

Agenda Item #5

**Summary of principal themes from public feedback on
the first draft of the HDFC regulations**

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Key Points

- Advancing a Simpler, Faster, More Transparent System
- First Draft Regulations Feedback Summary
- Key Policy Issues — Top Seven Priorities

HDFC Program Regulations

Advancing Simpler, Faster, More Transparent Systems

How do the proposed HDFC Regulations advance the mission of making the system simpler, faster, and more transparent? (1/2)

- **Consolidating Multifamily Programs:** To reduce application complexity, streamline approvals, and lower costs
- **Funding During Construction:** To enhance project feasibility, HDFC will provide construction phase funding
- **Modernizing Standards:** Projects financed solely by HDFC will no longer use the Uniform Multifamily Regulations (UMRs) and will instead follow the new HDFC Regulations for multi-agency projects, HDFC is working with sister agencies to determine how frameworks best align

How do the proposed HDFC regs advance the mission of making the system simpler, faster, and more transparent? (2/2)

Document Submittal and Review improvements:

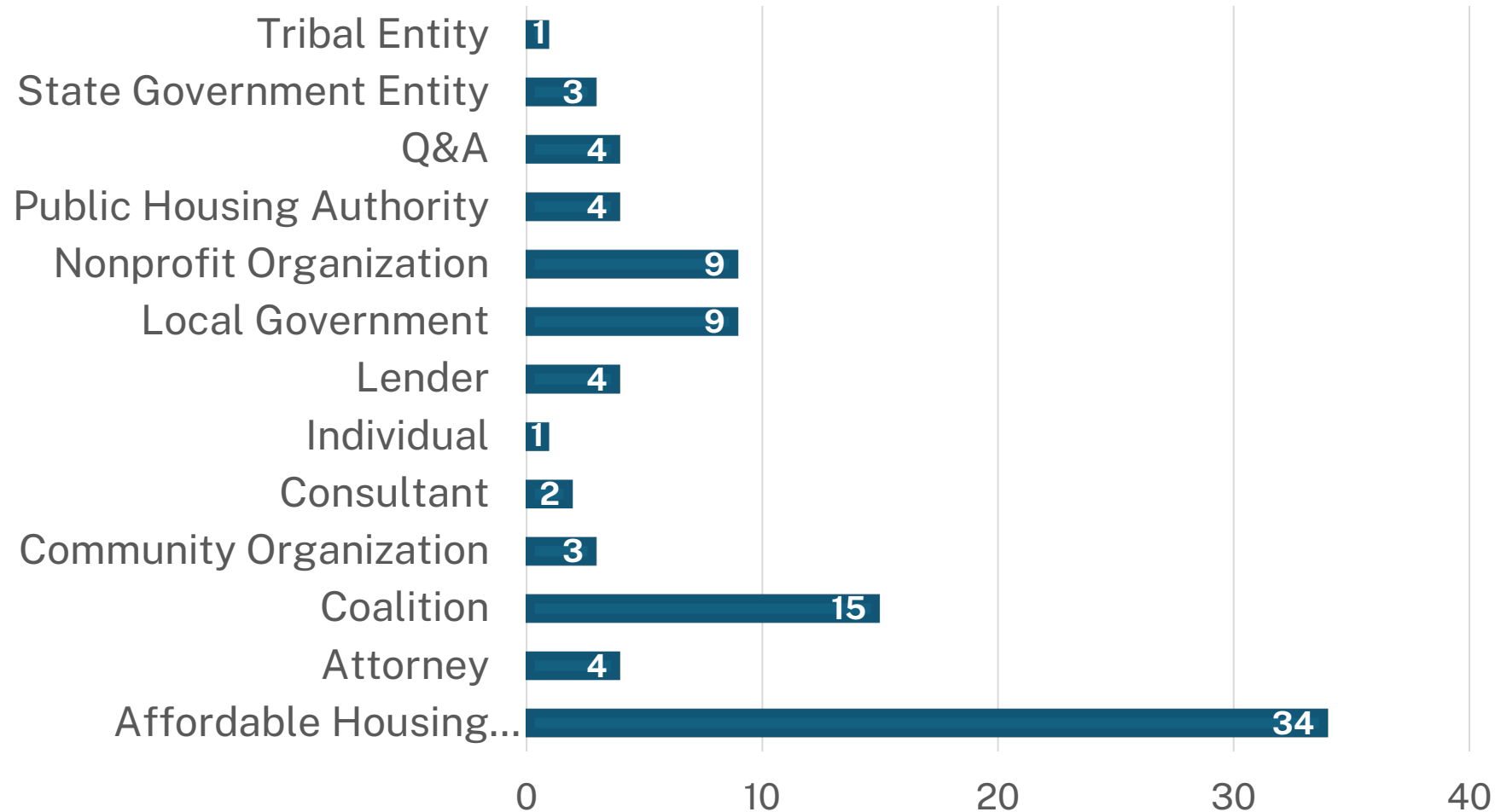
- **Streamlining the Award to Closing Workflow:** Includes standard terms in the award commitment letter and standard state forms in the loan/grant package, eliminating the separate standard agreement phase and its unnecessary touch points and negotiation delays
- **Eliminating Endless Organizational Document Resubmittals:** Centralizes organization documents in a shared repository to reduce repetitive submission and administrative back-and-forth
- **Streamlining Review of Authorizing Resolutions:** Aligns internal review processes with California Housing Finance Agency (CalHFA) by leveraging attorney opinion letters for faster and more efficient evaluation
- **Simplifying Sponsor Control Reviews:** Shifts to a high-level review framework by removing strict UMR control duties and relying on the guaranteed structure to determine entity control

First Draft Regulations Feedback Summary

High-level Statistics and Themes

First Draft Regulations Feedback Statistics

STAKEHOLDER TYPES BY LETTERS RECEIVED



1,836

Total Comments

66

Total Letters Received

33

Major Themes

Guiding Principles for Regulation Revisions

1. Simplify HDFC by resolving discrepancies across programs
2. Expedite funding to accelerate production
3. Increase transparency to aide in simplicity, speed of delivery and equity
4. HDFC strives to deliver complete capital financing stacks

Key Policy Issues — Top Seven Priorities

Key Policy Issues

Top Seven Priorities

1. Regional Allocation
2. Rural Set-Aside
3. Supportive Housing/Special Needs/Capitalized Operating Subsidy
4. Tiebreaker Public Benefits/ Tiebreaker Cost-Adjusted Request
5. Community-Based Developer/Emerging Developer
6. Tribal Entities
7. Readiness to Proceed

Regional Allocation

What We Heard

- **Data Source:** Determine whether to continue to use U.S Department of Housing and Urban Development's cost-burdened-household data or instead use each county's Regional Housing Needs Allocation of Very Low-Income units
- **Cost Adjustment Data:** Consider removing the Fair Market Rent coefficient for regional cost adjustments and/or replace with California Tax Credit Allocation Committee's Threshold Basis Limits
- **Geographic Equity Within Regions:** Consider adjusting or removing the 50% cap on how much a city can receive
- **Adjust Number of Regions:** Establish a standalone San Joaquin/Central Valley region, consistent with the 9% tax-credit system and distinct from other geographies

Guiding Principles for Regulation Revisions

1. Create a transparent and replicable methodology for updating allocation amounts
2. Balanced and equitable distribution across the state

Rural Set-Aside

What We Heard

- **Qualifying Funding Sources:** Ensure Serna funds are not used to satisfy the rural set-aside
- **Increase Set-Aside:** Draft HDFC Regulations propose 10%, but previously 20% in Department of Housing and Community Development's (HCD) Multifamily Housing Program (MHP) and 9% credits Low-Income Housing Tax Credit (LIHTC) program.
- **Overlay with Regions:** Allow Rural projects to compete in the geographic regions if not funded in the Rural set-aside, mirroring existing fallback rules

Guiding Principles for Regulation Revisions

1. Continue to prioritize Rural housing while balancing other set-asides

Supportive Housing/Special Needs

What We Heard

- **Align Percentage of Units:** Requests to align Supportive Housing Type (40%) and Special Needs Housing (25%) type percentage of units with CTCAC
- **Support Special Needs Housing:** Special Needs Housing should not be at a competitive disadvantage from Supportive Housing, consider a set-aside for Special Needs Housing or combining with Supportive Housing
- **Increase Set-aside:** Increase current (10%) set-aside for Supportive Housing
- **Revise COSR Tiebreaker Penalty:** Increase Capitalized Operating Subsidy Reserve limits (tiebreaker penalty in denominator) to allow higher COSR than proposed \$3M

Guiding Principles for Regulation Revisions

1. Weigh increasing COSR limits and Supportive Housing set-aside with other state priorities

Tiebreaker Adjustments

What We Heard

- **Revise "Resource Area Benefit":** Open the “resource area benefit” to all Housing Types served in high/highest resource and increase priority for high/highest resource
- **Tier Climate Benefits:** Create a tiered benefit for Affordable Housing and Sustainable Communities (AHSC) projects based on the amount of greenhouse gas reduction
- **Cap ELI Benefits:** Limit population benefits for units serving extremely low income (ELI) households given scarcity of operating subsidy and to avoid a “race to the bottom”
- **Add Farmworker Benefit:** Population Benefits should be expanded to include Farmworker Housing
- **Clarify Denominator Sources:** Clarify tiebreaker denominator weighting

Guiding Principles for Regulation Revisions

1. Refine tiebreaker to align with State priorities

Community-Based Developer/Emerging Developer

What We Heard

- **Align Definitions:** Restore Community-Based Developer definition to prior HCD's Multi-Family SuperNOFA (MFSN) version
- **Increase Set-Aside:** Restore separate set-aside of 7.5% for Community-Based Developers, per past HCD MFSN
- **Update Terms:** Change the Emerging Developer fee split with Established Developers (51/49) and lift the current project cap and timing restrictions on Emerging Developers
- **Revise Timing Limits:** The purchase-option timing conflicts with investor hold periods and concurrency limits create long delays between projects for Emerging Developers and lift cap on concurrent projects for Emerging Developers

Guiding Principles for Regulation Revisions

1. Provide access and prioritize Community-Based and Emerging Developers

Tribal Entities

What We Heard

- **Add Set-aside at HDFC:** Request for a set-aside of funds for Tribal Entities
- **Address AB 1010 Waiver Pain Points:** Regulations that provide the necessary flexibility to eliminate or reduce the need for Assembly Bill 1010 waiver requests
- **Address Bond Issues:** Tribes have challenges with issuing tax-exempt bonds
- **Create a Non-Tax Credit Pathway:** Request a non-bond/tax credit pathway for Tribal projects

Guiding Principles for Regulation Revisions

1. Provide programmatic flexibility
2. Leverage and coordinate with HCD Tribal Grant program
3. Consistent with prior core guiding principles, HDFC should remain focused on leveraging tax credits

Readiness to Proceed

What We Heard

- **Reconsider Construction Deadline:** The 270-day construction-start deadline doesn't match tax-credit/bond sequencing. Suggested fixes include a longer timeline, starting the clock at the CTCAC/CDLAC award, and allowing more flexible extensions

Guiding Principles for Regulation Revisions

1. Keep competitive process fair by funding projects that are ready to move and penalizing applicants who are unable to move within required timeframe



Thank you.

