HDFC
Housing Development and Finance Committee

HDFC Public Webinar – Second Draft Regulations

November 2, 2026

9:30 AM – 11:00 AM

Jonathan Klein, HDFC Executive Director

Tim Parham, HDFC Deputy Director

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Format for Today

- This webinar is being recorded
- Cameras and audio are off for all participants
- Please submit questions anytime using Zoom's Q&A
- Time will be reserved at the end for live Q&A
- Webinar slides and the recording will be posted on the HDFC website.

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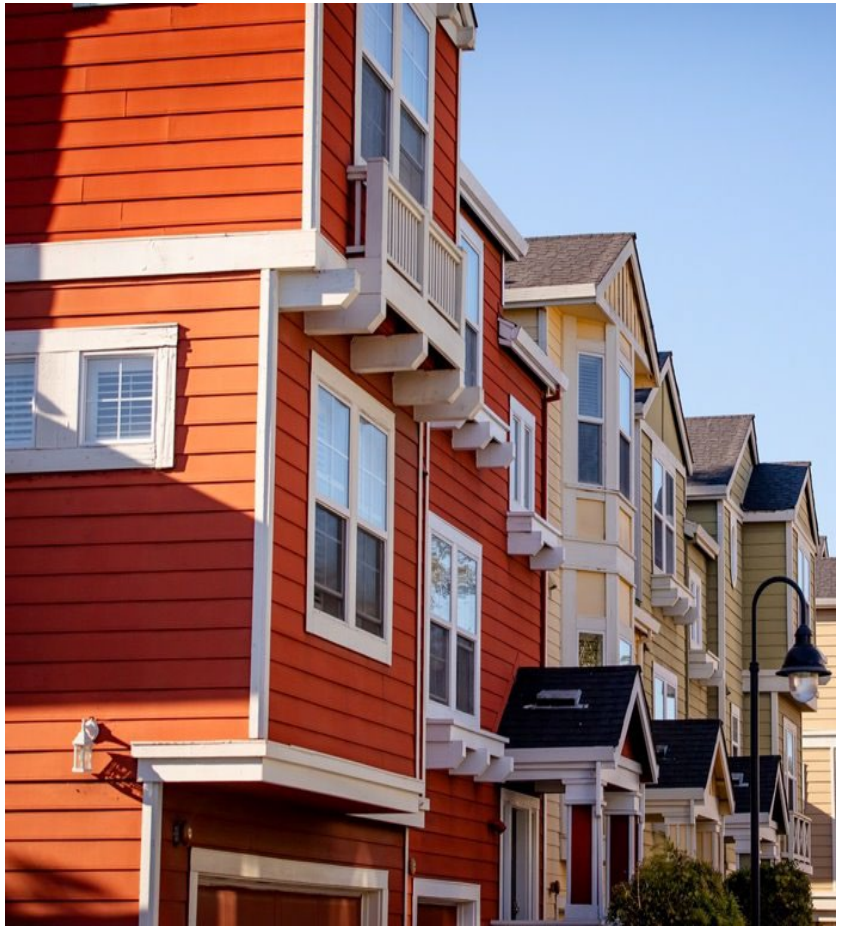
Today's Agenda

- Timeline
- First Draft Feedback Overview
- Allocation and Funding Order
- Affordability, Project Types, and Scoring
- Applicants
- Readiness
- Funding Coordination
- Compliance
- Questions and Answers



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HDFC: Summer 2026 through 2027

HDFC Launched
July 1, 2026

First Draft HDFC Regulations Published for Public Feedback
August 31, 2026

Second Draft HDFC Regulations Published on 10/26/2026 for Public Comment
21 Day Comment Period Ends November 17, 2026



HDFC Executive Committee Approves HDFC Final Regulations
December 18, 2026

HDFC Issues First Notice of Funding Availability Utilizing a Single Application, Portal
First Quarter 2027

Application Period for Round 1 Closes
April 2027

HDFC Makes First Awards

Round 2 Application Period opens
Summer 2027

Round 2 Application Period Closes
Fall 2027

Round 2 Awards Published
Winter 2027-2028

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Second Draft of Regulations

We heard you!

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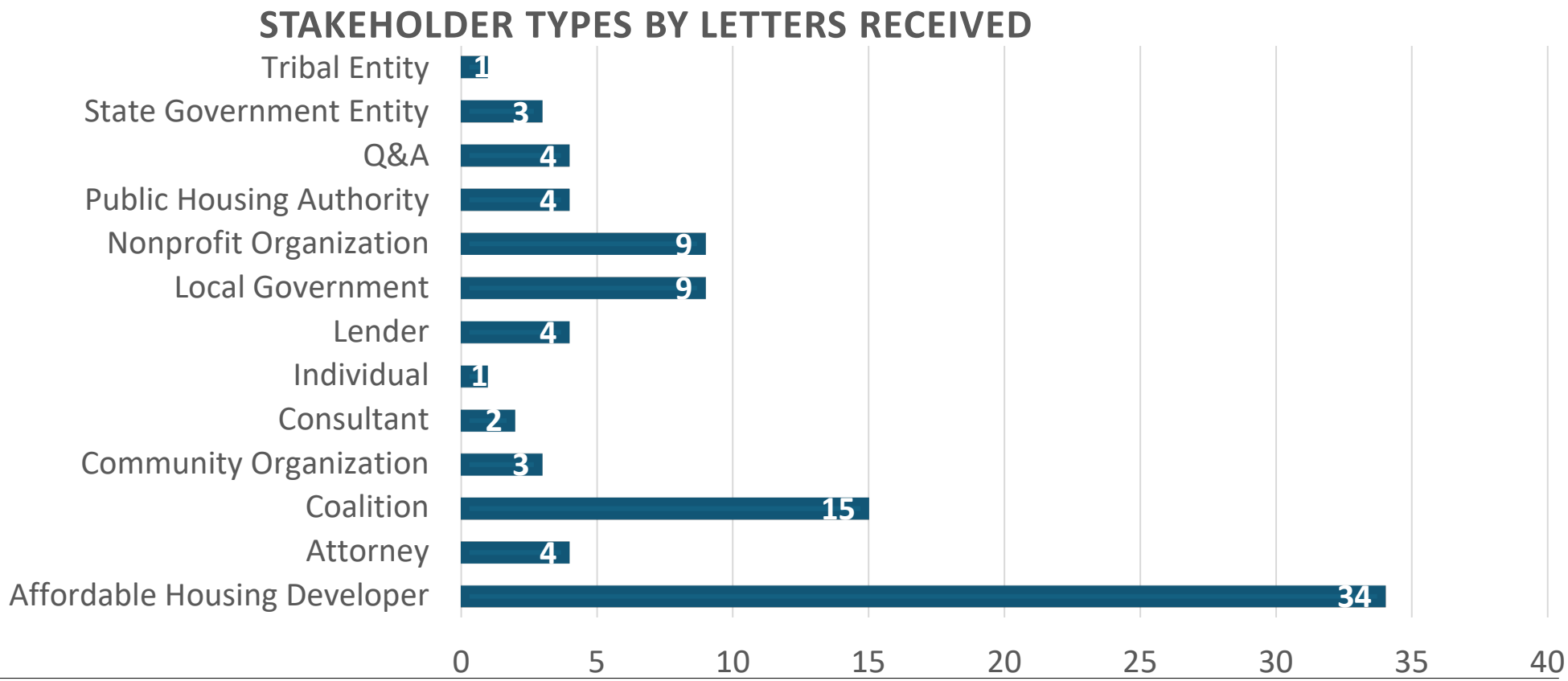
First Draft Regulations Feedback Statistics

1,836
Total Comments

66
Total Letters Received

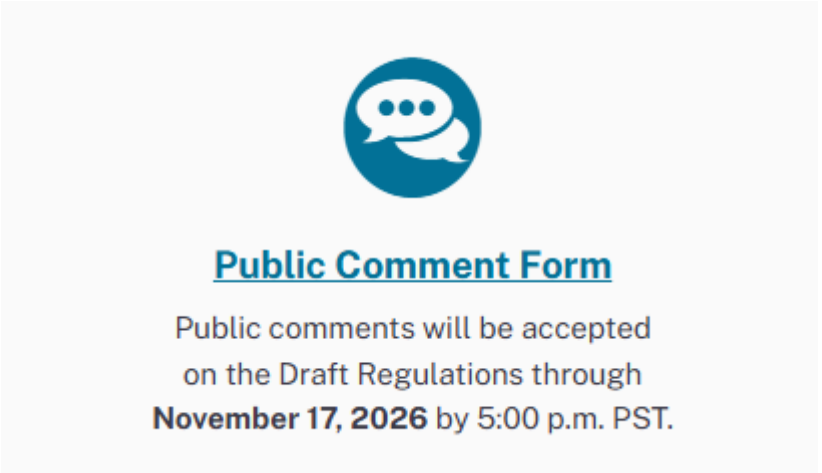
33
Major Themes



Second Draft of Regulations

Learn more about the HDFC Draft Regulations: https://www.hdfc.ca.gov/regulations/

- **October 26 - November 17-** 2nd Draft of Regulations Rulemaking Public Comment Period
- **November 2-** Webinar
- **November 6-** Tribal Webinar
- **November 9-** Public Hearing
- **December 18-** Executive Committee Meeting, Final Regulations adopted



Use the Public Comment Form to share proposed wording or draft regulatory language, which will allow HDFC to swiftly track comments to a specific section of the Regulations.

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HDFC Regulations Background

- HDFC will administer multifamily housing funding programs supporting both new construction and preservation.
  - Multifamily Housing Program (MHP)
  - Joe Serna, Jr. Farmworker Housing Grant Program (Serna or FWHG)
  - The Infill Infrastructure Grant Program of 2007 (IIG)
  - The infill Infrastructure Grant Program of 2019 (IIG)
  - The Transit-Oriented Development Implementation Program (Affordable Housing Development loans) (TOD)
  - The Affordable Housing and Sustainable Communities Program—Housing Allocation (AHSC)
  - Mixed Income Program (MIP)—funding loan
- Applicants can specify alternate funding source to prevent Project being skipped if primary source is exhausted
- HDFC Regulations will govern all HDFC-issued loans starting with Round 1 in 2027
- 50% of the annual Qualified Residential Rental Project tax exempt bond allocation is reserved for HDFC
- All Projects are assessed under HDFC Regulations and Statutory Requirements, specific Program requirements can be found in Chapter 3 of HDFC Regulations

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Resources

- Notice of Proposed Action
- HDFC Second Draft Regulations Highlights
- HDFC Second Draft Regulations Redline
- HDFC Executive Director Summary Memo
- HDFC Per Unit Loan Limits
- HDFC Regional Methodology Threshold Basis Limit
- HDFC Round 1 Projected Funding
- HDFC Funding Rounds Overview and Eligibility
- HDFC Application Workbook Fact Sheet
- One Door-Single Application Portal Fact Sheet
- HDFC Tiebreaker Explainer
- HDFC Scoring and Tie-breaker Template
- HDFC Application Evaluation & Selection Explainer

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Allocation and Funding Order

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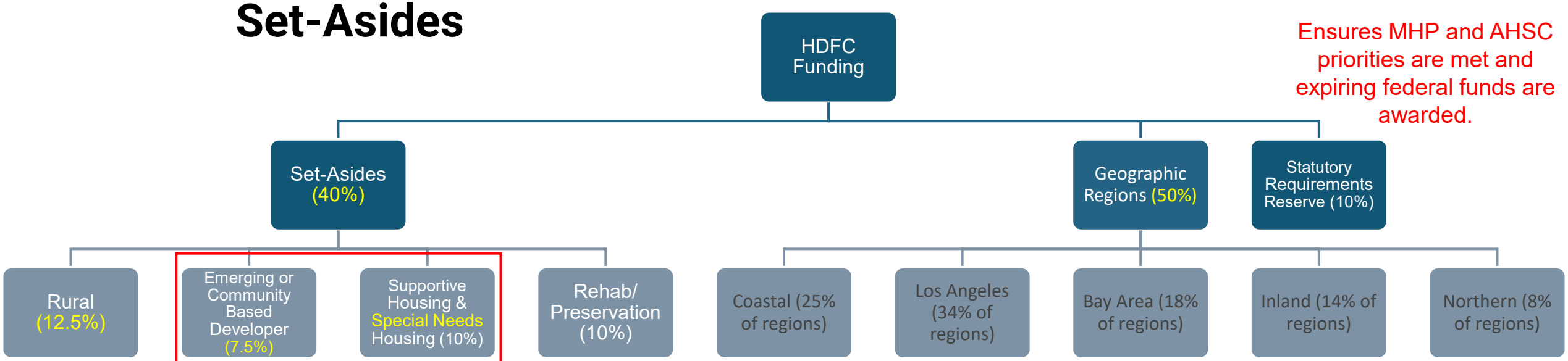
Set-Asides



Ensures MHP and AHSC priorities are met and expiring federal funds are awarded.

Increased

If not funded, second chance in Geographic Region

A single city or county cannot receive more than the greater of 50% of a region's allocation or $27.5M.

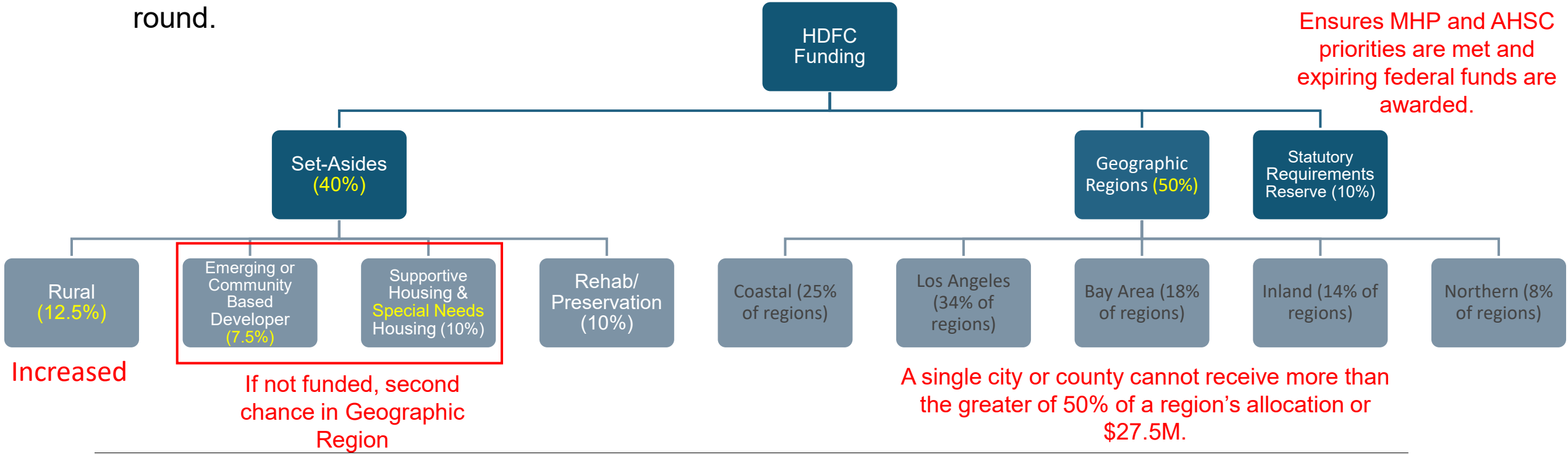
- Funding order clarified in Regulations
- Rural set-aside increased to 12.5%
- Community-Based and Emerging Developer set-aside increased to 7.5%
- Special Needs Housing eligible for Supportive set-aside

Chapter 2, Article 4, Set-Asides and Geographic Regions, Section 32042 (c)(d)(e)

How it Works: Rating & Ranking

Funding Award Order:

- HDFC Request includes state/federal loans/grants and state tax credits. Associated federal tax credit/bond requests will be awarded until no longer available.
- One award will be made in each set-aside, then region, until the remaining fund balance is too large for the next in line project.
- The order of set-asides remains the same (shown below). The order of regions will be reversed for each round.



Chapter 2, Article 4, Application Evaluation & Selection Standards, Section 32042 (c)

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Fund Swap and Skipping Details

1. **Funding Swaps:** Applications include a single funding stack, but identify acceptable alternate fund sources.
    - If a source is depleted, HDFC awards to the next project that would accept remaining fund sources.
2. **Increase Odds via Alternate Sources:** Applicants concerned about a specific source running out can accept alternate sources.
    - i.e. Rural projects worried about limited Serna funds can list MIP or state credits as alternates to avoid getting skipped.
3. **Skipping:** HDFC skips projects if the request exceeds 110% of the regional allocation OR if the request for a source exceeds what remains for that source.
    - Leaves funding for the Statutory Reserve.

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§ 32042.(d) Geographic Regions: 50% of total resources

Goal: Replicable methodology.	Source: Cost-Burdened Lower-Income Renter Households	Adjusted for Regional Cost Differences
Regions will be published annually using HUD and Census/American Communities Survey data.	Allocations based on each region's share of these households, excluding predominantly rural counties not listed.	To account for regional housing cost differences, each region's percentage was adjusted by its Threshold Basis Limit

Region	Counties	HDFC Proposed Initial Draft %	HDFC Proposed Second Draft %	CDLAC %	Delta
Coastal	Monterey, Napa, Orange, San Benito, San Diego, San Luis Obispo, Santa Barbara, Sonoma, and Ventura Counties	25.4%	24.1%	21%	+3.1%
Los Angeles	Los Angeles County Note: CDLAC LA City/County regions proposed to be combined	34.3%	34.0%	33%	+1.0%
Bay Area	Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, and Santa Cruz Counties	17.8%	17.9%	21%	-3.1%
Inland	Fresno, Imperial, Kern, Kings, Madera, Merced, Riverside, San Bernardino, Stanislaus, and Tulare Counties	14.1%	15.1%	16%	-0.9%
Northern	Butte, El Dorado, Placer, Sacramento, San Joaquin, Shasta, Solano, Sutter, Yuba, and Yolo Counties	8.4%	8.9%	9%	-0.1%

Tribal projects in non-rural areas compete in the geographic regions listed above.
Tribal projects in rural areas, including in predominantly rural counties not listed here, compete in the rural set-aside.

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Regional Allocation

2nd Draft Proposals

- Maintained HUD cost-burdened households data as basis for regional distribution.
- Replaced Fair Market Rents with Threshold Basis Limits as cost adjustment factor.
- The cap limiting cities to no more than 50% of the funds within a region is expanded to include counties. The cap now limits cities/counties to the greater of 50% of the region's allocation or 50% of the maximum Project award (e.g. $27.5M with a $55M max Project award).
- Maintained use of 5 regions, modeled after the California Debt Limit Allocation Committee (CDLAC) regions, for funding distribution.

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Regional Allocation

Request for Feedback

- When triggered, is 50% a reasonable cap to balance the goal of geographic equity and complete project funding?
- What funding threshold, if not 50% of a project maximum award, should trigger the city/county cap in a region?

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Rural Set-Aside and Scoring

2nd Draft Proposals

- Received requests to ensure FWHG are not used to satisfy rural set-aside
  - All funds remain eligible within each set-aside and region
- Rural set-aside increased to 12.5%
- Rural Projects will only compete in the set-aside, in line with CTCAC/MFSN. Rural projects may choose to compete in other set-asides

Feedback Request

Recognizing that the Climate and Location point categories may not be as relevant for Rural communities, what are some quantifiable alternatives to the Climate and Location point categories for Rural communities?

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Supportive Housing, Special Needs Housing and COSR

- **Statutory Requirements** necessitate the 40% Supportive Housing Population and unit mix threshold if Project requesting MHP SH funds.
- **If** MHP SH funds are undersubscribed, the 40% targeting may be lowered.
- Supportive Housing set-aside expanded to include Special Needs Housing.
- In response to comments on the Tie-breaker:
  - COSR amount increased to $6M before penalty.
  - Projects with Project-Based Vouchers (PBVs) rise to the top.

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Affordability, Project Types, and Scoring

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§ 32040. Scoring Criteria Categories

Affordability (45 points)

General Affordable Housing	Rural Housing	Supportive and Special Needs Housing
Avg AMI 60%, at least 10% of units at 50% and 10% at 30% AMI	Avg AMI 60%, at least 10% of units at 40% AMI	Avg AMI 60%, at least 25% of units at 30% AMI

Housing Types (35 points)

Family	Seniors	Tribal	Rehab/Preservation	Special Needs	Supportive Housing	High Density Housing	Farmworker Housing
25% 3 bedroom and 25% 2 bedrooms	55+ in projects with 35 units or more; 62+ for other projects	Tribal land or applicants	At-risk of conversion down to any rehab/preservation	25% of units for disabled or homeless	40% of units for homeless	High density	25% of units

Climate and Location (20 points)

Amenities (15 points)	Multiple pathways to receive full points in combination with Amenities (5 points)
• Full points for projects on Tribal Land or in High/Highest Resource Locations (**only eligible for up to 15 points only for projects requesting AHSC/TOD)** • Moderate Resource Area **5 points**	
• Proximity to transit • Medical • Grocery • Schools • Community facilities	• AHSC/TOD projects menu (Low VMT Area, Infill, Transit Accessible, plus others), available for all projects • Federal Disaster Recovery Area • ProHousing • State Excess Sites or Local Surplus Land compliance • Rural Disadvantaged Communities (10 points) • Land from faith-based organizations • Located in 15% below regional average per capita VMT area

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Affordability

In response to requests for deeper affordability, HDFC has added an additional required 10% of units at 50% AMI (not applicable for Rural, Special Needs, or Supportive Housing), pushing projects towards more, and more sustainable, affordability.

General Affordable Housing	Rural Housing	Supportive and Special Needs Housing
Avg AMI 60%, at least 10% of units at 50% and 10% at 30% AMI	Avg AMI 60%, at least 10% of units at 40% AMI	Avg AMI 60%, at least 25% of units at 30% AMI

Chapter 2, Article 4, Application Evaluation & Selection Standards, Scoring Criteria Categories, Section 32040 (a)

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Project Types

Senior Housing

- Changed to align with CTCAC- Senior housing residents may be 55+ in any Project with 35 units or more, for other Projects, 62+ age requirement applies.
- Removed 25% cap.

High Density Housing

- High Density Housing type remains, with minimum unit requirements to discourage micro-units.
- HDFC will track projects in the first rounds to ensure they are meeting climate goals before removing 25% cap.

Farmworker Housing

- This housing type must dedicate 25% or more of the units to serving farmworkers; HDFC will incentivize any unit dedicated to serving this population via Tiebreaker benefit, up to 50% of the units in a project.

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Climate and Location

AHSC/TOD projects must get 5 points (max) from the menu, all projects able to use this pathway:

Criteria	Specific Metric	Points
Location Points for AHSC/TOD	Projects meeting the criteria in 32040(c)(5)(A,B,C,E,F,G) can earn points for AHSC/TOD. (A) ProHousing Status, (B) State Excess Site, (C) Local Surplus Land, (E) Land from faith-based organizations, (F) In a location 15% below regional average for per-capita VMT, and (G) Federal Disaster Area.	1
Proximity to climate related public investments	Within 1 mile of existing, planned, or previously funded climate-related public investments through California Climate Investments Funded Programs (AHSC, TCC, TIRCP, or ATP)	1
Disadvantaged Community	Project located in a disadvantaged community	2
Parking Limits	Affordable Housing Developments that provide one parking space or less for every two units	1
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) 1 point: Above Average Walkable (Light Green; 10.51-15.25) 2 points: For Rural Projects – Above Average Walkable	1-2
Bicycle Parking	Provide at least one Secure Overnight Bicycle Parking space for every two residential units	1
Transit Passes	Provide free or discounted transit passes to all residents for not less than three (3) years	2

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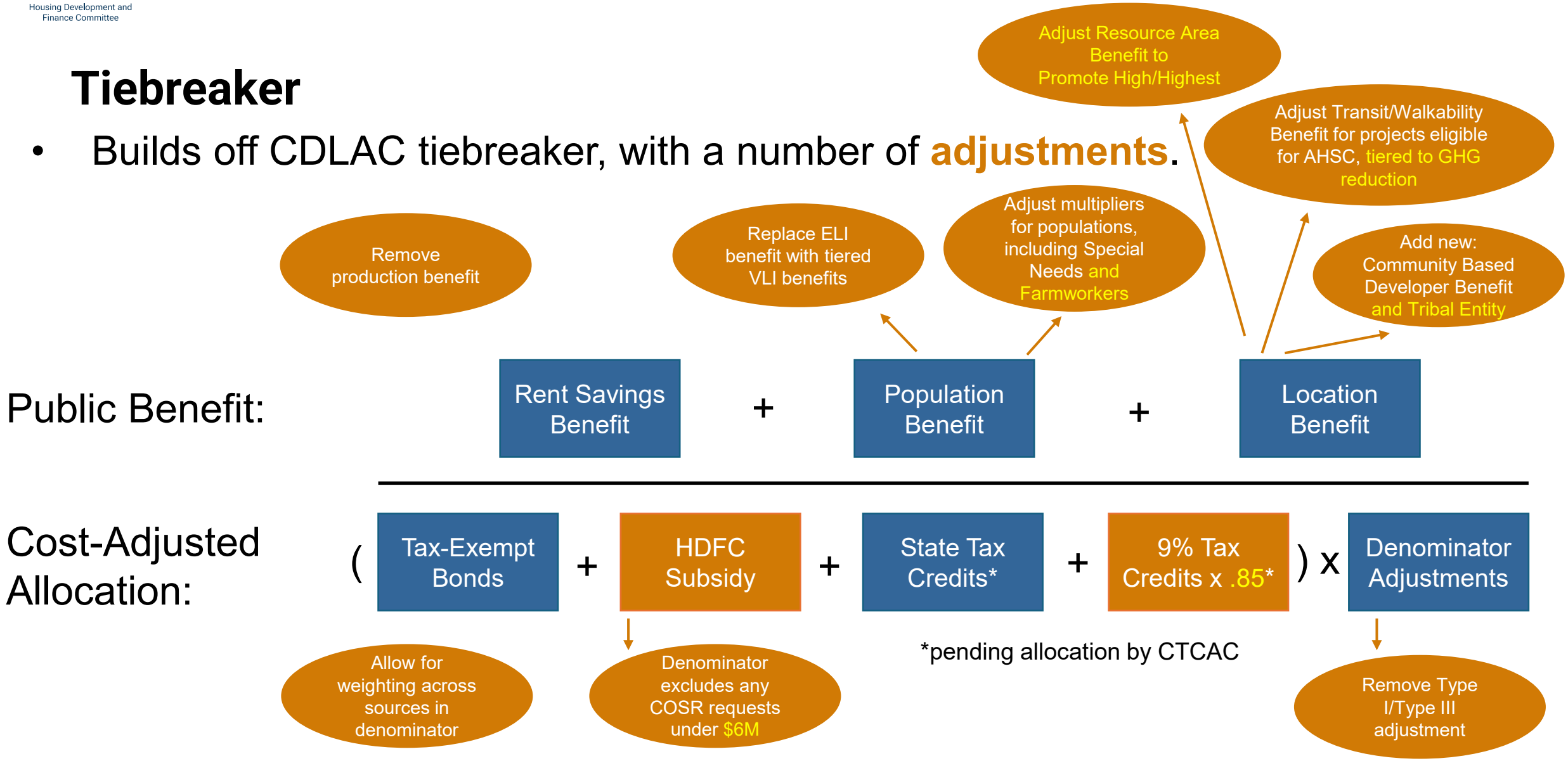
Tiebreaker

- Builds off CDLAC tiebreaker, with a number of **adjustments**.



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Tiebreaker – VLI Benefit

Changes made to address concerns that initial Tiebreaker methodology Rent Savings and VLI benefit may create financial feasibility issues:

- Units with Rental Assistance counted as 30% AMI
- If remaining unassisted units have an average AMI lower than 40%, all units counted as 40% AMI

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

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Tiebreaker – Location Benefit

- Location Categories
  Highest and High Resource areas have increased benefits in the tiebreaker, and more projects are eligible. Tribal Entity Benefit has been added.

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

- Transit/Walkability
  Greenhouse Gas Reduction benefit is tiered by total reduction in GHG over the life of the Project, in metric tons of carbon dioxide equivalent (MTCO2e)

Reduction in Emissions per Unit	Greenhouse Gas Reduction Benefit
80 MTCO2e or more	$85,000 per bedroom-adjusted unit
60 to less than 80 MTCO2e	$75,000 per bedroom-adjusted unit
40 to less than 60 MTCO2e	$65,000 per bedroom-adjusted unit
20 to less than 40 MTCO2e	$55,000 per bedroom-adjusted unit
Less than 20 MTCO2e	$45,000 per bedroom-adjusted unit

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Applicants

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Community-Based Developers and Emerging Developers

2nd Draft Proposals:

- **Set-Aside Increased-** Added Community-Based Developers to the Emerging Developer set-aside and increased the combined Community-Based/Emerging Developer set-aside from 5% to 7.5%.
- **Definitions-** Used the HCD MFSN definition of Community-Based Developer. Aligned Emerging Developer criteria with CTCAC.
- **Joint Venture Developer Fee Split-** Changed to 60/40 between the Established Developer (60%) and the Emerging Developer (40%); Added flexibility to support joint-venture structures.

Chapter 2, Article 4, Set-Asides and Geographic Regions, Section 32042 (c); Chapter 4, Definitions, Section 34000; Chapter 2, Article 2, Eligible Applicant, Section 32020 (g)(1)(B)(2)(a)

Tribal Entities

2nd Draft Proposals:

- HDFC has built flexibility into the draft HDFC regulations with the intent of making the AB 1010 waiver process unnecessary in many cases.
- Flexibility around Tribal Entity development experience, establishing site control, and for referrals, occupancy and property management standards.
- 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.
- Tribal benefit within the Tiebreaker to boost equity and increase access.
- Automatic full points in Climate and Location Priorities for any Project on Tribal Land or within a tribe's Indian Area
- Minimum unit count for Tribal Projects decreased to 4.
- Expanded definitions of "Tribal Entity" and "Tribal Land".

Chapter 2, Article 1, Eligibility Standards, Tribal Entities, Section 32010; Article 4, Application Evaluation & Selection Standards, Tie-Breakers, Section 32041 (a)(3)(D); Chapter 4, Definitions, Section 34000

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Readiness

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Construction Commencement Timeline

2nd Draft Proposals:

- Regulations amended to make a ministerial 30-day extension available on top of the 270-day timeline.
  - Projects that do not meet the 300-day timeline will be disencumbered and may receive negative points.
  - Appealable at a HDFC Executive Committee meeting.
- Separate timing and process will be identified for HDFC Projects seeking 9% tax credits.

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Funding Coordination

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9% LIHTC and State Credits

Approaches for more predictable coordination could include:

- Annual credit amount or percentage for HDFC Projects. This could be separate from existing set-asides or within the rural, special needs, and nonprofit set-asides.
- Targeted prioritization of eligible HDFC Projects within existing policy set-asides.
- Targeted Tiebreaker adjustment that adds weight to HDFC funding to reflect shared priorities and effective use of public resources.

Request for Feedback

- How should anticipated demand, available credits, and HDFC subsidy resources inform the size and scope of coordinated pathways?
- What approaches would preserve meaningful access and certainty for Projects with and without HDFC subsidy?
- What deadlines and procedures should apply when HDFC-funded Projects do not receive 9% credits, including opportunities to pursue viable alternative financing, or for HDFC to release subsidy commitments for reprogramming?

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Funding Caps

2nd Draft Proposals:

- **Percentage of Total Development Cost-** Eliminated.
- **Per-Project Cap-** Increased to $55M.
- **Per-Unit Limit-** Moved the per-unit caps to an HDFC publication outside of the regulations, which will be increased to $400k/1-bed unit.

Caps exist to limit excessive requests for funds; based on our research, caps would have excluded less than 3% of Projects awarded tax credits between 2021-2025.

Chapter 2, Article 7, Funding Terms and Conditions, Award Limits, Section 32070 (a)(2)(3)

Construction Phase Disbursement

** No Changes from First Draft to Second Draft **

First Draft Comment Summary wanted HDFC to consider:

1. Metrics and policies to mitigate risk
2. Enable periodic construction disbursements
3. Rely on construction lender or third-party investor oversight.

Our Rationale "Why" we made no changes

•HDFC's current approach balances project feasibility with risk management by limiting construction-phase funding to two disbursements (Initial and Construction)

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HCD Funded Projects

2nd Draft Proposals:

- **Rehab/Preservation Projects.** For 2027, Portfolio Reinvestment Program and Loan Portfolio Restructuring Program recipients that are fully funded except for bonds/credits can access the HDFC Bond Pool with a letter of support from HDFC, and corresponding award/support letter from HCD.
- **Regulations-**
  - Projects with prior HCD awards not seeking new HDFC gap financing will continue to follow the original HCD award terms and closing process.
  - Projects with prior HCD awards that receive HDFC gap financing will be governed by the HDFC regulations. HDFC may allow adherence to certain terms of the original HCD award, on a case-by-case basis, if necessary.

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Compliance

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Negative Points

- HDFC is still developing a specific negative points structure in coordination with CalHFA, HCD and State Treasurer's Office.
- For now, the HDFC Regulations allow negative points to be assessed for major nonperformance indicators or demonstrated patterns of non-compliance.
- Applicants will have 7 days to appeal any assignment of negative points.

Chapter 2, Article 9, Program Operations, Compliance Review and Enforcement, Section 32098; Article 8, Award Standards and Conditions of Funding, Appeals and Procedures, Section 32087

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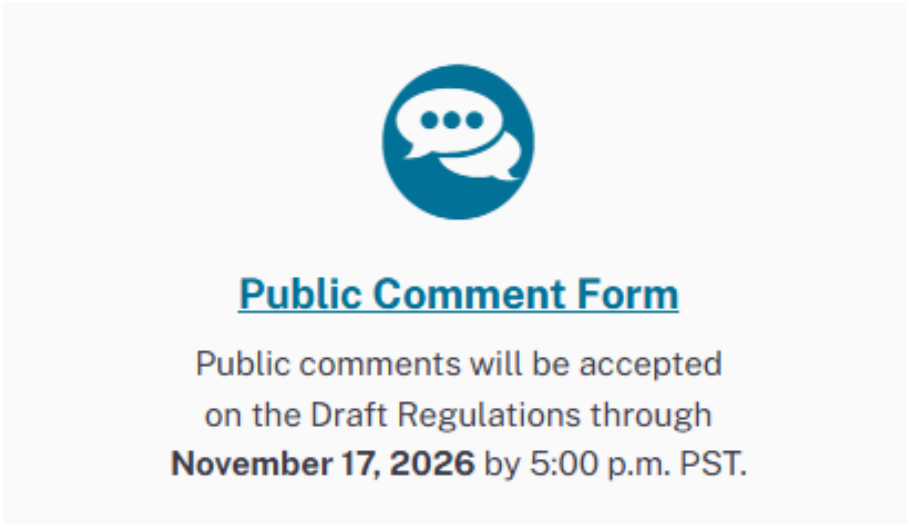
Public Comment

Many ways to comment on the Regulations: https://www.hdfc.ca.gov/regulations/



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Rulemaking Public Comment Period

October 26, 2026 - November 17, 2026

Public Hearing

November 9, 10 AM-12 PM
Virtual and In-Person Attendance

California Bank and Trust
520 Capitol Mall
Lower-Level Conference Room
Sacramento, CA 95814

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Questions?
Please use the Q&A feature

Thank You.