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May 27, 2026

The Honorable John Harabedian, Chairman  
The Honorable Christopher Cabaldon, Vice Chairman  
Joint Legislative Audit Committee  
1020 N Street, Room 107  
Sacramento, CA 95814

Dear Sirs and Madams,

The California Council for Affordable Housing (CCAHA) respectfully submits this letter in support of Assemblymember Avila Farias's request to the Joint Legislative Audit Committee for approval of an audit of the Department of Housing and Community Development's (HCD) monitoring fees assessed on affordable housing developments.

CCAHA is a statewide trade association representing the collective interests of California's affordable housing industry. Our membership reflects the full continuum of the development ecosystem, including financial institutions, attorneys, tax credit syndicators, nonprofit and for-profit developers, and long-term property managers. This broad-based perspective enables CCAHA to provide informed insight into both the systemic challenges and emerging opportunities within affordable housing production and preservation.

HCD plays a central role in advancing affordable housing development in California, serving as the administering agency for several critical financing programs, most notably the Multifamily Housing Program (MHP). Since its inception in 2000, MHP has provided low-interest, long-term deferred-payment loans that support the construction, rehabilitation, and preservation of affordable rental housing for lower-income households. These loans are essential in closing financing gaps and enabling projects to reach construction. In exchange, projects are subject to long-term affordability covenants, typically lasting 55 years, during which HCD conducts ongoing compliance monitoring to ensure adherence to program requirements.

To offset the cost of this long-term monitoring, HCD assesses an annual monitoring charge, currently set at 0.42% of the original loan amount, which is generally deferred until the end of the loan term.

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At the time the MHP program was created in the year 2000, loan amounts were comparatively modest. Today, however, MHP awards average \$24 million per project, with some recent awards reaching as high as \$42.5 million. As a result, the corresponding monitoring fees have increased substantially, often exceeding the actual cost of compliance oversight. For example, a typical 70-unit development may incur an annual monitoring charge of approximately \$98,000. Beyond raising concerns about proportionality, this fee structure can also constrain project feasibility by limiting the ability to leverage additional private financing, thereby exacerbating existing funding gaps.

Given these dynamics, CCAH believes that the proposed audit is both timely and necessary. The audit would provide an objective evaluation of whether the current monitoring fee accurately reflects the true cost of compliance oversight and whether it is appropriately calibrated to today's development environment. Equally important, the audit would allow for a comparative analysis of HCD's monitoring fee structure relative to those employed by other state housing finance entities, such as the California Tax Credit Allocation Committee (CTCAC) and the California Housing Finance Agency (CalHFA).

A thorough and transparent review will help ensure that HCD's fee policies are equitable, cost-based, and aligned with the state's broader goal of maximizing affordable housing production. Any reforms informed by this audit have the potential to reduce unnecessary financial burdens, improve project feasibility, and facilitate the delivery of more affordable homes for Californians.

For these reasons, CCAH strongly supports Assemblymember Avila Farias's request and respectfully urges the Joint Legislative Audit Committee to approve this audit.

Respectfully,



Jenna Abbott  
Executive Director

CC.

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