

Tiebreaker Explainer

The Housing Development and Finance Committee (HDFC) is pleased to release the second draft of HDFC's Regulations. Along with the second draft, HDFC will provide materials intended to help California's affordable housing community interpret and navigate the Regulations and process. This memorandum will describe the Tiebreaker Calculation defined in the Regulations, specifically highlighting the differences between HDFC's and the California Debt Limit Allocation Committee's (CDLAC) methodologies.

Tiebreaker Background

Towards the goal of aligning with CDLAC's methodology and using a foundation already familiar to California's affordable housing developers, HDFC's tiebreaker calculation begins with CDLAC's equation, described in CDLAC Regulations § 5106(f) and simplified below:

$$\frac{(Unit\ Production\ Benefit) + (Rent\ Savings\ Benefit) + (ELI\ Benefit) + (Population\ Benefit) + (Location\ Benefit)}{(Bond\ and\ State\ Credit\ Allocation) - (Prevailing\ Wage\ Adjustment) - (Statewide\ Basis\ \Delta) - (Building\ Type)}$$

The HDFC tiebreaker, found in HDFC Regulations § 32041, makes adjustments to accommodate a number of differences arising from the additional funding sought by applicants and HDFC's statutory and regulatory requirements. HDFC's equation is simplified here, to highlight the most important changes:

The factors in bold are described in detail below.

The Denominator

HDFC applicants will be requesting HDFC investment as well as Bonds and State Credit allocation. In addition, HDFC applicants may also seek 9% Tax Credits, which the regulations specify will have an 85% weighting factor to allow for comparisons across tax credit types. The change to include all of the requested State sources dramatically increases the denominator of the calculation; in some testing instances, drawn from recent CDLAC applicants, the denominator increase was over 100%.

In order to balance the increased State allocation number, other changes were made to the denominator, including the removal of the building type adjustment, and adding the ability to weight sources of State allocation. Weights for each type of resource requested will be published by HDFC prior to the application deadline to balance state priorities and individual resource efficiency. COSR requests below \$6,000,000 will not be counted towards the HDFC subsidy, and 2027 applicants with prior awards from eligible HCD funding sources will not have those awards counted towards the denominator.

Population Benefit Changes – VLI Benefit

The HDFC Tiebreaker replaces CDLAC's Extremely Low Income Benefit with a Very Low Income Benefit, counting units up to 50% AMI. More affordable units receive more benefit, tiered according to depth of affordability.

At the same time, HDFC seeks to elevate projects with sustainable levels of affordability and subsidy. To this end, any unit with rental assistance is counted as a 30% AMI unit, or at the actual rent targeting level – whichever is greater. If the remaining, un-assisted units have an average AMI lower than 40%, they will be awarded a benefit in line with 40% AMI. This same AMI floor has been incorporated into the Rent Savings Benefit.

With this structure, higher benefit is ascribed to units and projects that serve Californians most impacted by high housing costs, while mitigating concerns about unsustainably low rent targeting.

Unit Restriction	Benefit
At or below 30% AMI, or with Rental Assistance	\$1,250 x 180
At or below 35% AMI	\$1,000 x 180
At or below 40% AMI	\$750 x 180
At or below 45% AMI	\$500 x 180
At or below 50% AMI	\$250 x 180

Population Benefit Changes – Special Populations Benefit

Multiple changes were made to the Special Populations Benefit in HDFC's Tiebreaker equation. Projects will no longer have the option to utilize the per capita homeless count methodology for determining benefit.

Notably, the benefit has been substantially increased from \$10,000 to \$100,000, and \$300,000 per unit for Special Needs and Supportive Housing Types. Note that Special Needs Population is inclusive of Supportive Housing Population so a distinction is not needed in the tiebreaker, but the priority applies to both housing types. In addition, a benefit for Farmworker Projects has been added. Up to 50% of a Project's Restricted Units are eligible for the benefit. These changes identify the high public benefit to the State in serving those with the highest need, while elevating projects that can efficiently focus on high acuity populations.

Project Type	Benefit
Special Needs Units in any Project with 25% or more units dedicated to Special Needs	\$300,000 per restricted unit
Special Needs Units in any Project with fewer than 25% of units dedicated to Special Needs	\$100,000 per restricted unit
Farmworker Projects	\$50,000 per restricted unit

Unit Production Benefit Removed

The Unit Production benefit has been removed from the HDFC Tiebreaker. Instead of counting all units twice in the benefit calculation – once with the Rent Savings benefit and once with the Unit Production benefit – the HDFC Tiebreaker increases the benefits ascribed to the most affordable units and the units that serve those most in need.

Location Benefit Changes – Opportunity Area, Community-Based Developer, and Tribal Entity Benefit

Projects in Highest, High, and Moderate Resource Areas, per CTCAC/HCD's Opportunity Area Map, will receive a boost, incentivizing the siting of housing in those areas. HDFC's tiebreaker increases the benefit to projects in the Highest and High categories. The benefit is available to Large Family, Special Needs, Supportive Housing, and High-density Project Types.

HDFC's Location Benefit adds two more categories to CDLAC's equation: Community-Based Developer benefit and Tribal Entity benefit. Projects sponsored by Community-Based Developers and Tribal Entities (HDFC Regulations, § 34000) are eligible for a \$20,000 benefit per bedroom-adjusted unit. Projects can receive no more than one location benefit from the chart below; the location category benefits are not additive.

Location Category	Location Benefit
Highest Resource Area	\$90,000 per bedroom-adjusted unit
High Resource Area	\$60,000 per bedroom-adjusted unit
Moderate Resource Area	\$10,000 per bedroom-adjusted unit
Neighborhood Change Area	\$30,000 per bedroom-adjusted unit
Community Revitalization Area Benefit	\$20,000 per bedroom-adjusted unit
Community-Based Developer Benefit	\$20,000 per bedroom-adjusted unit
Tribal Entity Benefit	\$20,000 per bedroom-adjusted unit

Location Benefit Changes – Greenhouse Gas Reduction Benefit

In addition to the above change to the Location benefit, the HDFC Tiebreaker also makes changes to CDLAC's transit/walkability benefit. This factor, renamed in the HDFC Regulations as the Greenhouse Gas Reduction benefit, is distinct from the CDLAC method in two ways. First, it is only applied to projects that have requested and are eligible for Affordable Housing and Sustainable Communities funds. Second, in an update from the first draft HDFC regulations, the benefit is now scaled to the total reduction in greenhouse gas emissions over the life of the Project, in metric tons of carbon dioxide equivalent (MTCO2e), ensuring that the projects with the deepest cuts to greenhouse gasses are elevated.

Reduction in Emissions per Unit	Greenhouse Gas Reduction Benefit
80 MTCO ₂ e or more	\$85,000 per bedroom-adjusted unit
60 to less than 80 MTCO ₂ e	\$75,000 per bedroom-adjusted unit
40 to less than 60 MTCO ₂ e	\$65,000 per bedroom-adjusted unit
20 to less than 40 MTCO ₂ e	\$55,000 per bedroom-adjusted unit
Less than 20 MTCO ₂ e	\$45,000 per bedroom-adjusted unit

Public Comment

The formula described above and the changes made were crafted in order to meet the statutory and policy goals of HDfC while building on a format and ranking system familiar to California's affordable housing developers. The expansion of the denominator calculation to include the entirety of the HDfC, bond, state and federal tax credits request requires changes not just to the determination of the cost-adjusted funding request, but also the ways in which public benefit is weighed.

As with the first draft of Regulations, the publication of the second draft Regulations is an opportunity for public feedback. HDfC invites public comment on all aspects of the Regulations, including the Tiebreaker calculation and the changes described above. The Second Draft Regulations and the Public Comment Form can be found at <https://www.hdfc.ca.gov/regulations/>, and Public Comment will remain open through November 17, 2026. In addition, a Public Hearing will be held from 10 AM-12 PM on November 9, 2026, virtually and in-person at California Bank and Trust, 520 Capitol Mall, Lower-Level Conference Room Sacramento, CA 95814. Your input is greatly appreciated.