCD, that establishes the applicable affordability requirements and provides HCD with enforcement rights.
- c.4. The Ground Lease, Lease Rider, and affordability restrictions, as applicable, must be recorded with the appropriate BIA Land Titles and Records Office or other applicable land such that records office, to the HDFC may enforce the requirements of these Regulations extent required

or permitted by applicable law and consistent with federal affordability requirements.

~~d.5.~~ The Ground Lease, and the Lease Rider (as applicable), and the Declaration of Restrictive Covenants (or Regulatory Agreement) must be recorded with the BIA LTRO that has the appropriate jurisdiction and may be recorded in the official records in the county in which the Project is located.

~~e. HDFC reserves the right to require any other documents or provisions to secure HDFC's interest, which may include the granting of third-party beneficiary rights to HDFC.~~

(B) Tribal Entity Recipients. Risk Mitigation and Dispute Resolution. A limited waiver of sovereign immunity shall not be required as a condition of receiving NHTF assistance. Tribal Entity Recipients must provide appropriate risk mitigation and dispute resolution provisions in the loan/ or grant documentdocuments and all-related documents, which may include a separate instrument addressing dispute resolution. These provisions provide HDFC with an opportunity to resolve and enforce any of the terms and conditions of the loan/grant transaction documents through agreements, which may include informal processesresolution procedures or Tribal, State, other mutually agreed mechanisms consistent with applicable law.

2.(C) Administrative Flexibility. For Projects undertaken by Tribal Entities, HCD may waive or Federal Courts modify nonstatutory requirements applicable to NHTF assistance under these Regulations and related program requirements when such requirements create barriers to program access, program incompatibility, or unnecessary administrative burdens. Such determinations shall be made in writing on a case-by-case basis, in coordination with HDFC. HCD retains final decision-making authority for HOME-specific determinations, subject to applicable federal and state law. Requirements applicable to other funding sources remain unaffected.

~~3. If NHTF funds are disbursed during construction, the Recipient must execute a Disbursement Agreement governing release of funds.~~

Note: Authority: Sections: 54928, 54929, 54940, 54942, 54943, 54944, and 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 50468, 50676, 54929, 54943, and 54945, Health and Safety Code-; 24 CFR part 93.

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These program-specific requirements shall apply to Projects only if the agency administering the program elects to participate in these HDFC Regulations.

This section applies only to rental housing Projects. HCD retains responsibility for federal administration, commitment, disbursement, and enforcement of HOME funds, in coordination with HDFC's consolidated process. In the event of a conflict, applicable federal requirements control.

- (a) Eligibility Standards
 - (1) Project

~~(A) Rehabilitation Projects must comply with the adopted HOME Multifamily Rehabilitation Standards dated January 1, 2023, as may be subsequently amended, pursuant to 24 CFR § 92.251(b)(1).~~

~~(2) Uses of Funds~~

~~(A) Projects must meet the applicable requirements of these Regulations and the applicable Consolidated Plan and Annual Action Plan. HOME Projects must be located in jurisdictions eligible under those plans, including any applicable restrictions concerning HOME participating jurisdictions or consortia.~~

~~(2) Uses of Funds~~

~~(A) Eligible Uses of Funds~~

- ~~1. FundsHOME funds may be used only for approved Eligible Costs pursuant to Section 32012- that are eligible under 24 CFR § 92.206. Financing may be provided as specified in subsection (d)(1).~~

~~(B) Ineligible Uses of Funds~~

- ~~1. Pursuant to 24 CFR § 92.214 Prohibited Activities and Fees, HOME- HOME funds may not be used to:~~
 - ~~a. Provide Project reserve accounts, except as provided in 24 CFR § 92.206(d)(5), or operating subsidies;~~
 - ~~b. Provide tenant-based rental assistance for the special purposes of the existing Section 8 Program, in accordance with § 212(d) of the Act;~~
 - ~~c. Provide non-federal matching contributions required under any other Federal program;~~
 - ~~d. Provide assistance for uses authorized under § 9 of the 1937 Act (Public Housing Capital and Operating Funds);~~
 - ~~e. Provide assistance to eligible Low-Income housing for any activity, cost, or fee prohibited under 24 CFR part 248 (Prepayment of Low-Income Housing Mortgages), except that assistance may be provided to priority purchasers as defined in 24 CFR § 248.101;~~
 - ~~f. Provide assistance (other than tenant-based rental assistance, assistance to a homebuyer to acquire housing previously assisted with HOME funds, assistance permitted under 24 CFR § 92.210, or assistance to preserve affordability of homeownership housing in accordance with 24 CFR § 92.254(b)) to a Project previously assisted with HOME funds during the period of affordability. However, additional HOME funds may be committed to a Project for up to one year after Project completion (see 24 CFR § 92.502), but the amount of HOME funds in the Project may not exceed the maximum per Unit subsidy amount established under 24 CFR § 92.250 at the time of underwriting;~~
 - ~~g. Pay delinquent taxes, fees, or charges on properties to be assisted with HOME funds;~~
 - ~~h. Pay for any cost that is not eligible under 24 CFR § 92.206 through 92.209; or~~
 - ~~i. Pay for surety bonds, security deposit insurance, or instruments similar to surety bonds or security deposit insurance, in lieu of or in addition to a security deposit in Units occupied by tenants receiving tenant-based rental assistance (including assistance in paying security deposits).~~
- ~~2. HDFC may not charge servicing, origination, or other fees for the purpose of covering costs of administering the HOME program (e.g., fees on Low-~~

Income Families for construction management or for inspections for compliance with property standards) (see 24 CFR § 92.206(d)(6) and § 92.207), except that:

- a. Owners of rental Projects may be charged reasonable annual fees for compliance monitoring during the period of affordability. The fees must be based upon the average actual cost of performing the monitoring of HOME-assisted rental Projects. The basis for determining the amount of for the fee amount must be documented and the fee must be included in the costs of the Project as part of the Project underwriting;
 - b. Nominal application fees (although these fees are not an eligible HOME cost) may be charged to Project owners to discourage frivolous applications. The amount of application fees must be appropriate to the type of application and may not create an undue impediment to a low-income family's participation.
3. Fees charged under 24 CFR § 92.214(b)(1) are applicable credits under 24 CFR § 200.406.
4. Project owners are prohibited from charging for:
- a. Surety bonds, security deposit insurance, or instruments similar to surety bonds or security deposit insurance, in lieu of or in addition to a security deposit in Units;
 - b. Fees that are not customarily charged in rental housing (e.g., laundry-room access fees); and
 - c. Fees to inspect Units or correct deficiencies in the property condition of Units or common areas of the Project that were not caused by the tenant or are only due to normal wear and tear.
5. Rental Project owners may charge:
- a. Reasonable application fees to prospective tenants;
 - b. Parking fees to tenants only if such fees are customary for rental housing projects in the neighborhood; and
 - c. Fees for services such as bus transportation or meals, as long as the services are voluntary and fees are charged for services provided.
6. In accordance with HDFO's most current Annual Action Plan, HOME funds may not be used to pay for the cost to refinance existing Project debt.
7. For new construction or rehabilitation of multifamily rental housing Projects, HOME funds may be used to construct or rehabilitate laundry and community facilities located within the same building as the housing and for use by Project residents and their guests, pursuant to 24 CFR § 92.206(a)(4).
8. Pursuant to 24 CFR § 92.206 (b)(2)(vi), federal HOME funds cannot be used to refinance single family or multifamily housing loans made or insured by any Federal program.
- 9.1. HOME funds cannot provide a duplication of benefit or supplant any other federal, state, or local funds previously committed to the Project § 92.214.

(3) Affordability, Rent, and Income Limit Standards

(A) Subject to HUD Multifamily Tax Subsidy Projects (MTSP) Income Limits published yearly.

(A) Affordability Periods. Section 32013 applies, subject to subsection (d)(3). In no event shall the applicable affordability period be less than required under 24 CFR § 92.252. HCD shall specify the applicable HOME affordability period and associated requirements in the Project's legal documents in accordance with 24 CFR § 92.252.

(B) Income Limits. HOME-assisted Units must comply with the income-targeting requirements under 24 CFR §§ 92.216 and 92.252 and the applicable Consolidated Plan and Annual Action Plan. Applicable HUD HOME income limits shall be used to determine HOME income eligibility.

(B) Rent Limits

4.(C) . Rents for HOME-assisted Units must comply with the applicable High HOME and Low HOME rent limits, SRO rent limits, and utility allowance requirements under 24 CFR § 92.252(a-) through (c). Notwithstanding Section 32013(c), HCD shall determine the applicable federal rent requirements for HOME-assisted Units.

a. For SRO Units that have no sanitary or food preparation facilities or only one of the two, the rent limit is 75 percent of the zero-bedroom fair market rent for the area, which is provided by HUD.

(4) Construction, Property, and Demolition

(A) Projects must comply with the applicable property standards under 24 CFR § 92.251 and these Regulations. Rehabilitation Projects must also comply with the adopted HOME and NHTF Combined Multifamily Rehabilitation Standards dated January 1, 2023, as may be subsequently amended.

(B) Construction documents, including plans and specifications, must demonstrate compliance with applicable HOME property standards and be submitted for review in the required form and manner. Projects must undergo the inspections required by 24 CFR § 92.251 and these Regulations.

(b) Eligible Applicant

(1) None of the Project's Sponsors may be excluded or disqualified from participation in covered federal transactions, as reflected in SAM.gov Exclusions.

(2) Sponsors and Recipients must comply with applicable financial accountability and administrative requirements under 24 CFR § 92.505 and 2 CFR part 200, to the extent applicable to the entity and assistance provided.

(c) Underwriting and Feasibility Standards

(1) Underwriting Standards

(A) Projects must meet Sections 32060 through 32066 and 24 CFR § 92.250. Before committing HOME funds, HCD shall determine financial feasibility, reasonable profit or return, and that HOME funds, alone or with other governmental assistance, do not exceed the amount necessary to provide quality affordable housing, in accordance with HCD's applicable federal underwriting and subsidy layering requirements. HCD may rely on the consolidated application and underwriting materials to make these determinations.

(2) Maximum per Unit Subsidy

(A) The amount of HOME funds invested per assisted Unit must not exceed the applicable limits established by HUD under 24 CFR § 92.250(a).

~~(1)~~(3) Financial Feasibility Standards

~~(A)~~ Positive Cash Flow. Projects ~~shall~~must demonstrate positive Cash Flow After Debt Service under Section 32063 for the following a minimum periods:-

~~1. New~~20 year period for new construction: ~~Twenty (20) years.~~

~~2. (A)~~ and a minimum 15 year period for Rehabilitation: ~~Fifteen (15) years.~~

~~(2)~~ Underwriting Standards

~~(A)~~ Matching Contribution Requirements:

~~1. Sponsors may be required to provide twenty-five percent (25%) minimum matching contributions for the Project to meet the state's requirements for match as specified in 24 CFR § 92.218, 92.219, 92.220, and 92.221.~~

~~2. Match may be waived or modified by HDGC in the following circumstances:~~

~~a. If the matching contribution requirements of 24 CFR § 92.218 are waived or modified by Congress or are modified by HUD pursuant to 24 CFR § 92.222;~~

~~b. If the HDGC identifies other eligible sources of match that can be used to meet part or all of the matching contribution requirements of 24 CFR § 92.218;~~

~~c. HDGC Must notify Sponsors of the modification of matching contribution requirements through written notice.~~

~~3. Contributions which must not be considered as HOME matching contributions pursuant to 24 CFR. § 92.220(b) are as follows:~~

~~a. Contributions made with or derived from federal resources or funds, regardless of when the federal resources or funds were received or expended and including Community Development Block Grant funds.~~

~~b. The interest rate subsidy attributable to the federal tax exemption on financing or the value attributable to federal tax credits.~~

~~c. Owner equity or investment in a Project.~~

~~d. Cash or other forms of contributions from Sponsors for, or recipients of HOME assistance or contracts, or investors who own, are working on, or are proposing to apply for assistance for a HOME-assisted program or Project. This does not apply to contractors who do not own any HOME Project or Development who are contributing professional services or to persons contributing sweat equity in accordance with 24 CFR § 92.220(a)(9).~~

(d) Funding Terms and Conditions

~~(1)~~ Loan Terms

~~(A)~~ HOME funds are not issued as forgivable loans

~~(2)~~ Grant Terms

~~(1)~~ Tribal Land: Acquisition, Construction, and Permanent Financing

~~(A)~~ HOME funds may be provided for acquisition, construction, and permanent financing of eligible rental housing Projects, including combinations of these financing phases. Sections 32071 through 32073 apply, subject to applicable federal requirements and this section.

(B) HCD shall establish the financing terms for HOME funds, consistent with applicable federal and state requirements. Sections 32071 through 32073 apply to HOME funds only to the extent adopted by HCD.

(C) For Projects undertaken by eligible Tribal Entities, HOME assistance may be provided as a loan or grant, as determined by HCD.

(2) Disbursement of Funds and Retention

(A) Section 32090 applies to HOME funds except as provided in this subsection. HCD shall authorize HOME disbursements in coordination with HDFC and in accordance with 24 CFR § 92.502. The two-phase construction disbursement structure in Section 32090 does not apply to HOME funds.

(B) HCD may approve acquisition disbursements and monthly construction draws for eligible costs when funds are needed for payment. HCD shall determine the disbursement conditions applicable to each approved financing phase. Conditions under Section 32090 that apply solely to a subsequent financing phase shall not prevent disbursement for an approved earlier phase. All applicable federal commitment, environmental, and disbursement requirements must be satisfied.

(C) Notwithstanding Section 32090, HCD shall establish the retention requirements for HOME funds, including the amount, timing, and conditions for release, in coordination with HDFC. HCD may reduce, waive, or eliminate retention as necessary to meet applicable federal expenditure deadlines, consistent with applicable federal and state requirements and the executed legal documents.

(3) Tribal Covenant Terms

(B) For Projects on Tribal Trust Land or restricted land that receive receiving HOME funding (without state funding), the required covenant terms are:

1. New construction: Twenty (20) years

2. (A) for new construction and 15 years for Rehabilitation: Fifteen (15) years.

(e) Award Standards and Conditions of Funding

(1) HDFC Fees

(A) Notwithstanding Section 32084, fees attributable to HOME assistance must comply with 24 CFR § 92.214(b) and the applicable written agreement requirements under 24 CFR § 92.504(c).

(e)(f) Program Operations

(1) Federal Funding Requirements

(A) Projects, Sponsors, and Recipients must comply with applicable requirements under 24 CFR part 92 and Section 34002, including affordability, occupancy, tenant income, fixed and floating Units, leases, and tenant protections under 24 CFR §§ 92.252 and 92.253.

(B) Program Income and repayments and recaptured funds must be handled in accordance with 24 CFR § 92.503. Program Income must also be used in accordance with the applicable HOME Program Income Policy, as amended.

(C) Environmental Review. HCD shall retain the environmental review responsibilities assigned to it under 24 CFR § 92.352 and 24 CFR part 58, including serving as the Responsible Entity or exercising HUD's environmental approval responsibilities, as applicable. HDFC and applicants

shall coordinate with HCD regarding applicable environmental review requirements.

1. HOME-assisted Projects shall comply with all applicable NEPA requirements as established at 24 CFR § 58. Project applicants and sponsors shall comply with the restrictions on choice-limiting actions under 24 CFR § 58.22 pending completion of the applicable environmental review and clearance process. Failure to comply with required environmental review standards and processes may result in choice-limiting actions that could render project ineligible for federal assistance. Applicants seeking federal funding are strongly encouraged to begin the environmental review process as early as feasible to prevent project delays, reduce project feasibility risk, and prevent choice-limiting actions.

(2) Reporting Requirements

(A) Inclusion of all Federal Funding Requirement pursuant to Appendix 34002. Federal Requirements must be adhered to.

(A) Sponsors and project owners must maintain and retain records and submit reports required by Section 32096, applicable federal requirements under 24 CFR §§ 92.504 and 92.508, and the federal written agreement. HCD and HDFC shall coordinate reporting through the consolidated process; HCD shall retain access to the records and reports necessary to administer the federal program. HCD may require additional reports and information necessary to fulfill its federal administration and compliance responsibilities.

(2) Reporting Requirements

(A) Any person who knowingly makes a false claim or statement to HUD or HDFC in connection with HOME program funding may be subject to civil or criminal penalties under 18 U.S.C. 287, 1001 and 31 U.S.C. 3729.

(B) The HUD Office of Inspector General (OIG) Hotline number is 1-800-347-3735. This is the primary means to submit allegations of fraud, waste, abuse, mismanagement, or whistleblower related matters for HOME to the OIG. Fraud, waste and abuse in HOME and its operation may be reported in one of the following four (4) ways:

1. By email to: hotline@hudoig.gov

2. By phone: Call toll free: 1-800-347-3735 By fax: 202-708-4829

3. By mail:

U.S. Department of Housing & Urban Development

HUD OIG, Office of Investigation, Room 1200 Field Office

One Sansome Street, San Francisco, CA 94104

HUD OIG, Office of Investigation Suite 4070 Regional Office

North Los Angeles Street, Los Angeles, CA 90012

(C) Beginning on the HOME program award date, and no later than ten (10) days after the end of each month, Recipients must submit a monthly status report to HDFC and any additional information which may be requested by HDFC to ensure compliance with these Regulations and any applicable state and federal laws. For Projects under construction, a monthly labor compliance certification is required. The monthly report concludes after permanent conversion.

- ~~(D) For Projects located on Indian Country, Project owners may implement duly adopted Tribally Determined Wage ("TDW") in accordance with Native American Housing Assistance and Self-Determination Act (NAHASDA) in lieu of State of California prevailing wages. It is encouraged that the Recipient seek counsel on prevailing wage determinations on a project-by-project basis.~~
- ~~(E) Recipients must continue submitting monthly status reports to HDGC until the final Project completion report is accepted in the Federal Disbursement and Information System. Each monthly status report must include the following:-~~
- ~~1. Information to determine the progress of efforts to comply with environmental and labor standards requirements, as applicable;-~~
 - ~~2. Information to determine the progress of efforts to obtain all necessary Project financing;-~~
 - ~~3. Information to determine the progress of efforts to obtain required local government approvals for the Project;-~~
 - ~~4. Information to determine whether there have been any changes in Project site control;-~~
 - ~~5. Information to determine the timeline for completion of the Project;-~~
 - ~~6. Current contact information for individuals or firms overseeing the development of the Project.~~
- ~~(F) Upon execution of the loan document, and no later than thirty (30) calendar days after the end of each calendar quarter, until the final Project Completion report is accepted in the Federal Disbursement and Information System, Recipients must submit a quarterly performance report HDGC, which must include the following information:~~
- ~~1. Activities undertaken to implement the Project and to meet milestones contained in the Written Commitment;-~~
 - ~~2. Anticipated activities in the next quarter to implement the Project and to meet milestones contained in the Written Commitment;~~
 - ~~3. Problems in implementing the Project or complaints received during the reporting period and actions taken to resolve such problems and complaints;-~~
 - ~~4. Financial information related to expenditures of HOME funds;-~~
 - ~~5. Any additional information which may be requested by HDGC to ensure compliance with these Regulations and any applicable state and federal laws.~~
- ~~(G) Recipients must submit an annual report to HCD on services provided to residents of the Units, the qualifying characteristics of each resident, and related information. Recipients must maintain records as required by 24 CFR § 93.407(a)(1)-(5) and retain them for the periods specified in 24 CFR § 93.407(b). All records must be made available to HCD for inspection and provided upon request.~~

~~(f)(g) Legal Administration. The following represent additional requirements beyond the Core Multifamily Standards.~~

~~(1) Required Legal Documents~~

- ~~(A) The loan For Projects receiving HOME funds, the executed legal documents shall constitute/satisfy all applicable legal documentation requirements under~~

- 24 CFR part 92, including the requirements for a commitment of HOME funds under § 92.2 and the written agreement required requirements under the § 92.504(b) and (c), as applicable. An award under these Regulations does not, by itself, constitute a federal program regulations administered by HCD and shall contain all provisions required thereunder. This requirement applies commitment. These requirements apply in addition to, and does do not displace, the requirements applicable to all HDFC programs, except as otherwise provided in this section.
- ~~(B) For Projects receiving HOME funds, the loan documents shall meet the requirements of 24 CFR § 92.504(c). The loan documents shall evidence HDFC's commitment of HOME funds consistent with the Project's construction schedule and be executed at construction loan closing.~~
- ~~(C) The Recipient must execute loan/grant documents with HDFC. The Project owner shall execute the required HOME written agreement with HCD, in coordination with HCD. HDFC/HDFC. Notwithstanding Section 32110, HCD shall be the lender or grantor, as applicable, and shall hold the rights under the financing, security, and other legal documents necessary to administer and enforce its HOME funding. HCD is under no obligation to execute the loan document written agreement if it cancels the Sponsor's award.~~
- ~~1. The loan document must meet the requirements of 24 CFR § 93.404(c)(2).~~
- ~~2. Prior to loan document is canceled before execution, HCD must determine that:~~
- ~~a. The Project will maintain Fiscal Integrity.~~
- ~~b. (B) The. The written agreement shall be separate from Project will be feasible as described under Section 32063, Financial Feasibility Standards; financing documents as required under 24 CFR § 92.504(b).~~
- ~~(2) The Project will receive no more HOME funds, alone or with other governmental.~~
- Additional Legal Requirements for Tribal Entities
- ~~e. For Projects undertaken by Tribal Entities receiving HOME assistance, than necessary to provide quality affordable housing.~~
- ~~(D) For HOME whether through loans or grants, the following additional requirements apply for Tribal Entities, as applicable to the form of assistance:~~
- ~~1. (A) Tribal Land. For Projects located on Tribal Land that are subject to a leasehold interest created through a long-term ground lease, the following requirements will generally apply:~~
- ~~a. 1. The ground lease, Ground Lease and the lease rider (Lease Rider, as applicable), must be approved by the BIA pursuant to 25 CFR Part 162 part 162 or by the applicable Tribal authority under federally approved Tribal leasing regulations, to the extent required by applicable law, prior to disbursement of funds.~~
- ~~b. The ground lease, and the lease rider (as applicable), must have superior rights to any other instrument(s) that may encumber the Project's leasehold interest.~~
- ~~c. Lessor, lessee, and HCD in coordination with HDFC must execute a covenants or a regulatory agreement that runs with the land such that the HDFC may enforce the requirements of these Regulations.~~
- ~~2. The ground lease, and the lease rider (The Ground Lease, Lease Rider, and related documents, as applicable, must preserve HCD's ability to~~

- enforce applicable HOME requirements and affordability restrictions, consistent with applicable law and approved financing arrangements.
3. The lessor, lessee, and HCD must execute a Declaration of Restrictive Covenants or Regulatory Agreement, or other legally enforceable instrument acceptable to HCD, that establishes the applicable affordability requirements and provides HCD with enforcement rights.
- ~~d.4.~~ The Ground Lease, Lease Rider, and affordability restrictions, as applicable), and the covenants (or regulatory agreement), must be recorded with the BIA LTRO that has the appropriate jurisdiction and may be recorded in the official BIA Land Titles and Records Office or other applicable land records in the county in which the Project is located.— office, to the extent required or permitted by applicable law and consistent with federal affordability requirements.
- ~~e.5.~~ The HDFCHCD reserves the right to require any other additional documents or provisions to secure HCD's interest necessary to protect its interests and ensure compliance with applicable federal requirements, which may include the granting of third-party beneficiary rights to HCD.—
- ~~2.(B)~~ Tribal Entity Recipients. Risk Mitigation and Dispute Resolution. A limited waiver of sovereign immunity shall not be required as a condition of receiving HOME assistance. Tribal Entity Recipients must provide appropriate risk mitigation and dispute resolution provisions in the loan/ or grant document and all related documents and related agreements, which may include a separate instrument addressing dispute resolution. These provisions provide HCD with an opportunity to resolve and enforce any of the terms and conditions of the loan/grant transaction documents through an informal processes or Tribal, State, resolution procedures or Federal Courts other mutually agreed mechanisms consistent with applicable law.
- (C) Administrative Flexibility. For Projects undertaken by Tribal Entities, HCD may waive or modify nonstatutory requirements applicable to HOME assistance under these Regulations and related program requirements when such requirements create barriers to program access, program incompatibility, or unnecessary administrative burdens. Such determinations shall be made in writing on a case-by-case basis, in coordination with HDFC. HCD retains final decision-making authority for NHTF-specific determinations, subject to applicable federal and state law. Requirements applicable to other funding sources remain unaffected.

Note: Authority: Sections: 54928, 54929, 54940, 54942, 54943, 54944, and 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 50468, 50896.2—, 50896.3, and 54929, Health and Safety Code; 24 CFR part 92.

§ 33009. PLHA-C.

These program-specific requirements shall apply to Projects only if the agency administering the program elects to participate in these HDFC Regulations.

(a) Eligibility Standards

(1) Uses of Funds

(A) Eligible Uses of Funds

- ~~1. Necessary operating subsidies.
 - a. Workforce housing up to one hundred and twenty percent (120%) AMI (150% in high-cost areas).~~
- ~~2. Matching contributions to housing trust funds.~~
- ~~3. Matching funds from Low- and Moderate-Income Housing Asset Fund pursuant to HSC § 34176(d).~~
- ~~4. Acquisition/Rehabilitation of foreclosed or vacant homes.~~
- ~~5. Homeownership support, including downpayment assistance.~~
- ~~6. Fiscal incentives or matching funds to local agencies that approve new housing for Extremely Low-, Very Low-, Low-, and Moderate-Income Households.~~
- ~~7. Funds may be used only for approved Eligible Costs pursuant to Section 32012 and as listed above.~~

(B) Ineligible Uses of Funds

1. Development of new multifamily rental housing that is affordable to households at or below 60% AMI or substantial rehabilitation of multifamily rental housing that will be affordable to households at or below 60% of AMI, but which is not currently restricted as affordable housing.

(B) Ineligible Uses of Funds

1. As per HSC Health & Saf. Code, § 50470(b)(2)(C)(ii)(II), housing funded pursuant to this clause shall not be rented, sold, or subleased to an agricultural employer, as defined in Section Lab. Code, § 1140.4 of the Labor Code, or its agent, or a farm labor contractor, as defined in Section Lab. Code, § 1682 of the Labor Code, or its agent, who employs at least one H-2A worker, as defined in Section 50205, until the expiration of the regulatory agreement or affordability covenant, as applicable. A person or entity who receives funds made available pursuant to this clause on or after January 1, 2020, and expends any of those funds for the purpose of funding predevelopment of, developing, or operating any housing that is rented, sold, or subleased to an agricultural employer, as defined in Section Lab. Code, § 1140.4 of the Labor Code, or its agent, or a farm labor contractor, as defined in Section Lab. Code, § 1682 of the Labor Code, or its agent, and who employs at least one H-2A worker, as defined in Section 50205, until the expiration of the regulatory agreement or affordability covenant, as applicable, shall reimburse the department or other state agency that provided those funds, as provided in paragraph subsection (2) of subdivision (b) of Section 50205. This subclause shall not apply to any contract entered into or any financial assistance provided pursuant to this clause prior to January 1, 2020.

(b) Eligible Applicant

- (1) A Non-Entitlement local government consistent with HSC Health & Saf. Code, § 50470.5(b) and (42 USC § 5306) shall serve as the Sponsor and must apply jointly with an Established Developer Sponsor as a Co-Sponsor.
 - 1-(A) The Co-Sponsor and any delegating Local Government, if applicable, must have a Housing Element that has been adopted by the Local

government's governing body by the application deadline and subsequently determined to be in substantial compliance with state Housing Element Law pursuant to ~~Government Code § 65585~~ <http://www.hcd.ca.gov/housing-element>. Gov. Code § 65585.

~~2.~~(B) The Co-Sponsor and any delegating Local Government, if applicable, must submit to the HCD Annual Progress Report (APR) required by [GovernmentGov](#). Code § 65400 for the current or prior year by the application deadline date. HCD will not accept other reports in lieu of the APR.

~~3.~~(C) The Established Developer Sponsor must serve in the lead role in project management of the development and will receive the funding directly.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 50669, 50470.5, 54929 Health and Safety Code.

~~§ 33010. CDLAC.~~

~~Sponsors and Recipients shall be responsible for all applicable program specific standards, conditions, procedures eligibility standards, Project standards, program operation and legal administration required by CDLAC, or any other applicable federal, state, or local funding or financing source.~~

~~Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 54928, 54929, 54940, 54942, 54943, 54944, 54945, Health and Safety Code.~~

~~§ 33011. CTCAC.~~

~~Sponsors and Recipients shall be responsible for all applicable program specific standards, conditions, procedures eligibility standards, Project standards, program operation and legal administration required by CTCAC, or any other applicable federal, state, or local funding or financing source.~~

~~Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 54940, 54942, 54943, 54944, 54945, 54946, 54928, Health and Safety Code.~~

CHAPTER 4. APPENDICES

§ 34000. Definitions.

Accessible Housing Unit – Refers to a “Housing Unit with Mobility Features” and/or “Housing Units with Hearing/Vision Features” as defined below:

- (a)1. A “Housing Unit with Mobility Features” means a housing Unit that is located on an accessible route and complies with the requirements of 24 CFR §

8.22 and all applicable provisions of Uniform Federal Accessibility Standards (UFAS) or the comparable provisions of the Alternative Accessibility Standard, including but not limited to §§ 809.2 through 809.4 of the 2010 ADA Standards for Accessible Design. A Housing Unit with Mobility Features can be approached, entered, and used by persons with mobility Disabilities, including individuals who use wheelchairs. Such Units must also comply with [CBC California Building Code §11B](#).

~~(b)2.~~ A “Housing Unit with Hearing/Vision Features” means a housing Unit that complies with 24 CFR § 8.22, and all applicable provisions of UFAS or the comparable provisions of the Alternative Accessibility Standard, including but not limited to § 809.5 of the 2010 ADA Standards for Accessible Design. Such Units must also comply with [CBC California Building Code § 11B](#).

Acquisition – Acquiring improved or unimproved real property and in compliance with 24 CFR § 93.200.

Adaptive Reuse – The retrofitting and repurposing of [an existing building structures \(e.g., offices, Commercial Spaces, business parks\) for the purpose of creating to create new residential rental Units and expressly excludes a Project that involves Rehabilitation units. Adaptive Reuse does not include rehabilitation of an existing residential rental building or any other construction affecting existing residential rental Units that are housing units, as defined by the U.S. Census Bureau. Adaptive Reuse may include the conversion of an existing hotel, motel, or have been, recently other nonresidential building to residential rental housing, provided the hotel or motel is not occupied. Reference 2025 California Existing Building Code, Title 24, Part 10 for additional definitions as a place of residence at the time of application.](#)

Affirmatively Furthering Fair Housing – Taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation, address disparities in housing needs and access to opportunity, replace segregated living patterns with integrated and balanced living patterns, transform racially and ethnically concentrated areas of poverty into areas of opportunity, and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.

[Affordable Housing Development](#) – Affordable Housing Development – A structure or set of structures [with common financing, ownership, and management, and](#) which collectively contains ~~five (5)~~ or more Units, ~~offered as rental housing, (except HOME Projects which may contain fewer than 5 Units. Homeownership, and Projects proposed by Tribal Entities which may contain 4 units),~~ that are or will be subject to HDFC-approved affordability, occupancy, and/or rent restrictions as a condition of HDFC funding offered as rental housing. Such dwelling Units may include Single Room Occupancy Units as defined in Health & Saf. Code, § 50675.2(d). No more than one of the dwelling Units may be occupied as a primary residence by a person or household who is the owner of the structure or structures; except as may be permitted only as outlined in Chapter 3, Program-Specific Supplements. “Affordable Housing Development” does not include any “health facility” as defined by [Health & Saf. Code, § 1250 of the HSC](#) or any “alcoholism or drug abuse recovery or treatment facility” as defined by [HSC Health & Saf. Code, § 11834.02](#). [An Affordable Housing Development](#)

includes, without limitation, the real property, the improvements located thereon, and all fixtures and appurtenances related thereto. Note: Where any Applicant is demonstrating experience in its application for Program funding, the term “Affordable Housing Development” will also be interpreted to mean a structure or set of structures with common financing, ownership, and management, and which collectively include(s) five or more dwelling Units (except HOME Projects which may contain fewer than 5 Units and Projects proposed by Tribal Entities which may contain 4 units) that are subject to the affordability, occupancy, and/or rent restrictions of any Local Public Entity, any Tribal Entity, CTCAC/CDLAC, or the federal government. In such cases, the term is also subject to any additional requirements that appear in context.

Affordable Rent(s) – Rents established in the annual Multifamily Tax Subsidy Projects (MTSP) Regular Income and Rent Limits published by HUD annually for each county to determine rent limits.

Agricultural Land(s) – The following categories of farmland in the California Department of Conservation’s Farmland Mapping and Monitoring Program (FMMP) tool (California Important Farmland Finder): Prime Farmland, Farmland of Statewide Importance, Unique Farmland, Farmland of Local Importance, and Grazing Land.

~~Agricultural Household—An Agricultural Worker or Workers and other persons who reside or will reside with an Agricultural Worker in a Restricted Unit.~~

~~Agricultural Worker—An individual who derives, or prior to retirement or Disability-derived, a substantial portion of their income from agricultural employment, where agricultural employment consists of: cultivation and tillage of the soil; the production, cultivation, growing, and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry; dairying, forestry, and lumbering operations; any work on a farm as incident to or in conjunction with such farming operations, including the delivery and preparation of commodities for market or storage; work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in subdivision (b) of § 1140.4 of the Labor Code. Equivalent to “Agricultural Employee” as defined in HSC § 50517.5(e)(1)~~

Annual Operating Budget – The Project-level budget prepared for each Fiscal Year showing projected Operating Income, Operating Expenses, Debt Service, reserve deposits, Replacement Reserve activity, Supportive Services expenses where applicable, and resulting cash flow for the Housing Development.

Appraisal – A professional assessment that determines the estimated market value of a piece of property. Appraisals shall meet the requirements specified in Section 32065 Appraisal Requirements.

Area Median Income – The most recent applicable county median family income published by California Tax Credit Allocation Committee (CTCAC). For Tribal Entity Sponsors, if the HUD income for a county/parish located within a Tribal Entity’s service area is lower than the United States median, the Tribal Entity may use the United States

median income limit.

Assisted Unit – “Assisted Unit” is a term not used within the HDFC Regulations. See: Restricted Unit.

At Risk of Homelessness – An individual or family that does not currently meet the definition of “Homeless” but lacks sufficient resources or support networks to prevent Homelessness and meets the applicable federal or program-specific criteria for being at risk of Homelessness, including income, housing instability, pending loss of housing, or other qualifying conditions recognized by the applicable funding source.

At-Risk Project – A Project or property that is “at risk of conversion” and loss of affordable housing Units, as defined by [RTG Rev. & Tax. Code, § 17058\(c\)\(4\)](#) and by [4 CCR Title 4 § 10325\(g\)](#).

Award – A funding commitment made by HDFC to a Sponsor to expend toward eligible uses.

Award Commitment Letter – The one or more agreements with the Sponsor that is more fully described in Section 32083 and Section 32110.

BIA – The Bureau of Indian Affairs.

Capital Improvement Project – The construction, rehabilitation, demolition, relocation, preservation, acquisition, or other physical improvement of a capital asset, as defined in [subdivision \(a\) of Section 16727 of the Government Code, Gov. Code, § 16727\(a\)](#), that is an integral part of, or necessary to facilitate the development of, a Qualifying Infill Project.

Capitalized Operating Subsidy Reserve (COSR) – Funds as described in Section 33000 of these Regulations.

Case Manager – A social worker or other qualified person who assists in individualized service planning, and the assessment, coordination, monitoring, referral, and advocacy of services to meet tenants’ Supportive Services’ needs, including, but not limited to, access to medical and mental health services, substance abuse services, vocational training, employment, home and community-based services and crisis management and interventions. Resident service coordinators are not Case Managers. In certain high needs populations, may be Comprehensive Case Management and include individualized services planning and the provision of connections to mental health, substance abuse, employment, health, housing retention, and similar services.

CCR —[The](#) California Code of Regulations.

Certificate of Completion – A written certification, notice, or other official document issued by an authorized public agency, lender, investor, architect, engineer, or other approved party confirming that construction, rehabilitation, conversion, or another approved scope of work has been completed in accordance with applicable

requirements and the Project is ready for occupancy.

CFR – Code of Federal Regulations.

Chronic Homelessness – An individual or family that meets the federal definition of “chronic homelessness,” including an individual with a Disability who has been continuously Homeless for at least ~~twelve (12)~~ months, has experienced at least ~~four (4)~~ episodes of Homelessness totaling at least ~~twelve (12)~~ months over a three-year period, or a family with an adult head of household who meets those criteria.

Co-Sponsor – The non-profit, for-profit corporation, limited liability company and/or limited partnership that applies jointly with an eligible Sponsor for an Award of HDFC funds, but that does not necessarily independently meet the eligibility requirements to be a Sponsor.

1. Co-Sponsors collaborate on the same Project but don't necessarily form a new business entity.
2. Co-Sponsor roles may be unequal, with one taking on more responsibility than the other.

Commercial Space – Any nonresidential space located in or on the property of a Project that is, or is proposed to be, used to serve clients or customers not exclusive to residents of the Project.

Community-Based Developer – A ~~nonprofit entity, including a Tribal Entity, which satisfies all type~~ of proposed Sponsor that meets the ~~following~~ requirements ~~at the time described in Section 32020.~~

Community Benefit Programs – Such programs include, but are not limited to, the following:

1. Free or reduced-cost childcare, after-school care, youth development, or adult daycare programs.
2. Community center facilities that are staffed and open to the public at least once a week or a minimum of application, as reasonably determined by HDFC: 7 hours each week.
1. The entity shall have been operating in, and serving, the identified community or neighborhood to be served by the Project described in the application for period of at least twenty four (24) consecutive months immediately preceding application submittal;
2. The entity shall reasonably define the community or neighborhood to be served by specifying and delineate the applicable geographic area on a map showing, among other things, the boundaries thereof and the number of square miles contained therein, and such defined community shall:
3. Have some portion of residents living in a Moderate and/or Low Resource area or in a High Segregation & Poverty area, as designated in the most recently updated CTCAC/HCD Opportunity Area MapA medical clinic with a physician, physician's assistant, or nurse practitioner onsite for a minimum of 40 hours each week.

- a. Technical assistance or in such comparable federal map(s) as approved by the HDFO; and
 - b. Include the Project that will serve residents pursuant to subsection (a) of this paragraph to be funded by the award, where the Project's location can be outside of the defined community.
 - c. Subject to subsection (3) immediately following, including the entity's corporate office, or investment in, at least 10 small businesses within its boundaries.
3. The entity satisfies either of the following geographic requirements, as applicable:
- a. 4. Where the proposed Project is located in a non-Rural Area, either: (A) the entity maintains a corporate office within fifty (50) miles of the proposed Project, or (B) the entity has developed, owned, or operated at least one deed-restricted affordable housing project located within ten (10) miles of the proposed Project; or,
 - b. Where the proposed Project is located in a Rural Area, either: (A) the entity maintains a corporate office within one hundred (100) miles of the proposed Project, or (B) the entity has developed, owned, or operated at least one (1) deed-restricted affordable housing projects located within sixty (60) miles of the proposed Project.
4. The entity serves no more than three (3) distinct, geographic communities, as demonstrated by the location or delivery site of corporate offices, affordable housing projects, culturally competent services, and/or community benefit programs, and/or resident services. Tribal entities are exempt from this requirement.
5. The entity has community knowledge, commitment to long-term community investment, and population-specific cultural competency, as demonstrated by evidence of at least two (2) of the following:
- a. Receipt of grant funds for housing, workforce development, and other public benefit services (e.g. CalFresh) within the relevant community.
 - b. Bilingual staff members that provide daily language assistance during the entity's delivery of services to the relevant community.
 - c. A record of hiring a portion of its workforce from the geographic area of the community or neighborhood.
5. Job training, digital literacy training, college outreach (linking potential students to college resources and information), or other employment or educational programs or outreach.
6. Financial counseling, housing counseling, free tax return assistance, or other economic empowerment programs.
7. Food distribution programs.

Community Housing Development Organization (CHDO) – A private nonprofit, community-based service organization that meets the applicable federal HOME program requirements for a community Housing Development organization and is eligible to own, develop, or sponsor affordable housing activities where authorized by program requirements.

Community Revitalization Area – An area for which a comprehensive Community Revitalization Plan has been adopted and efforts specific to that plan have occurred which satisfies all of the following requirements at the time of application, as reasonably determined by HDFC:

1. A Federal Opportunity Zone, Choice Neighborhood, or HUD-approved Neighborhood Revitalization Strategy Area;
2. A Disadvantaged Community as ~~identified by the CalEnviroScreen SB 535-~~
~~Disadvantaged Communities map~~defined in this section;
3. Any Qualified Census Tract or equivalent geographic area defined by the Census Bureau in which at least ~~fifty percent (50%)~~50% of the households have an income of less than ~~sixty percent (60%)~~60% AMI;
4. A racially/ethnically concentrated area of poverty (R/ECAP);
5. A census tract or block group designated as “high poverty and segregated” in the most recently updated TCAC/HCD Opportunity Area Map; or
6. A Neighborhood Change area as designated in the most recently updated TCAC/HCD Opportunity Area and Neighborhood Change Map.

A Community Revitalization Area must include a specific geographic area and explicitly cannot be jurisdiction-wide.

Community Revitalization Plan – A plan for concerted community revitalization efforts which satisfies all of the following requirements at the time of application, as reasonably determined by HDFC:

1. The Plan has committed funding through public and/or private investments as demonstrated by an adopted neighborhood or site-specific plan that explicitly calls for the provision of deed-restricted affordable housing Units;
2. The Plan must have been adopted or updated by the jurisdiction within the last ~~eight (8)~~5 years;
3. The Plan must be sufficient in size and scope to have a significant and lasting impact on the community;
4. The plan must not be initiated by the Project Applicant or Sponsor, with the exception of a Public Housing Authority; and
5. The letter must also explain how the Project will contribute to the community's planned revitalization and include, but is not limited to, a description of the following community engagement, investment, and other revitalization efforts:
 - a. Enhancement of community amenities and services in the area, including, but not limited to, workforce development, open space, parks, recreation centers, educational facilities, transportation and mobility, storm water systems, sewer systems, and utility infrastructure.
 - b. Measurable and significant local government funds, not including funds for the Project, that have been expended in the past ~~five (5)~~5 years or are being expended in the next ~~five (5)~~5 years to improve the community amenities and services as illustrated in subsection (a) of this paragraph~~section~~.
 - c. Projects, not including the proposed Project, that have been completed within the past ~~five (5)~~5 years or are underway or committed to be completed that contribute to community revitalization, including, but not limited to, retail, office, and housing projects.

Comprehensive Case Management – Individualized services planning and the provision of connections to mental health, substance abuse, employment, health, housing retention, and similar services.

Coordinated Entry System (CES) – A centralized or coordinated process developed pursuant to 24 CFR § 578.7(a)(8), as that section read on May 1, 2016, designed to coordinate program participant intake, assessment, and provision of referrals. A Coordinated Entry System covers the geographic area, is easily accessed by individuals and families seeking housing or services, is well advertised, and includes a comprehensive and standardized assessment tool.

Culturally Competent Services – Services that respect diversity in the community and that respond effectively across cultures, regardless of differences in language, communication styles, abilities, disabilities, beliefs, attitudes, and behaviors.

Debt Service – The scheduled payment of principal, interest, mortgage insurance premiums, credit enhancement costs, bond-related payments, or other required payments due on Project debt or financing obligations during a stated period.

Debt Service Coverage Ratio (DSCR) – The ratio of a Project's net Operating Income or other approved cash flow measure to required Debt Service for the same period, used to evaluate whether Project income is sufficient to support required debt payments.

Developer – A private for-profit or nonprofit organization or Tribal Entity that owns or has site control over real property and arranges for design, financing, professional, technical, and construction services in connection with a housing project to develop affordable housing. A nonprofit organization formed as a special purpose entity by a non-federally recognized tribe may be considered a Developer, if the tribe meets all other Developer eligibility requirements. See also: Sponsor.

Developer Fee – All funds paid at any time as compensation for developing the proposed Project, to include all processing agent fees, Developer overhead and profit, construction management oversight fees if provided by the Developer, personal guarantee fees, syndicator consulting fees, and reserves in excess of those customarily required by multi-family housing lenders.

Disability or Persons with Disabilities – A person who has a physical, mental, or developmental impairment that substantially limits one or more major life activities, a record of such impairment, or being regarded as having such an impairment, as defined by applicable federal and state law. For HUD programs, the term includes "disability" definitions applicable under the ADA, FEHA, HUD regulations, and any program-specific requirements.

Disadvantaged Community (DAC) – Defined by the following conditions:

1. Census tracts receiving with the highest twenty-five percent (25%) of CalEnviroScreen 5.0 overall scores in CalEnviroScreen 4.0;
2. Census tracts lacking overall scores in CalEnviroScreen 4.0 due to data gaps;

~~but receiving~~with the highest ~~five percent (5%)~~5% of CalEnviroScreen 45.0 cumulative pollution burden scores;_

3. Census tracts ~~identified in the 2017 SB 535~~that have at least 25% overlap with a 2022 DAC ~~designation as disadvantaged, regardless of their scores in~~census tract based on CalEnviroScreen 4.0; ~~and_~~
4. Lands under the control of federally recognized ~~tribes.~~Tribes, with updated Tribal boundaries data.

For purposes of this designation, a ~~tribe~~Tribe may establish that a particular area of land is under its control even if not represented as such on CalEPA's DAC map and therefore should be considered a DAC by requesting a consultation with the CalEPA Deputy Secretary for Environmental Justice, Tribal Affairs and Border Relations at TribalAffairs@calepa.ca.gov.

Eligible Basis – The total depreciable basis of residential and eligible Project improvements used to calculate tax credit eligibility and basis limitations.

Eligible Household – A household whose income does not exceed the regulatory limits of the applicable HDFC funding sources, as calculated in accordance with the regulations and procedures governing the Low-Income Housing Tax Credit program, as administered by CTCAC, or other income limits agreed to by a Project Sponsor and HDFC. Household income will be calculated based on Units in accordance with CTCAC rules and procedures.

Emerging Developer – A type of proposed Sponsor that meets the requirements described in Section 32020.

Enforceable Financing Commitment – Has the same meaning as defined, as may be subsequently amended, in the CTCAC regulations in 4 CCR § 10325(f)(3).

Established Developer – A type of proposed Sponsor that meets the requirements described in Section 32020.

Executive Committee – The Housing Development and Finance Executive Committee established under [HSCHealth & Saf. Code](#), § 54940.

Executive Director – The Executive Director of the Housing Development and Finance Committee.

Extremely Low-Income Families and Households – Households with Gross Incomes not exceeding ~~thirty percent (30%)~~% of Area Median Income as set forth in [HSCHealth & Saf. Code](#), § 50106.

Factory-Built Housing – As set forth in [HSCHealth & Saf. Code](#), § 19971, a residential building, dwelling unit, or an individual dwelling room or combination of rooms thereof, or building component, assembly, or system manufactured in such a manner that all concealed parts or processes of manufacture cannot be inspected before installation at the building site without disassembly, damage, or destruction of the part, including Units designed for use as part of an institution for resident or patient care, that is either wholly

manufactured or is in substantial part manufactured at an offsite location to be wholly or partially assembled onsite in accordance with building standards published in the California Building Standards Code and other regulations adopted by the commission pursuant to § 19990. Factory-Built Housing does not include a mobile home, as defined in § 18008, a recreational vehicle, as defined in § 18010.5, or a commercial modular, as defined in § 18012.5.

Fair Housing Law(s) – Has the same meaning as defined, as may be subsequently amended, in the CTCAC regulations in 4 CCR § 10302.

Farmworker – An individual engaged in agriculture who derives, or prior to retirement or Disability derived, a substantial portion of their income from agricultural employment, where “agriculture” includes farming in all of its branches, and, among other things, includes the cultivation and tillage of the soil, dairying, the production, cultivation, growing, and harvesting of any agricultural or horticultural commodities; the raising of livestock, bees, furbearing animals, or poultry, and any practices (including forestry, and lumbering operations) performed by a farmer or on a farm as incident to or in conjunction with such farming operations, including preparation for and delivery to storage or to market or to carriers for transportation to market (Lab. Code, § 1140.4(a)); work done by any person who works on or off the farm in the processing of any agricultural commodity until it is shipped for distribution, whether or not such person is encompassed within the definition specified in Lab. Code, § 1140.4(b). Equivalent to “Agricultural Employee” as defined in Health & Saf. Code, § 50517.5(e)(1)

Farmworker Household – A Farmworker or Farmworkers and other persons who reside, or will reside, with a Farmworker in a Restricted Unit.

Farmworker Housing – Housing in which at least ~~twenty-five percent (25%)~~ 25% of the Units are available to, and occupied by, farmworkers and their households. HDFC may permit an owner to temporarily house non-farmworkers in Vacant Units in the event of a disaster or other critical occurrence. However, such emergency shelter shall only be permitted if there are no pending qualified farmworker household applications for residency.

Fiscal Integrity – That the total Operating Income plus funds released pursuant to the HDFC loan documents from the Operating Reserve account is sufficient to:

1. pay all current Operating Expenses;
2. pay all current Debt Service (excluding deferred interest);
3. fully fund all reserve accounts (other than the Operating Reserve account) established pursuant to the HDFC loan documents; and
4. pay other extraordinary costs permitted by the HDFC loan documents. The ability to pay any or all of the permitted annual distributions shall not be considered in determining Fiscal Integrity.

Fiscal Year – The 12-month accounting period used by HDFC, the Sponsor, the Project owner, or the Housing Development for financial reporting, budgeting, audited financial statements, operating statements, and compliance reporting, as applicable.

Floor Area Ratio (FAR) – The square footage of the floor area of a building divided by the site square footage, excluding therefrom dedicated streets, sidewalks, parks, and open space. The floor area of a building is the sum of the gross area of each floor of the building, excluding mechanical space, cellar space, floor space in open balconies, enclosed parking and elevators or stair bulkheads. Multiplying the FAR by the area of the site produces the minimum amount of floor area required in a building on the lot. For example, on a 10,000 square-foot site in a district with a minimum FAR of 1.5, the floor area of a building must be at least 15,000 square feet.

Gross Income – Total income from all sources anticipated to be received by a household before deductions, exclusions, or adjustments, determined in accordance with 25 CCR § 6914 and any applicable federal or program-specific income determination requirements.

HDFC Pool – The pool of state bonds as described in Section 31005.

HDFC Request – The aggregate amount of Requests for HDFC funds, bonds, awarded funding, including all federal and state and annual 9% credit ceiling request multiplied by 10 loans and grants, as described in well as state tax credits available pursuant to Section 32041(b)31005(e).

High-Density Housing – A Housing Type that meets the requirements described in Section 32040(b)(1)(G).

High-Rise Project – A Project with the same meaning as defined, as may be subsequently amended, in the CTCAC regulations in 4 CCR § 10302(jj).

High Segregation and Poverty Area – As specified on the CTCAC/HCD Opportunity Area Map.

Homeless or Homelessness – An individual or family that lacks a fixed, regular, and adequate nighttime residence, is living in a shelter or place not meant for human habitation, is imminently losing housing, is fleeing domestic violence or other dangerous conditions, or otherwise meets the applicable federal or program-specific definition of “homeless” or “homelessness.” Homeless and Homelessness also may be defined within HSC Health and Saf. Code, § 50675.15 for Medi-Cal services or as defined by Veterans Set-Aside funds.

Homeownership Affordable Housing Development or Homeownership AHD – New construction, Adaptive Reuse, or substantial rehabilitation of housing Units which shall initially be sold to and occupied by qualified households and shall be subject to a resale restriction for at least 30 years.

Housing and Accessibility Requirements – Has the same meaning as defined, as may be subsequently amended, in the CTCAC regulations in 4 CCR § 10302.

Housing Development – For the purpose of housing funded by HDFC, any work or

undertaking of new construction or Rehabilitation, or the Acquisition of existing residential structures in good condition, for the provision of housing that is financed pursuant to the provisions of this division for the primary purpose of providing decent, safe, and sanitary housing for persons and families of Lower Income, or, for MIP program, Moderate Incomes. “Housing Development” also means housing financed pursuant to this part for rental occupancy of, for resale to, or sold to, persons and families of Low or Moderate Income. Notwithstanding other provisions of this section, “Housing Development” does not include a work or undertaking financed by a neighborhood improvement loan. A Housing Development may include housing for other economic groups as part of an overall plan to develop new or rehabilitated communities or neighborhoods, where housing for persons and families of Low or Moderate Income is a primary goal. A Housing Development may include any buildings, land, equipment, facilities, or other real or personal property that the agency determines pursuant to its rules and regulations to be necessary or convenient in connection with the provision of housing pursuant to this division, including, but not limited to, streets, sewers, utilities, parks, site preparation, landscaping, and other nonhousing facilities, such as administrative, community, health, recreational, educational, commercial facilities, and child-care facilities that the agency determines are an integral part of a Housing Development or developments.

“Housing Development” includes the Acquisition of a residential structure by a nonprofit housing Sponsor, whether or not including Rehabilitation, for the purpose of forming a limited-equity housing cooperative as defined in [Civ. Code, § 817](#) ~~of the Civil Code~~.

Housing Development and Finance Committee (HDFC) – Unless the context clearly requires otherwise, references in these Regulations to “HDFC” include the Committee staff, the Executive Committee, the Executive Director, and any other State Department or Agency or authorized entity performing responsibilities on behalf of HDFC pursuant to applicable law, these Regulations, or an interagency agreement approved by HDFC. Nothing in this definition shall be construed to alter or diminish the independent statutory authority of any participating agency.

Housing Type – A category of housing as defined in Section 32040, Housing Types, of these Regulations.

~~HSC – The California Health and Safety Code.~~

Incorporated City – A municipal jurisdiction that has been formally established under the laws of the State of California and operates with its own local government, including an elected governing body, charter or municipal code, and administrative authority. An Incorporated City exercises land use authority within its boundaries, including zoning, permitting, and regulatory oversight applicable to residential development, and is recognized by the state as a legally constituted local government entity.

In-Lieu Fees – Fees paid to a public agency or other authorized entity in satisfaction of an affordable housing, inclusionary housing, impact mitigation, replacement housing, or other local housing obligation, when payment of the fee is authorized by applicable law, ordinance, agreement, or program requirement.

IRC – Internal Revenue Code.

Joint Venture – A formal business arrangement where two (2) or more parties create a partnership, often forming a new legal entity, to pursue a specific project or business goal.

1. Each party contributes resources (money, staff, assets, expertise).
2. Risks, profits, and control are shared according to written agreement.

Land Basis – The portion of project cost or basis attributable to the Acquisition, contribution, value, or carrying cost of land and other non-depreciable real property interests, as distinguished from depreciable building basis or improvement costs.

Large City Downtown – An area designated as a downtown, central business district, or core area in local planning documents in one of the following cities: Anaheim, Bakersfield, Fresno, Irvine, Long Beach, Los Angeles, Oakland, Riverside, Sacramento, San Diego, San Francisco, San Jose, Santa Ana, and Stockton. These California cities have a population exceeding 300,000 according to California Department of Finance data.

Large Family Housing – A Housing Type that meets the requirements described in Section 32040(b)(1)(A).

Lead Service Provider (LSP) – The organization that has overall responsibility for the provisions of Supportive Services and implementation of the Supportive Services plan in the Project. The LSP may directly provide Case Management services, as applicable, or contract with other agencies that provide services. For HUD-VASH tenants, the LSP will enable the applicable Veterans Affairs Case Manager to administer services in accordance with the HUD-VA Supportive Housing (VASH) Program.

LIHTC – Low-income housing tax credits.

Local Inclusionary Programs – Local laws, ordinances, policies, agreements, or programs that require or incentivize the production, preservation, dedication, funding, or restriction of affordable housing Units as part of residential or Mixed-Use Development.

Local Public Entity – A city, county, city and county, housing authority, redevelopment successor or housing successor agency, joint powers authority, tribal or local governmental body, or other public entity authorized under state or federal law to own, sponsor, develop, finance, or administer affordable housing or related public purposes.

Locality – A city, county, or city and county where the county means the unincorporated areas of that county.

Low(er)-Income Families and Households – Households with Gross Incomes not exceeding eighty percent (80%) of Area Median Income as set forth in HSC Health & Saf. Code, § 50079.5.

[Low Resource Area – As specified on the CTCAC/HCD Opportunity Area Map.](#)

LTRO – The Land, Titles, and Records Office of the BIA.

Major Transit Stop – Has the same meaning as defined in [PRCPub. Resources Code](#), § 21064.3, as may be subsequently amended: A site containing any of the following:

1. An existing rail or bus rapid transit station.
2. A ferry terminal served by either a bus or rail transit service.
3. The intersection of two or more major bus routes with a frequency of service interval of 20 minutes or less during the morning and afternoon peak commute periods.

Market Rate – Housing, Units, rents, sales prices, or project components that are not subject to income, rent, affordability, occupancy, resale, or other affordability restrictions imposed by HDfC, another public agency, a regulatory agreement, a recorded covenant, or applicable program requirements.

Migrant Farmworker – ~~An Agricultural Worker~~[A Farmworker](#) who is required to be absent from a permanent place of residence for the purpose of seeking or performing seasonal agricultural employment, including household members where permitted by applicable program requirements.

Mixed-Use Development – A development consisting of residential Units and compatible nonresidential uses.

Mobility Features – Located on an accessible route and compliant with 24 CFR. part 8.22, [CBGCalifornia Building Code](#) Ch. 11B, Division 4 and §§ 809.2 through 809.4, and all applicable provisions of [UFASUniform Federal Accessibility Standards](#) or comparable provisions of the Alternative Accessibility Standard, including but not limited to §§ 809.2 through 809.4 of the 2010 [ADAS.ADA Standards for Accessible Design](#). A housing Unit with Mobility Features can be approached, entered, and used by persons with mobility disabilities, including individuals who use wheelchairs.

Moderate-Income Families and Households – Households whose Gross Incomes do not exceed the moderate-income limits applicable to the project or program, generally ~~one-hundred twenty percent (120%)~~[120%](#) of Area Median Income adjusted for household size, as published or accepted by HCD, HUD, CalHFA, or the applicable funding source.

[Moderate Resource Area – As specified on the CTCAC/HCD Opportunity Area Map.](#)

Multifamily Pipeline Projects – Projects that have received financing from designated state multifamily programs prior to January 1, 2027, and are fully funded aside from tax credits and bonds, the bond issuer may apply directly to CDLAC or CTCAC for an allocation of the 2027 HDfC Pool with a letter of support from HDfC. This pathway is available until November 1, 2027.

Native American Housing and Self Determination Act (NAHASDA) – Native American

Housing Assistance and Self-Determination Act of 1996, Pub. L. 103-330, 25
[U.S.C. USC](#) 4101, et seq., as amended.

Net Cash Flow – The cash remaining from project operations after payment of approved Operating Expenses, required Debt Service, [developer fee](#), required reserve deposits, approved asset management fees, and other required payments, as calculated under applicable loan documents, regulatory agreements, partnership agreements, or program requirements: [– as described in Section 32063\(d\)\(2\).](#)

Net Density – The total number of housing Units per acre of land to be developed for residential or mixed use, excluding allowed deductible areas. Allowed deductible areas are public dedications of land which are for public streets, public sidewalks, public Open Space, and public drainage facilities. Non-allowed deductible areas include utility easements, setbacks, private drives and walkways, general landscaping, common areas and facilities, off street parking, and traditional drainage facilities exclusive to a development project. Mitigations required for development will not be included in the allowed deductible areas.

Non-Entitlement – A California city or county that does not receive HOME funding directly from HUD, is not designated by HUD as a Participating Jurisdiction (PJ), not part of a HUD recognized HOME consortium, and not covered by an urban county agreement that gets HOME funds directly. Each year, HCD will publish the current list of Non-Entitlement areas based on HUD's official PJ and consortium designations and State records of urban county agreements. That published list becomes the rule for that program year.

Operating Expenses – The amount approved by HDFC that is necessary to pay for the recurring expenses of the Project, such as utilities, maintenance, management, taxes, licenses, and Supportive Services Costs, but not including Debt Service or required reserve account deposits.

Operating Income – All income generated in connection with operation of the Project including rental income for Restricted Units, rental income for laundry and equipment rental fees, rental subsidy payments, and interest on any accounts, other than approved reserve accounts, related to the Affordable Housing Development. "Operating Income" does not include Commercial Space or commercial use, security and equipment deposits, payments to the Sponsor for Supportive Services not included in HDFC-approved operating budget, cash contributed by the Sponsor, or tax benefits received by the Sponsor.

Operating Reserve – Funds capitalized at or before loan closing, conversion, or another approved project milestone and held to support project operations, operating deficits, lease-up risk, service obligations, or other approved operating needs in accordance with applicable loan documents, regulatory agreements, partnership agreements, or program requirements.

[Opportunity Area Map – A map or series of maps approved annually by CTCAC/HCD as the CTCAC/HCD Opportunity Area Map.](#)

Permanent Loan Closing – The point at which a Project transitions from construction financing to permanent financing, usually after construction is completed, cost certification is accepted, and occupancy thresholds are met.

Preservation – A Project that meets any of the criteria of Section 32040 of these Regulations and is a Rehabilitation Project.

Pre-Subdivision Parcel – A parcel of real property as it existed before subdivision, lot line adjustment, parcel map, final map, condominium map, or other division of land, when that preexisting parcel is relevant to eligibility, site control, density, affordability, infrastructure, or program requirements.

Private Activity Bonds – Tax-exempt bonds or other qualified private activity bonds issued under federal and state law to finance eligible private or nonprofit activities, including qualified residential rental projects, subject to applicable volume cap, allocation, tax, bond, and program requirements.

Project – The real property and all improvements thereon, of an Affordable Housing Development that has applied for, been awarded, or received HDFC funding.

Property Manager – The person or entity responsible for day-to-day management, leasing, rent collection, occupancy compliance, tenant relations, maintenance coordination, reporting, and other property operations for a Housing Development, whether acting directly or through an approved management agent.

Qualified Residential Rental Bonds (QRRP Bonds) – A qualified private activity bond issued to finance Qualified Residential Rental Projects pursuant to an allocation from the QRRP Pool, as defined in 4 CCR § 5000.

Qualified Residential Rental Project (QRRP) – A residential rental project that satisfies the applicable federal tax requirements for qualified residential rental projects financed with tax-exempt Private Activity Bonds, including applicable income, rent, occupancy, use, and compliance requirements.

Qualifying Infill Project – A residential or mixed-use residential Project located within an urbanized area on a site that has been previously developed, or on a vacant site where at least ~~seventy-five percent (75%)~~ 75% of the perimeter of the site adjoins parcels that are developed with Urban Uses.

Recipient – The eligible Sponsor, or an affiliate of the Sponsor (e.g. a special purpose entity) that is directly or indirectly controlled by the Sponsor and is designated to receive the disbursement of funds awarded to the Sponsor by HDFC. Controlled means that the Sponsor has the power to direct ~~the substantial~~ management operations of the affiliate entity, whether through ownership or through rights in the governing documents. Control may be exercised directly, through intermediate controlled entities, or through control of the managing general partner of a limited partnership Recipient.

Region – The territory of the metropolitan planning organization within which a Project is located, or the territory of the regional transportation planning agency within which a Project is located if the site is located outside of the boundaries of a metropolitan planning organization.

Rehabilitation – The term defined in accordance with [HSCHealth & Saf. Code](#), § 50096, including improvements and repairs made to a substandard residential structure acquired for the purpose of preserving its affordability.

Replacement Reserve – Funds capitalized at or before loan closing, conversion, or another approved project milestone and held for future repair, replacement, rehabilitation, or capital needs of the Housing Development in accordance with applicable loan documents, regulatory agreements, partnership agreements, or program requirements.

Restricted Unit – A Unit that is subject to rent and/or occupancy restrictions as a result of financial assistance provided under any HDFC funding awards or as imposed by CTCAC or any other public agency.

Restructure – A modification, workout, refinancing, recapitalization, amendment, extension, assumption, transfer, or other change to existing project financing, ownership, regulatory obligations, repayment terms, or operating requirements intended to preserve affordability, address project distress, or support long-term project viability.

Re-syndication – The recapitalization of an Affordable Housing Development through a new allocation or investment of low-income housing tax credits, typically involving new ownership, investor, financing, Rehabilitation, or regulatory commitments while preserving or extending affordability restrictions.

Rural (Area) – Has the meaning set forth in [HSCHealth & Saf. Code](#), § 50199.21. This definition may be changed by HDFC to conform to changes in federal programs or updates in methodology by CTCAC.

SAM.gov Exclusions (formerly known as the Excluded Parties List System, or EPLS) – A publicly accessible database of individuals and entities barred from receiving federal contracts, grants, loans, or other financial assistance.

Scattered Site – A Project site in which the parcels of land are not contiguous except for the interposition of a road, street, stream or similar interposition. For Acquisition and/or Rehabilitation Projects with one pre-existing project-based Section 8 contract in effect for all the sites, there shall be no limit on the number or proximity of sites. For Acquisition and/or Rehabilitation Projects with any of the following: (A) existing federal or state rental assistance or operating subsidies, (B) an existing CTCAC regulatory agreement, or (C) an existing regulatory agreement with a federal, state, or local public entity, the number of sites shall be limited to five, unless the Executive Director approves a higher number, and all sites shall be either within the boundaries of the same city, within a 10-mile diameter circle in the same county, or within the same county if no location is within a city having a population of five-hundred thousand

(500,000) or more. For new construction projects and all other Acquisition and/or Rehabilitation Projects, the number of sites shall be limited to five, and all sites shall be within a 1-mile diameter circle within the same county.

Schedule of Rental Income – A Project-level schedule identifying each unit or unit type, rent limits, actual rents, utility allowances, tenant-paid rent, rental assistance, income restrictions, occupancy restrictions, ~~vacancies~~[Vacancies](#), and other rental income information, excluding income from tenant-based vouchers, required for underwriting, compliance, asset management, or monitoring.

Senior Housing – A Housing Type meeting the requirements of Section 32040(b)(1)(B) intended for occupancy by older adults or senior households and operated in accordance with applicable fair housing, civil rights, accessibility, age-restriction, affordability, and program requirements.

Single Room Occupancy (SRO) Housing or Unit/Studio – Has the same meaning as 4 CCR § 10302. SRO and Studio may be used interchangeably but HDFC recognizes some jurisdictions may not, and the project shall comply with all local regulations.

Small Jurisdiction – A county with a population of less than 250,000 as of January 1, 2019, or any city within that county.

Special Needs Housing – A Housing Type meeting the requirements of Section 32040~~(b)(1)(D)~~.
[\(b\)\(1\)\(D\)](#).

Special Needs Population – Consistent with adopted CTCAC [Regulations](#)~~regulations~~, 4 CCR § 10302~~(kkk)~~. One or more of the following groups who need Supportive Services to maintain and stabilize their housing:

1. People with Disabilities;
2. At Risk of Homelessness;
3. Individuals with substance use disorders;
4. Frequent users of public health or mental health services, as identified by a public health or mental health agency;
5. Individuals who are fleeing domestic violence, sexual assault, and human trafficking;
6. Individuals who are experiencing Homelessness or Chronic Homelessness;
7. Homeless youth as defined in [Government](#)~~Gov.~~ Code ~~section, §~~ 12957~~-~~
[subdivision](#) ~~(e)(2)~~;
8. Families meeting the definition of “Eligible family” under the Bringing Families Home program at [WIC section](#)~~Welf. & Inst. Code~~ § 16523, who may or may not be participating in the program.
9. Individuals exiting institutional settings or at risk of placement in an institutional setting;
10. Older Adults in Need of Supportive Services; or
11. Other specific groups with unique housing needs as determined by the Executive

Director.

Sponsor – The entity that meets the requirements of § 32020 Eligible Applicant of these Regulations.

Stabilized Occupancy – The point at which a newly constructed or rehabilitated property achieves consistent, sustainable occupancy levels that meet program or lender requirements for permanent loan conversion, such as occupancy percentage reached and occupancy level maintained for a specified period.

Supportive Housing – A Housing Type meeting the requirements of Section 32040(b)(1)(E) with no limit on length of stay, that is occupied by the [TargetSupportive Housing](#) Population and is linked to onsite or offsite services that assist the Supportive Housing resident that needs support in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community.

Supportive Housing [Target](#) Population – Persons, including persons with Disabilities, and families who are “homeless,” as that term is defined by [§ 11302 of Title 42 of the United States Code, USC § 11302](#), or who are “homeless youth,” as that term is defined by [paragraph \(2\) of subdivision Gov. Code, § 12957\(e\) of § 12957 of the Government\)\(2\), or who are exiting institutional settings as defined by Health & Saf. Code, § 50675.14\(c\)\(3\). Veterans also qualify under this definition provided they meet all conditions pursuant to Health & Saf. Code, § 50675.14\(j\).](#) Individuals and families currently residing in Supportive Housing [meet the qualify under this](#) definition ~~of “target-population”~~ if the individual or family was “homeless,” as that term is defined by [§ 11302 of Title 42 of the United States Code USC § 11302](#), when approved for tenancy in the Supportive Housing Project in which they currently reside.

Supportive Services – Voluntary services, resources, programs, or activities designed to assist individuals and households in obtaining, maintaining, and succeeding in stable housing while improving health, safety, economic security, independence, and overall quality of life. Supportive Services may include, but are not limited to, case management, housing navigation, tenancy sustaining services, healthcare coordination, mental health services, substance use disorder services, benefits advocacy, employment services, educational services, financial capability services, transportation assistance, childcare assistance, life-skills training, peer support, legal services, and other services tailored to the needs of the Target Population or Special Needs Population. Supportive Services may be provided directly, through referral, or through formal partnerships with qualified service providers and shall be delivered in a manner consistent with applicable federal, state, and local program requirements.

Supportive Services Reserve – Funds pursuant to Section 32062 available to address Project supportive service budget deficits attributable to shortfalls in service funding sources.

Tribal Admissions and Occupancy Standards (TAOS) – Those standards duly adopted by the federally recognized Indian tribe by resolution or ordinance in accordance with

NAHASDA and Tribal law.

Tribal Entity – A ~~federally recognized~~ Native American tribe that meets any of the following criteria:

1. Meets the definition of Indian tribe, tribal organization, Tribe under 25 USC § 4103(13)(B);
2. Meets the definition of Tribally Designated Housing Entity, under 25 USC § 4103(22);
3. Is either:
 - a. Listed in the Bureau of Indian Affairs Office of Federal Acknowledgement petitioner list pursuant to Title 25 CFR Part 83 et seq.; or other tribal governmental;
 - b. An Indian Tribe located in California that is on the contact list maintained by the California Native American Heritage Commission for the purposes of consultation pursuant to Gov. Code, § 65352.3; and,
 - c. Has organized a separate legal entity, either a non-profit or tribally for-profit entity, in compliance with 25 CCR Section 8301(s) and it has demonstrated to the satisfaction of the Department that the separate legal entity is controlled entity that is eligible to receive, administer, own, develop, or sponsor housing assistance under applicable federal or state law by the Tribal Entity Sponsor.

Tribal Housing – A Housing Type that meets the requirements described in Section 32040(b)(1)(F).

Tribal Land – Also referred to as “Indian Country” or “Native American Land,” (1) all land within the limits of any Indian reservation under the jurisdiction of the United States Government, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation, (2) all dependent Indian communities within the borders of the United States whether within the original or subsequently acquired territory thereof, and whether within or without the limits of a state, (3) all Indian allotments, the Indian titles to which have not been extinguished, including rights-of-way running through the same as provided at 18 USC § 1151, (4) all lands within the limits of a Rancheria under the jurisdiction of the United States Government, (5) lands held in trust by the United States for an Indian Tribe or individual, ~~and~~ (6) land held by an Indian Tribe or individual subject to a restriction by the United States against alienation, and (7) any additional lands recognized through federal statute, court decision, administrative action or otherwise qualifying as Indian Country under federal law, or congressional designation as Indian Country or as land over which a Tribe may exercise governmental authority, or jurisdiction.

Tribal Trust Land – Land with title held in trust by the United States for the benefit of an Indian tribe or individual Indian, or land otherwise subject to federal restrictions against alienation, and that is governed by applicable federal, tribal, state, and program requirements.

Tribally Designated Housing Entity (TDHE) – The entity authorized or designated by

one or more Indian tribes to receive, administer, or implement housing assistance on behalf of the tribe or tribes under NAHASDA or other applicable federal or state housing programs.

Unit – A residential unit that is used as a primary residence by its occupants, including efficiency units, residential hotel units, and units used as transitional housing.

Urban Center – An area other than a Large City Downtown which is served by more than one mode of transit.

Urban Uses – Any residential, commercial, industrial, public institutional, transit or transportation passenger facility, or retail use, or any combination of those uses as set forth in [HSC Health and Saf. Code](#), § 53559.1(e).

[USC – United States Code](#)

Vacancy or Vacant – A dwelling Unit or other rentable space that is not occupied by an eligible tenant or resident and is available, unavailable, offline, or otherwise not producing rental income, as determined for underwriting, operations, compliance, lease-up, or asset management purposes.

Very Low-Income Families and Households – Households with Gross Incomes not exceeding ~~fifty percent (50%)~~ [50%](#) of Area Median Income as set forth in [HSC Health and Saf. Code](#), § 50105.

[Veteran – Any person who actively served within one 1 or more of the military services of the United States who was called to and released from active duty or active service, for a period of not less than 90 consecutive days or was discharged from the service due to a service-connected disability within that 90 day period. This includes all Veterans regardless of discharge status.](#)

VMT – ~~vehicle~~[Vehicle](#) miles traveled.

WIC – The California Welfare and Institutions Code.

Note: Authority: Sections: 54940, 54942, 54943, 54944, 54945, 54928, 54929, 54942, 54943, Health and Safety Code. Reference: Sections: 54940, 54943, 50675.2, 75200.1, 53559, 50517.5, 53560-53568, 50676, 50896.2, 50470.5, 50160-50161, Health and Safety Code; 987.003 Military and Veterans Code.

§ 34001. Statutory and Regulatory References.

Statutory & Regulatory Reference Table			
Program/UMR	Topic	Federal or Statue Reference	Comments
Health & Safety Code		50406; 50517.5; 50560; 50675; 50675.1; 50675.2; 50675.4; 50675.5; 50675.6; 50675.7; 50675.8; 50675.9; 50675.11; 50675.14; 50896; 50896.1; 50896.3; 11834.02; 1250; 50199.21	HSC § 50406 is general HCD powers; corollary for HDFC is §54931, but it is missing certain HCD powers
California Code of Regulations		Title 4: §§ 10302, 10325, 10327, 10327(c)(5)(C). Title 24: References to HCD Contracting Manual. Title 25: UMR chapters + § 7202.	
Federal CFR		24 CFR parts 40, 92, 200.620, 578; 24 CFR § 92.35(a), 92.252(e), 92.253, 92.303, 92.350, 92.351, 92.353(a), 92.504(c).	
Federal USC		26 USC § 42(g)(2)(C); 42 USC § 5304(b).	
MHP	HDFC	Multifamily Housing Program (MHP) (Health & Safety Code, Chapter 6.7 (commencing with § 50675)).	
Serna (FWHG)	HDFC	Joe Serna, Jr. Farmworker Housing Grant Program (Serna or FWHG) (Health & Safety Code, Chapter 3.2 (commencing with § 50515.2)).	
IIG 2007	HDFC	Infill Incentive Grant Program of 2007 (Health & Safety Code, § 53545.13)	
IIG 2019	HDFC	Infill Infrastructure Grant Program of 2019 (Health & Safety Code, § 53559)	
TOD	HDFC	Transit Oriented Development (TOD) Implementation Program (Health & Safety Code, Part 13 (commencing with § 53560)).	
HHC	HDFC	Housing for a Healthy California (Health & Safety Code, Part 14.2 (commencing with § 53590)).*	If funding becomes available the HDFC regs may be updated to include these programs.
VHHP	HDFC	Veterans Housing & Homeless Prevention (VHHP) (Military & Veterans Code, Article 3.2 (commencing with § 987.001)).*	If funding becomes available the HDFC Regulations may be updated to include these programs.

AHSC	HDFC	Affordable Housing and Sustainable Communities (AHSC) – Housing Allocation (Public Resources Code, (commencing with § 75200)).	
MIP	CalHFA	Funding for the Mixed-Income Program (as referenced in Health & Safety Code § 50470(b)(2)(C)(iii))	
PLHA-C	HCD	HCD's Permanent Local Housing Allocation – Competitive (as referenced in Health & Safety Code § 50470)	
HOME	HCD	HCD's HOME Multifamily Projects <u>(HSC § 50676 plus 24 CFR 92)</u>	
NHTF	HCD	HCD's National Housing Trust Fund (HSC § 50896 plus 24 CFR 93)	
CDBG-DR	HCD	Community Development Block Grant Disaster Recovery multifamily funds (24 CFR § 570).	If funding becomes available the HDFC Regulations may be updated to coordinate awards with CDBG-DR multifamily funds (24 CFR 570).
	CalHFA	CalHFA's multifamily lending and construction financing	
CDLAC	STO	State Treasurer's Office's California Debt Limit Allocation Committee Qualified Residential Rental Projects Bond Allocations (CFR XXXX)	
CTCAC	STO	State Treasurer's Office's California Tax Credit Allocation Committee 4% and 9% Federal Low-Income Housing Tax Credits (CFR XXXX)	

§ 34002. Federal Funding Requirements.

Subject (Alphabetical Order)	HOME Program	NHTF Program
<u>Authority</u>	<u>The Cranston-Gonzalez National Affordable Housing Act (42 USC § 12701 et seq.) and 24 CFR part 92 govern the HOME Investment Partnerships Program. These Regulations establish procedures for HDFC's coordinated multifamily application and financing process where HCD elects to participate under Section 31003. HCD remains the HOME participating jurisdiction and administering entity and retains the federal approvals, commitments, administration, and oversight required by its HUD grant agreements and applicable law.</u>	<u>Section 1131 of the Housing and Economic Recovery Act of 2008 (12 USC § 4568) and 24 CFR part 93 govern the National Housing Trust Fund (NHTF). These Regulations establish procedures for HDFC's coordinated multifamily application and financing process where HCD elects to participate under Section 31003. HCD remains the NHTF grantee and administering entity and retains the federal approvals, commitments, administration, and oversight required by its HUD grant agreements and applicable law.</u>
Accessibility Standards	Uniform Federal Accessibility Standards ~~("(UFAS")~~) or the comparable provisions of the Alternative Accessibility Standard, including but not limited to § 809.2 through § 809.4 of the 2010 Standards for Accessible Design.- <u>Nondiscrimination based on disability in federally assisted HUD programs and activities is governed by Section 504 of the Rehabilitation Act and 24 CFR part 8, as applicable.</u>	
<u>Build America, Buy America Act (BABA)</u>	<u>Build America, Buy America (BABA) requires that all iron and steel, construction materials, and manufactured products used in federally-funded infrastructure projects are produced in the United States. Details available here: https://www.hud.gov/hud-partners/baba</u>	
<u>Broadband Infrastructure</u>	<u>Under 24 CFR part 92.251(a)(3)(v) and 24 CFR part 93.301(a)(3)(vi), for a new construction housing Project of a building with more than four rental units, the construction must include installation of broadband infrastructure, as this term is defined in 24 CFR part 5.100, except where HCD determines:</u> <u>1. The location of the new construction makes installation of broadband infrastructure infeasible; or</u> <u>2. The cost of installing the infrastructure would result in a fundamental alteration in the nature of its program or activity or in an undue financial burden.</u>	
Commitment Deadline	~~<u>HOME funds must be committed within 2 years from the date the</u>~~	<u>NHTF funds must be committed within 2 years from 24 months</u>

Subject (Alphabetical Order)	HOME Program	NHTF Program
	<u>HOME grant agreement is signed by HUD, unless a HUD grants a waiver. HOME funds are subject to the applicable federal commitment deadlines, including the statutory 24-month commitment requirement where in effect, and any congressional suspension, HUD-approved waiver, or other applicable federal modification. HCD must determine the applicable deadline for each HOME grant year.</u>	<u>after HUD executes the date-applicable NHTF grant agreement is signed by HUD, as provided in 24 CFR § 93.400(d)(1), unless a HUD grants a waiver applicable federal relief is granted.</u>
Conflict of Interest	Details available here: https://www.ecfr.gov/current/title-24/section-92.356https://www.ecfr.gov/current/title-24/section-92.356	Details available here: https://www.ecfr.gov/current/title-24/section-93.353https://www.ecfr.gov/current/title-24/section-93.353
Consolidated Plan and Action Plan(s).	The HOME and NHTF Programs are subject to the state's Consolidated Plan and Action Plan(s). Details available here: https://www.hcd.ca.gov/plans-and-reports/federalhttps://www.hcd.ca.gov/plans-and-reports/federal	
Cost Allocation Analysis	If the HOME- and/or NHTF-assisted and non-assisted units are not comparable, the actual costs may be determined based on HUD's cost allocation analysis methodology.	
Davis-Bacon and Related Acts (DBRA) - and Other Labor Requirements	<u>DBRA applies to Projects that include 12 or more units assisted with HOME funds.</u> Details available here: https://www.hudexchange.info/programs/davis-bacon-and-labor-standards/<u>DBRA applies to a contract for construction (new construction or rehabilitation) involving housing with twelve (12) or more HOME-assisted units pursuant to 24 CFR § 92.354(a). The contract must require payment of not less than the locally prevailing wages, as predetermined by the U.S. Secretary of Labor under the Davis-Bacon Act (40 USC §</u>	<u>NHTF assistance, by itself, does not trigger the Davis-Bacon and Related Acts requirements. Federal or state labor requirements may nevertheless apply because of other funding sources or applicable law.</u>Not applicable.

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	<u>3141), to laborers and mechanics working on the development of any part of the housing.</u> <u>Applicable overtime requirements of the Contract Work Hours and Safety Standards Act (40 USC § 3701 et seq.) also apply.</u> <u>Under 24 CFR § 92.354(a)(2), the wage provisions apply when HOME funds are used for eligible Project costs, including nonconstruction costs, in housing with twelve (12) or more HOME-assisted units, and must be included in applicable construction contracts. Contracts must also comply with applicable U.S. Department of Labor requirements, including 29 CFR parts 1, 3, 5, and 7. HCD retains responsibility for ensuring compliance with federal labor requirements under 24 CFR § 92.354(a)(3).</u> <u>Details:</u> https://www.hudexchange.info/programs/davis-bacon-and-labor-standards/	
<u>Disaster Mitigation</u>	<u>Under 24 CFR part 92.251(a)(3)(iii) and 24 CFR part 93.301(a)(3)(iii), where relevant, the housing must be constructed to mitigate the impact of future disasters.</u>	
Definitions for Federal Programs	HOME Definitions are in 24 CFR § 92.2 - https://www.ecfr.gov/current/title-24/section-92.2https://www.ecfr.gov/current/title-24/section-92.2	NHTF Definitions are in 24 CFR § 93.2 - https://www.ecfr.gov/current/title-24/section-93.2https://www.ecfr.gov/current/title-24/section-93.2
Expenditure Deadlines	~~HOME funds must be expended within 4 years of the execution date of the written commitment (i.e., Permanent Loan Agreement)~~ <u>A HOME-assisted Project must achieve project completion within four (4) years after HOME funds are committed</u>	NHTF funds must be expended within <u>five (5) years from after HUD executes the date the applicable NHTF grant agreement is signed by HUD</u>, in accordance with 24 CFR § <u>93.400(d)(2).</u>

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	to the specific local Project, subject to an extension approved by HUD, in accordance with 24 CFR § 92.205(e). The expenditure of HOME grant funds is separately subject to applicable federal grant availability, written agreement, and HUD requirements.	
Environmental Review	NEPA review is required. Details available here: https://www.hcd.ca.gov/funding/environmental-review https://www.hcd.ca.gov/funding/environmental-review	HTF Environmental Provisions review is required. Details available here: https://www.hcd.ca.gov/funding/environmental-review/nhtf/how-to-complete https://www.hcd.ca.gov/funding/environmental-review/nhtf/how-to-complete
Equal Opportunity Requirements	Where applicable, the following Equal Opportunity Requirements and Responsibilities apply to federally funded projects, unless exempted by other federal laws: 1. Title VI of the Civil Rights Act of 1964; 2. Title ~~VII~~<u>VIII</u> of the Civil Rights Act of 1968 (The Fair Housing Act); 3. Restoration Act of 1987; 4. § 109 of Title 1 of the Housing and Community Development Act of 1974 (42 USC § ~~5309~~<u>5309</u>); 5. The Fair Housing Amendment Act of 1988 and federal fair housing laws; 6. The Age Discrimination Act of 1975; 7. § 504 of the Rehabilitation Act of 1973; 8. The Americans with Disabilities Act of 1990 (ADA); 9. Executive Order 11063: no person shall be discriminated against on the basis of race, color, religion, sex, or national origin in housing and related facilities provided with federal assistance and lending practices, and other federal nondiscrimination laws; 10. Executive Order 11259: administration of all federal programs and activities relating to housing and urban development be carried out in a manner to further housing opportunities; 11. The Equal Employment Opportunity Act; 12. The Uniform Guidelines on Employee Selection Procedures adopted by the Equal Employment Opportunity Commission in 1978;	

Subject (Alphabetical Order)	HOME Program	NHTF Program
	13. The Vietnam Era Veterans' Readjustment Act of 1974 (revised Jobs for Veterans Act of 2002); 14. Drug-Free Workplace Act; ~~15.~~ <u>16.</u> Federal Labor Standards Requirements as outlined in <u>HUD Handbook 1344.1 Rev 3</u> ~~15.~~ <u>16.</u> 24 CFR § 5.109, concerning equal participation by faith-based organizations in HUD programs and activities.	
Federal Funding Accountability and Transparency Act		~~Federal financial assistance provided to Sponsors shall be considered a Federal award for purposes of the Federal Funding Accountability and Transparency Act of 2006.~~ <u>Federal Funding Accountability and Transparency Act (FFATA) reporting and disclosure requirements and 2 CFR part 170 apply to covered federal awards and reportable subawards, as applicable.</u> <u>Classification and reporting obligations depend on the federal award and funding relationship; designation as a Sponsor under these Regulations does not, by itself, determine an entity's federal award or subrecipient status.</u>
Fraud, Waste, Abuse and False Claim or Statement to HUD		HDGC and HUD's Office of Inspector General ("OIG") are committed to protecting HUD's programs, operations, and beneficiaries from dishonest individuals and organizations. The HUD OIG Hotline number is 1-800-347-3735, and is the primary means to submit allegations of fraud, waste, abuse, mismanagement, or Whistleblower related matters for ~~the~~ <u>HOME or NHTF Program</u> to the Office of Inspector General. Any person who knowingly makes a false claim or statement to the U.S. Department of Housing and Urban Development ("HUD") or the HDGC in connection with this Agreement may be subject to civil or criminal penalties under 18 <u>U.S.C. USC</u> 287, 1001 and 31 <u>U.S.C. USC</u> 3729.
General Procurement Standards		~~The Sponsor~~ <u>Where procurement standards apply under 24 CFR §§ 92.505 or 93.405 and 2 CFR part 200, the covered entity must maintain and use documented procedures for procurement transactions under a Federal award or subaward, including for acquisition of property or services. These follow</u> documented procurement procedures <u>must be</u> consistent with <u>State applicable federal, state, local, and tribal laws and regulations and the standards identified in 2 CFR §§ 200.317 Tribal requirements, including 2 CFR §§ 200.317 through 200.327-200.327. Applicability depends on the entity's role and assistance received, as reflected in the federal written agreement.</u> Details ~~available here:~~ <u>https://www.ecfr.gov/current/title-2/section-200.318</u>
<u>Lead-Based Paint</u>		<u>Housing assisted with HOME or NHTF funds is subject, as applicable, to the Lead-Based Paint Poisoning Prevention Act (42 USC § 4821 et seq.), the Residential Lead-Based Paint Hazard</u>

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	<u>Reduction Act of 1992 (42 USC § 4851 et seq.), and 24 CFR part 35. Sponsors must comply with applicable lead-based paint requirements under 24 CFR §§ 92.251(b)(1)(iii) and 93.301(b)(1)(iii).</u>	
<u>Lease Requirements</u>	<u>Under 24 CFR § 92.253(a) and 24 CFR § 93.303(a), lease agreements must have a one-year term at move-in unless the lease or an addendum specifies that the tenant and owner mutually agree to a shorter term.</u> <u>The lease must not contain any of the below prohibited lease terms from 24 CFR § 92.253(b) and 24 CFR § 93.303(b):</u> <u>1. Agreement to be sued. Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;</u> <u>2. Treatment of property. Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law;</u> <u>3. Excusing owner from responsibility. Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent;</u> <u>4. Waiver of notice. Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;</u> <u>5. Waiver of legal proceedings. Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;</u> <u>6. Waiver of a jury trial. Agreement by the tenant to waive any right to a trial by jury;</u> <u>7. Waiver of right to appeal court decision. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease;</u> <u>8. Tenant chargeable with cost of legal actions regardless of outcome. Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses; and</u> <u>9. Mandatory supportive services. Agreement by the tenant</u>	

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	<u>(other than a tenant in transitional housing) to accept supportive services that are offered.</u>	
Marketing Plan	Affirmative marketing requirements in the marketing plans or management plans apply to Projects funded with HOME and/or NHTF. Details available here: https://www.ecfr.gov/current/title-24/section-92.351 and https://www.ecfr.gov/current/title-24/part-93#p-93.350(b) . https://www.ecfr.gov/current/title-24/section-92.351 and https://www.ecfr.gov/current/title-24/part-93#p-93.350(b) .	
<u>Match Requirements</u>	HOME matching contributions are governed by 24 CFR §§ 92.218 through 92.222. The twenty-five percent (25%) federal requirement is an obligation of the participating jurisdiction, measured against eligible HOME funds drawn, not an automatic requirement that each Sponsor contribute twenty-five percent (25%) of a Project's costs. HCD may require documentation of eligible, nonfederal match contributions associated with a Project and may establish Project-specific obligations in the funding notice or legal documents only to the extent such contributions qualify under federal law. HCD may adjust Project-specific requirements through written notice consistent with federal requirements, available match sources, or relief provided by Congress or HUD. Contributions that may not be counted as HOME match under 24 CFR § 92.220(b) include: (1) contributions derived from federal funds, including CDBG; (2) the interest subsidy attributable to federal tax-exempt financing or the value of federal tax credits; (3) owner equity or investment; and (4) generally, cash or other contributions from HOME applicants, recipients, or	<u>Not applicable.</u>

Subject (Alphabetical Order)	HOME Program	NHTF Program
	interested investors, subject to the exceptions provided in § 92.220.	
Minority Business Enterprises (MBE) and Women Business Enterprises (WBE)	The Sponsor will ensure that small businesses, minority businesses, women's business enterprises, veteran-owned businesses, and labor surplus area firms (See U.S. Department of Labor's list) are considered as set forth below. Such consideration means: 1. These business types are included on solicitation lists; 2. These business types are solicited whenever they are deemed eligible as potential sources; 3. Dividing procurement transactions into separate procurements to permit maximum participation by these business types; 4. Establishing delivery schedules (for example, the percentage of an order to be delivered by a given date of each month) that encourage participation by these business types; 5. Utilizing organizations such as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and 6. Requiring a contractor under a Federal award to apply this section to subcontracts.	
Relocation	Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA)), 42 USC § 4601 et seq., and details available here: USCODE 2024 title42 chap52 subchapt-sec4201.pdf.49 CFR part 24. HOME program details available here: https://www.ecfr.gov/current/title-24/section-92.353 https://www.ecfr.gov/current/title-24/section-92.353 NHTF Program details available here https://www.ecfr.gov/current/title-24/section-93.352 https://www.ecfr.gov/current/title-24/section-93.352 Temporary Relocation. Under 24 CFR §§ 92.353(b) and 93.352(b), a residential tenant who must relocate temporarily because of a HOME- or NHTF-assisted Project must receive reimbursement of all reasonable out-of-pocket relocation expenses, including moving costs and increases in monthly rent and utilities, and appropriate advisory services. The tenant must receive reasonable advance written notice of (1) the date and approximate duration of temporary relocation; (2) the location of suitable, decent, safe, and sanitary temporary housing; (3) the terms for return to suitable housing upon Project completion; and (4) the reimbursement rights identified above.	
Section 3	The Where a Project is subject to Section 3 program requires under 24 CFR part 75, Sponsors to direct and other covered parties must	

Subject (Alphabetical Order)	HOME Program	NHTF Program
	<u>~~comply with the applicable~~ employment, training, ~~and~~ contracting opportunities to low-income individuals, and ~~the businesses that employ these persons within their community to~~reporting requirements. Applicability depends on the ~~greatest extent feasible~~ type and amount of HUD assistance and the funded activities, subject to the Indian and Tribal preference provisions in 24 CFR § 75.3(c).</u> Details available here: https://www.hudexchange.info/programs/section-3/ https://www.hudexchange.info/programs/section-3/	
Site and Neighborhood Standards	HOME Site & Neighborhood Standards details are available here: https://www.ecfr.gov/current/title-24/section-92.202 https://www.ecfr.gov/current/title-24/section-92.202	HTF Site & Neighborhood Standards details are available here: https://www.ecfr.gov/current/title-24/section-93.150 https://www.ecfr.gov/current/title-24/section-93.150
Stafford Act	A reduction in the HOME Match requirement may be requested - pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (<u>~~42 USC § 5121-5207~~42 USC § 5121-5207</u>). Details available here: https://www.ecfr.gov/current/title-24/part-92#p-92.222(b) https://www.ecfr.gov/current/title-24/part-92#p-92.222(b)	Not applicable.
~~Tenant Lease Agreements~~	~~Lease agreements must have a one-year term at move-in unless the lease or an addendum specifies that the tenant and owner mutually agree to a shorter term. The Management Plan must include language confirming that the owner and management agent will comply with affirmative marketing requirements, which is reviewed and approved at application and again at Permanent Loan Closing, if amended.~~	

Subject (Alphabetical Order)	HOME Program	NHTF Program
Tenant Selection Preference Plan and Preferences	The ~~recipient~~ Sponsor must adopt written tenant selection policies and criteria for HOME- or NHTF-assisted units consistent with 24 CFR §§ 92.253(d) and 93.303(d), as applicable. Policies must limit occupancy to income-eligible households; be reasonably related to applicants' ability to meet lease obligations; address lawful tenant preferences; not reject applicants solely because they hold Section 8 Housing Choice Vouchers or participate in HOME tenant-based rental assistance; provide for selection from a written waiting list in chronological order insofar as practicable; give prompt written notice of the reasons for rejection; and comply with applicable Violence Against Women Act (VAWA) requirements. <u>The Recipient</u> may limit eligibility or give a preference to a particular segment of the population, only if ~~HCD has described any such limited eligibility or where permitted by federal law and HCD's approved Consolidated Plan or applicable Allocation Plan. No preference in its consolidated plan; provided, however, that any limitation or preference cannot may~~ violate <u>federal or state and federal</u> nondiscrimination requirements.	
Tribal Admissions and Occupancy Standards (TAOS)	For Tribal Entities with <u>a Project</u> Projects on Tribal Land, <u>pursuant to NAHASDA, the a duly adopted Tribal Entity may legislate a Admissions and Occupancy Standards (TAOS) policy that governs may govern</u> tenant selection, including <u>tenant selection preference for Tribes tribal preferences, only to the extent permitted under applicable HOME or NHTF requirements, federal nondiscrimination law, and HCD's applicable approved plan.</u>	
Tribal Determined Wage (TDW)	<u>Tribally Determined Wage (TDW applies based on a duly adopted and determined by a Tribal Entity) standards may apply where authorized</u> under § 104, ~~subdivision~~ (b)(3) of the Native American Housing Assistance and Self-Determination Act of 1996 ~~("NAHASDA") as set forth at~~ and 24 CFR § 1000.16(e), <u>but do not displace Davis-Bacon or other federal labor requirements applicable to HOME or NHTF assistance.</u>	
Tribal Exception to Accessibility Requirements	Projects on Tribal Land ~~may be exempt from certain remain subject to Section 504 (24 CFR part 8) and other federal~~ accessibility requirements <u>applicable to HOME or NHTF. A tribal-specific exception may apply only when expressly authorized</u> under the ~~Native American Housing and Self-Determination Act or other federal or Tribal laws, as allowed by 24 CFR § governing federal program; 24 CFR § 1000.12 does not create a blanket exemption from Section 504.~~	
Tribal Exceptions to Section 3	~~A Tribally Designated Housing Entity (TDHE) needs~~ For contracts, subcontracts, grants, or subgrants <u>subject to comply with</u> Indian preference ~~requirements pursuant to § 7(b) of the Indian and Self-Determination and Education Assistance Act (under 25 USC § 5307(b)); or tribal preference under NAHASDA § 101(k), Indian~~	

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	and tribal preference requirements apply in lieu of Section 3- as provided in 24 CFR § 75.3(c).	
<u>Underwriting and Subsidy Layering Analysis</u> <u>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</u>	In addition to HDFC Regulations, the following are required before committing funds to a project, the participating jurisdiction must evaluate the project in accordance with regulations that it has adopted for determining a reasonable level of profit or return on owner's or developer's investment in a project and must not invest any more HOME and/or NHTF funds, alone or in combination with other governmental assistance, than is necessary to provide quality affordable housing that is financially viable for a reasonable period (at minimum, the federal affordability period) and that will not provide a profit or return on the owner's or developer's investment that exceeds the participating jurisdiction's established standards for the size, type, and complexity of the project. The following is required: 1. An examination of the sources and uses of funds for the project and a determination that the costs are reasonable; and 2. An assessment, at minimum, of the current market demand in the neighborhood in which the project will be located, the experience of the developer, the financial capacity of the developer, and firm written financial commitments for the project. 3. For projects involving rehabilitation of owner-occupied housing pursuant to CFR § 92.254(b): i. An underwriting analysis of the homeowner's ability to repay the HOME-funded rehabilitation loan is required only if the loan is an amortizing loan; and ii. A market analysis or evaluation of developer capacity is not required. 4. For projects involving HOME-funded homeownership assistance pursuant to CFR § 92.254(a) and which do not include HOME-funded development activity, a market analysis or evaluation of developer capacity is not required. HCD is responsible for compliance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards under 2 CFR part 200, as applicable to the HOME and NHTF grants. HCD may include appropriate federal requirements in the written agreement, funding commitment, and loan or grant documents and require Sponsors to comply with provisions applicable to their role under the federal award.	
Violence Against Women Act (VAWA)	Compliance with VAWA is required of the Sponsor of the federally assisted rental housing project. This includes notification requirements, bifurcation of lease requirements, VAWA lease term/addendum, period of applicability and an emergency transfer plan.	

Subject (Alphabetical Order)	HOME Program	NHTF Program
Sources	HOME: https://www.ecfr.gov/current/title-24/subtitle-A/part-92 NHTF: https://www.ecfr.gov/current/title-24/subtitle-A/part-93 HOME: https://www.ecfr.gov/current/title-24/subtitle-A/part-92 NHTF: https://www.ecfr.gov/current/title-24/subtitle-A/part-93	

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