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CCAH
California Council for Affordable Housing

November 17, 2026

Housing Finance and Development Committee
651 Bannon Street, Suite 400
Sacramento, CA 95811

To whom it may concern:

The **California Council for Affordable Housing (CCAH)** is a statewide trade association representing the shared interests of California's affordable housing industry. Our membership spans the full affordable housing ecosystem, including financial institutions, tax credit syndicators, developers, investors, consultants, and long-term property managers. This breadth of experience provides CCAH with a comprehensive perspective on the challenges and opportunities associated with producing, financing, preserving, and operating affordable housing throughout California.

On behalf of CCAH and our members, thank you for the opportunity to provide comments on the second round of draft regulations issued by the **Housing Development and Finance Committee (HDFC)**. We also appreciate HDFC's commitment to an iterative rulemaking process that has incorporated multiple opportunities for stakeholder engagement and meaningful public input. These regulations will define how affordable housing is financed, developed, and preserved across California for years to come. Because our members finance, develop, own, and operate affordable housing in communities throughout the state, we remain deeply invested in ensuring HDFC's long-term success and effectiveness.

We recognize the significant effort required to consolidate multiple housing finance programs under a single regulatory framework and appreciate the work undertaken to develop these draft regulations. This transition presents a unique opportunity to preserve the strengths of California's existing affordable housing finance system while reforming

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processes that unnecessarily increase costs, complexity, administrative burden, or uncertainty. We also acknowledge the substantial undertaking involved in reviewing and responding to the more than 1,200 public comments submitted during the first draft regulations comment period.

The comments contained in this letter reflect specific recommendations that we believe will strengthen the proposed regulations and improve their implementation for the affordable housing industry as a whole. These recommendations have been informed by extensive discussions with housing finance and development professionals from across our membership and have been carefully vetted by practitioners with direct experience developing, financing, and operating affordable housing. This letter also builds upon and supplements the recommendations provided in CCAH's comment letter submitted in response to the first round of draft regulations on September 21 of this year. CCAH's position on each proposed amendment is identified throughout this letter. Proposed revisions to the regulatory text are reflected with **bolded text** indicating additions and ~~strikethrough text~~ indicating deletions.

The attached appendix outlines our detailed comments, concerns, and recommendations. We welcome continued dialogue with HDFC as these regulations are refined and implemented, and we would be pleased to provide any additional information or technical assistance that may be helpful. Should you have any questions regarding these comments, please contact **Paul Shafer** at pshafer@californiacouncil.org.

Thank you for your consideration,



Jenna Abbott
Executive Director
California Council for Affordable Housing

Appendix #1

§ 31005. Coordination with CDLAC and CTCAC Programs.

HDFC should not fund 9% projects and should fund projects in full when its resources exceed the HDFC Pool.

The question of how 9% Low-Income Housing Tax Credits should be allocated continues to warrant thoughtful discussion, and we appreciate CTCAC's commitment to consider this issue at its December meeting. HDFC has sufficient financing authority to support projects within its pipeline, particularly following the passage of Proposition 1. Consistent with our first-round comments, HDFC should not fund projects that use 9% credits, and where its resources exceed what the HDFC Pool can absorb, it should fund projects in full without tax credits rather than turning to the 9% program. Given the scarcity and value of 9% credits, the draft's "predictable financing pathways" and anticipated "dedicated credit amounts" for HDFC-funded projects (§ 31005(f)(2)–(3)) would provide preferential treatment outside the existing competitive framework and could diminish CTCAC's ability to direct resources to the highest-priority developments statewide.

The 9% program is small relative to HDFC's resources, and local, philanthropic, and other gap funders depend on 9% credits to close financing gaps they cannot close on their own. HDFC can close a gap on its own. Because state funds count in full in CTCAC's tiebreaker, HDFC-funded projects could quickly come to dominate the 9% competition and displace that other investment. Where HDFC's resources in a year exceed what can be awarded in the HDFC Pool, HDFC should adjust its own award limits to fund projects in full without tax credits:

> § 31005(f): (f) ~~Federal 9% Low-Income Housing Tax Credit Coordination. [Paragraphs (1) through (5) in their entirety.]~~ **Federal 9% Low-Income Housing Tax Credits. HDFC shall not award funds to Projects requesting federal 9% tax credits. To the extent HDFC's resources available in a calendar year exceed the amount that can be awarded to Projects in the HDFC Pool, HDFC shall award those resources to Projects that do not use tax credits, which may be funded in full pursuant to Section 32070(a)(4).**
>
> § 32070(a)(4): (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 application awards being made for the applicable funding round, that the Project cannot feasibly be developed with the use of 4% or 9% tax credits **or that HDFC's resources available in that funding round exceed the amount that can be awarded to Projects in the HDFC Pool**. …

If HDFC retains authority to fund 9% projects, we recommend at minimum that HDFC-funded 9% projects compete on the same terms as every other applicant, with no dedicated credits or set-aside pathways; that HDFC fund them only where a project cannot feasibly be financed with 4% credits; and that HDFC's total 9% commitments be capped at no more than 10% of its annual resources.

HDFC Pool allocation should be estimated, released, and requested through a predictable public process.

We support CDLAC's proposal that every project with HCD or HDFC funding compete for bonds only in the HDFC Pool and ask HDFC to confirm that projects seeking bonds and 4% credits without HDFC funding continue to apply directly to CDLAC and CTCAC. To keep the two halves of the bond ceiling predictable, HDFC should publish its demand estimate beginning in 2027 rather than 2028, set a date before CDLAC's final round after which unused HDFC Pool allocation is released to CDLAC's other pools, request any allocation above the statutory reservation only through CDLAC's public process, and issue letters of support only within the limits it has already set for Multifamily Pipeline Projects.

> § 31005(b): … Beginning in calendar year ~~2028~~ **2027** 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. **Each estimate shall include a date, before CDLAC's final allocation round for that calendar year, after which any portion of the HDFC Pool not awarded to HDFC Projects shall be made available for allocation in CDLAC's other pools. Any HDFC request for allocation in excess of the amount reserved under subsection (a) shall be made through CDLAC's public process.**
>
> § 31005(c): … **HDFC shall issue letters of support for access to the HDFC Pool only to Multifamily Pipeline Projects, and only for applications submitted to CDLAC before November 1, 2027.**

HDFC should confirm CDLAC and CTCAC requirements before transmitting an application.

HDFC should confirm that a project meets CDLAC's threshold requirements and the applicable CTCAC requirements before transmitting it, so that neither agency nor the awardee learns of a deficiency only after the HDFC award.

> § 31005(d): … **Before transmitting an application, HDFC shall review the Project's compliance with the threshold requirements of 4 CCR § 5003 and, for Projects requesting tax credits, the applicable CTCAC requirements, and shall transmit the results of that review with the application.**

State credits for HDFC-funded projects should be limited to MIP and farmworker credits.

Consistent with our first-round comments, state credits for HDFC-funded projects should be limited to the up to $200 million available for MIP and the farmworker credits CTCAC proposes to make available to Serna projects beginning in 2028 (CTCAC § 10326(b)(2)–(3)). Projects funded by other HDFC programs should be funded in full rather than drawing on the state credits available to projects in CDLAC's other pools.

> § 31005(e)(1): (1) Projects Requesting HDFC Funds with State Tax Credits. HDFC may award funds to Projects requesting state ~~tax~~ low-income housing tax credits **only where those credits are allocated for MIP pursuant to paragraph (2) or for Farmworker Housing pursuant to 4 CCR § 10326(b)**. …

§ 32014. Environmental Compliance.

Projects exempt from CEQA by statute should satisfy the environmental requirement.

Many affordable housing projects are exempt from CEQA by statute and approved ministerially, without a filed notice of exemption. We recommend confirming that those projects satisfy the requirement.

> § 32014(b): … as evidenced by a valid notice of determination, notice of exemption, or local agency statutory exemption**, or, for a Project that is exempt from CEQA, a letter from the local agency identifying the applicable exemption**.

§ 32020. Eligible Applicant.

HDFC should adopt CDLAC's Emerging Developer definition.

HDFC, CDLAC, and CTCAC each propose a different Emerging Developer standard. HDFC should adopt CDLAC's definition, which CTCAC's joint venture provisions already use, so that a developer's status does not depend on which agency it applies to.

> § 34000: Emerging Developer – ~~A type of proposed Sponsor that meets the requirements described in Section 32020~~ **Has the meaning set forth in the CDLAC regulations at 4 CCR § 5100, as may be subsequently amended.**

HDFC should strike the growing-cash test.

We have significant concerns regarding the proposed financial capacity requirement in Section 32020(g)(1)(A), particularly HDFC's ability to objectively and consistently evaluate whether an applicant has demonstrated "growing cash and equivalents" over a three-year period. The draft regulations do not define this standard, establish a measurement methodology, or identify the circumstances under which HDFC would determine that an applicant has satisfied the requirement. Without clear and objective criteria, this provision creates uncertainty for applicants and risks inconsistent application across funding rounds.

Specifically, Section 32020(g)(1)(A) provides:
"Established Developer Sponsor. An Established Developer Sponsor must provide 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."

We recommend striking this provision in its entirety and allowing at least one full funding cycle to proceed before revisiting developer financial qualification standards. As a new program, HDFC will benefit from observing actual applicant performance and identifying any demonstrated need for additional financial capacity requirements before imposing standards that may unnecessarily restrict participation by otherwise qualified affordable housing developers.

If HDFC keeps a financial capacity standard, it should be objective.

If the Committee elects to retain a financial capacity benchmark, we recommend replacing the proposed three-year growth test with a more objective and widely recognized industry standard. The requirement for continuously growing cash and equivalents over a three-year period is unnecessarily restrictive, does not reflect normal development business cycles, and is inconsistent with the metrics commonly used by private lenders, equity investors, and public financing agencies when evaluating sponsor financial strength. Affordable housing developers frequently experience fluctuations in cash balances and net income based on project closings, development timing, asset acquisitions, and capital expenditures, making a year-over-year growth requirement an unreliable indicator of financial capacity.
As an alternative, HDFC should consider adopting a minimum liquidity and balance sheet standard based on established underwriting practices. For example, an applicant could be required to demonstrate at least $1 million in liquid assets and $5 million in total assets (or another objectively defined threshold established by HDFC), which would provide a clearer, more transparent, and more administrable measure of financial capacity than the proposed three-year growth requirement. Such an approach would better align with industry underwriting practices while ensuring that applicants possess the financial resources necessary to successfully develop and operate affordable housing projects.

HDFC could also rely on the self-certified financial capacity metrics in § 32067, which HDFC has already provided are not a threshold and may not be used to disqualify an application.

> § 32020(g)(1)(A): … ~~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.~~

Established Developer Sponsors shall submit the financial capacity metrics required by Section 32067 and shall be evaluated as provided in that section.

The same approach should apply to management companies.

Section 32020(g)(2) applies the same growing-cash test to management companies and should be revised the same way.

§ 32020(g)(2): The proposed management company must ~~provide evidence acceptable to HDFC of growing cash and equivalents and positive net income for the past three years~~ **submit the financial capacity metrics required by Section 32067, as applicable, and shall be evaluated as provided in that section**.

Construction-period funding should not depend on meeting every financial metric.

Sections 32067(h) and 32090(d)(2)(A) withhold HDFC funds during construction from any sponsor that falls below a single § 32067 metric, which turns the metrics back into a threshold.

§ 32067(h): ~~(h) Eligibility For HDFC Funds During Construction [subsection in its entirety].~~

§ 32090(d)(2)(A)1: … 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~~.

§ 32040. Scoring Criteria Categories.

Affordability thresholds should account for long-term operating feasibility.

The scoring framework proposed in the draft regulations establishes an affordability floor that is too low at the 30% AMI threshold in § 32040(a)(3). As drafted, the scoring structure heavily favors projects serving very low-income and extremely low-income households, without adequately accounting for the long-term operating challenges associated with such deep income targeting. While serving the lowest-income households may remain a critical policy objective, projects must also be financially sustainable over the full affordability period. Deep income targeting often requires substantial ongoing operating subsidies and can create long-term feasibility concerns when operating expenses outpace available revenue.

We believe a project's long-term financial viability should be a meaningful consideration within the scoring framework. HDFC's system should more closely align with the balanced approach used by programs administered by CTCAC and the California Housing Finance Agency's (CalHFA) Mixed-Income Program (MIP), which seek to advance affordability goals while maintaining project sustainability.

At a minimum, projects in § 32040(a)(3) should be able to meet the additional 10% at 50% AMI requirement through deeper average affordability:

> § 32040(a)(3): … with at least 10% of Units restricted at or below 30% AMI and ~~an additional 10% of Units restricted at or below 50%~~ **either an additional 10% of Units restricted at or below 50% AMI or an average affordability of Restricted Units less than or equal to 55% AMI**.

The tiebreaker should reward deep income targeting once, consistent with CDLAC.

We also ask HDFC to confirm that the 40% AMI floor in the tiebreaker's rent savings calculation (§ 32041(a)(1)), which follows CDLAC § 5106, will continue to track CDLAC's, so that HDFC and CDLAC measure deep targeting the same way.

We are also concerned that the proposed scoring methodology double counts affordability-related benefits in a manner that disproportionately advantages certain projects. As drafted, a project may receive multiple scoring advantages for the same underlying income targeting commitment, resulting in an inflated competitive benefit. This double counting should be eliminated so that affordability commitments are recognized once, and projects compete on a more equitable basis across all scoring categories. In particular, the tiebreaker's rent savings benefit (§ 32041(a)(1)) already rewards deeper income targeting, and the very-low-income benefit (§ 32041(a)(2)(A)) rewards the same units again, on top of the affordability threshold in § 32040(a). We recommend removing the very-low-income tiers and following CDLAC's approach.

> § 32041(a)(2)(A): ~~The VLI benefit is the product of the number of Restricted Units targeted at 50% of AMI or below multiplied by 180. … The VLI benefit is calculated as follows: 1. … multiplied by $1,250. 2. … multiplied by $1,000. 3. … multiplied by $750. 4. … multiplied by $500. 5. … multiplied by $250.~~ **The Extremely Low-Income (ELI) benefit is the product of the number of Restricted Units targeted at 30% of AMI or below, limited to no more than 50% of Restricted Units, multiplied by $20,000, consistent with 4 CCR § 5106(g)(1)(C)(i).** [Conforming change: replace "Very Low-Income (VLI) benefit" with "Extremely Low-Income (ELI) benefit" in § 32041(a)(2).]

HDFC should clarify how High-Density Housing interacts with other Housing Types.

Section 32040(b)(1)(G) defines High-Density Housing by minimum net density for each location category and permits all unit types. We ask HDFC to confirm that a Large Family project meeting those densities may qualify under either Housing Type, and to clarify how the 25% cap on High-Density awards applies to a project that also qualifies as Large Family Housing.

> § 32040(b)(1)(G)1: … This Housing Type will be capped after 25% of all funding awarded. **A Project that also meets the requirements of another Housing Type in this subsection may apply under that Housing Type, and only Projects that apply as High-Density Housing shall count toward this cap.**

§ 32041. Tie-Breakers.

If HDFC funds 9% projects, the tiebreaker should count the full ten-year credit amount.

If HDFC continues to fund 9% projects, we also recommend a technical correction to the cost-side tiebreaker calculation. Under the proposal, 9% federal tax credits are counted at a factor of 85% of the annual credit request, while tax-exempt bonds are counted at their full amount. Read literally, this compares a single year of 9% credits against the total bond allocation, substantially understating the value of 9% credits and making HDFC subsidy paired with 9% credits appear more cost-efficient than it actually is. As a result, the tiebreaker could inadvertently favor projects competing for 9% credits and steer HDFC resources toward the 9% round.

To ensure a consistent comparison of funding sources, we recommend counting the total ten-year 9% credit amount, consistent with the treatment of bond financing in 32041(b):

> "… plus 9% federal tax credits at a factor of 85% times the ~~annual~~ **total ten-year** credit request, as applicable …"

The special populations benefit should align with CDLAC's and be tied to services.

The benefit of $100,000 per Special Needs unit (below 25% of units) or $300,000 (at 25% or more) is ten to thirty times CDLAC's comparable $10,000 per unit for Special Needs units outside the Homeless Set-Aside (CDLAC § 5106(g)(1)(C)(ii)) and is not tied to any level of services. We recommend aligning it with CDLAC's, including CDLAC's formula for homeless units, and tying it to the services committed for those units.

> § 32041(a)(2)(B): 1. … multiplied by ~~$100,000~~ **$10,000** … 2. … multiplied by ~~$300,000~~ **$20,000** … **4. For Restricted Units designated for homeless households, the benefit under paragraph 1 or 2 shall not exceed the product of the number of those units and the number of homeless residents per 100,000 residents, multiplied by $100, consistent with 4 CCR § 5106(g)(1)(C)(ii). 5. Units receiving a benefit under paragraph 1 or 2 must be served by services that earn the maximum service amenity points under 4 CCR § 10325(c)(4)(B), as may be subsequently amended.**

The tiebreaker's cost side should count all HDFC resources requested.

The cost side should count all HDFC resources requested, including the first $6 million of COSR and, for 2027, prior HCD awards, so that the measure of public benefit per dollar reflects the full public investment.

> § 32041(c): (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.~~ **Any Capitalized Operating Subsidy Reserve (COSR) requested shall be included in the HDFC Request.** (2) ~~For 2027, prior~~ **Prior** HCD awards (from eligible multifamily funding programs) ~~will not~~ **shall** be included as part of the HDFC Request.

§§ 32055, 32098. Disqualifying Actions; Compliance Review and Enforcement.

HDFC should apply CTCAC and CDLAC negative points on the same terms rather than duplicating them.

CTCAC and CDLAC assess negative points in stated amounts for stated periods and apply each other's assessments on the same terms. HDFC's draft allows negative points for any matter "affecting HDFC program administration," without stated amounts or periods, and leaves the treatment of CTCAC and CDLAC assessments to HDFC's discretion, so the same event could be penalized by CDLAC, by CTCAC, and again by HDFC. HDFC should publish its point amounts and periods, apply CTCAC and CDLAC assessments on the same terms rather than adding its own, and rely on CDLAC and CTCAC determinations of compliance at bond and tax credit properties.

> § 32098(h): HDFC may recognize ~~and consider~~ negative points or equivalent sanctions assessed by the CTCAC, CDLAC, … ~~consistent with HDFC policy and applicable law~~ **in the same amount and for the same period as assessed by that agency. HDFC shall not assess its own negative points for conduct for which CTCAC or CDLAC has assessed negative points.**

§ 32063. Financial Feasibility Standards.

HDFC should adopt CTCAC's underwriting standards rather than restating them.

Consistent with our first-round comments, HDFC should adopt CTCAC's underwriting standards rather than restating them. The draft restates CTCAC's vacancy rates, inflation factors, and first-three-year cash flow limit; ties the debt service coverage requirement to CTCAC's standard "as of the date of adoption of these Regulations"; and tests 15-year cash flow two different ways in § 32063(a) and (c)(1). Several defined terms also do not match their use: "Gross Income" is defined as household income but used for project income, and "Net Cash Flow" and "Operating Income" are used inconsistently with their definitions.

> § 32063 (new introductory paragraph): **Except where these Regulations expressly state a different standard, Projects shall be underwritten consistent with the requirements adopted by CTCAC pursuant to 4 CCR § 10327(g), as may be subsequently amended.**
>
> § 32063(b)(1): … as required by CTCAC pursuant to 4 CCR § 10327(g)(6) ~~as of the date of adoption of these Regulations~~**, as may be subsequently amended**.

§ 32070. Award Limits.

Developer fee limits should cover every project type, with the $10 million cap stated on its own.

Section 32070(c)(1) applies 9% fee limits to non-tax-credit new construction projects, and (c)(2) applies 4% limits to 4% projects, leaving no rule for non-tax-credit acquisition and rehabilitation projects. The $10 million cap on fee paid before residual receipts appears inside the 4% paragraph but says "in all cases." We recommend applying CTCAC's 4% limits to all projects that do not use tax credits and stating the $10 million cap in its own paragraph for all HDFC-funded projects. HDFC's highlights also describe a $6 million cash fee that does not appear in the text.

> § 32070(c)(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.
>
> § 32070(c)(2): For Projects utilizing 4% tax credits **and for Projects that do not use 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 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)~~.
>
> § 32070(c)(3) (new): **For all HDFC-funded Projects, the 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)(2)(a).**

§ 32073. Interest Rates & Repayment.

HDFC should publish its monitoring fee in advance.

Required loan payments for the first 30 years are capped at the amount HDFC determines for monitoring fees, so sponsors need that amount to underwrite their projects at application.

> § 32073(b)(1): Project Monitoring Fee. **HDFC shall publish the amount it will determine for monitoring fees before the application deadline for each funding round.** …

§§ 32082, 32114. Award Acceptance and Conditions; Transfers & Sales.

Transfer and refinancing approvals should follow objective standards coordinated with CTCAC.

Consistent with our first-round comments, § 32114 should not restrict ordinary recapitalizations and exits. It requires HDFC approval for any general partner change or partnership amendment, which for tax credit projects duplicates CTCAC's approval of the same transfer under 4 CCR § 10338; allows refinancing only "as needed to maintain the Project's Fiscal Integrity, maintain Affordable Rents, or reduce rents"; and bars the use of reserves for limited partner exits. Section 32082(c) separately allows HDFC to withhold any transfer approval in its "sole and absolute discretion," which undercuts the standards in § 32114.

> § 32114(b): … shall not discharge or replace any general partner, or amend or modify the partnership agreement or the general partner's organizational documents **in a manner that changes control of the Project or affects HDFC's security,** without HDFC's prior written approval. **For Projects with tax credits, HDFC shall coordinate its review with CTCAC's review of the same Transfer Event under 4 CCR § 10338, and shall act within 30 days of receiving a complete request.**
>
> § 32114(e): … HDFC ~~may~~ **shall** allow refinancing or additional financing secured by the Project ~~as needed to maintain the Project's Fiscal Integrity, maintain Affordable Rents, or reduce rents~~ **that does not increase rents, shorten the affordability period, reduce required reserves, or impair HDFC's security**. ~~Reserve balances may not be used for limited partner buyouts or exits.~~ **Reserve balances in excess of required levels may be used for limited partner buyouts or exits with HDFC's approval.**
>
> § 32082(c): … without the express prior written approval of HDFC, ~~which may be granted, delayed, or withheld in HDFC's sole and absolute discretion~~ **subject to Section 32114**. …

§ 32087. Appeals and Procedure.

HDFC should issue determination letters early enough to allow an appeal.

A request for Executive Committee review must be received at least 30 days before the award meeting, after a 7-day appeal period and up to 15 days for HDFC's response. Because

no provision sets when determination letters are issued, a letter issued less than 52 days before the meeting would leave no time for review.

> § 32087(b): **(5) HDFC shall issue determination letters no later than 60 calendar days before the Executive Committee meeting scheduled to make Awards for that funding round.**

§§ 32099, 32100. Roles of Reviewing Entities; Responsibilities, Supportive Services, and Management Requirements.

HDFC should rely on CTCAC's monitoring of tax credit requirements.

Section 32100(a) restates federal income certification and student rules and provides that noncompliance "shall be reported to the IRS," and § 32099(a) makes HDFC the "primary point of decision for compliance." Reporting tax credit noncompliance to the IRS is CTCAC's responsibility. HDFC should rely on CTCAC's monitoring of tax credit requirements and limit its own monitoring of tax credit projects to HDFC's loan and regulatory agreement terms.

> § 32099(a): … HDFC is the lead entity responsible for ongoing compliance and long-term monitoring of Projects funded under the programs it administers**, except that CTCAC remains responsible for monitoring compliance with federal and state tax credit requirements, and HDFC shall rely on CTCAC's monitoring and determinations for those requirements**. …

Services plans should use CTCAC's service amenity categories, with staffing and hours stated.

For supportive services, HDFC should describe service commitments using the service amenity categories CTCAC already uses, with staffing and hours stated so they can be verified, and the final plan should be consistent with those commitments.

> § 32100(c)(2)(A)1: Sponsors shall submit a preliminary Supportive Services plan at the time of application **that identifies the services to be provided using the service amenity categories in 4 CCR § 10325(c)(4)(B), as may be subsequently amended, and states the staffing and hours committed for each**.

§ 34000. Definitions.

We understand the need to define and create clarity with use of terms, unfortunately we view the current regulations to continue to add unnecessary complexity when these definitions exist within other established under housing programs such as the California Tax Credit Allocation Committee (CTCAC). We need consistency between definitions to ensure confusion is eliminated. The ability to find slight variations between housing finance programs definitions depending on the source does not reach the goal of clarity for the industry. One agency should be the holder of these definitions with the other agencies referencing back and utilizing matching language.

For example, HDFC Scattered Site Definition:

- 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.

- This is CTCAC's current definition word for word, which CTCAC has now proposed to amend as follows:
  - A project in which the parcels of land are not contiguous except for the interposition of a road, street, stream or similar interposition and all units are rent-restricted consistent with subdivision (g)(7) of Section 42 of the IRC.
    (1) For acquisition and/or rehabilitation projects with one pre-existing USDA Rental Assistance contract or project-based Section 8 contract in effect for all the sites, there shall be no limit on the number or proximity of sites.
    (2) 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.

(3) 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.

We recommend keeping CTCAC as the main source for defining terms in all relevant cases.

Specifically, HDFC should replace copied or restated definitions with cross-references to CTCAC's definitions "as may be subsequently amended," including Rehabilitation, Adaptive Reuse, Re-syndication, Scattered Site, Developer Fee, Special Needs Population, Large Family and Senior Housing, Eligible Basis, and, for tax credit projects, Homeless and Chronic Homelessness; add CTCAC's Acquisition and/or Rehabilitation and New Construction definitions; use CDLAC's Community Revitalization Area definition; and replace the undefined Project Needs Assessment and Rehabilitation Needs Assessment in § 32062(a) with CTCAC's Capital Needs Assessment. To make cross-references work, § 31000(d) should incorporate other agencies' requirements as those agencies amend and interpret them, rather than "as HDFC's own":

> § 31000(d): … such references shall be understood to incorporate those requirements ~~as HDFC's own~~ **as may be subsequently amended and as interpreted by that agency. Where a Project is also subject to review by that agency, HDFC shall rely on that agency's determination of compliance with those requirements. Where a requirement of these Regulations directly conflicts with a CTCAC or CDLAC requirement applicable to the Project, the CTCAC or CDLAC requirement shall apply.**

We also recommend that the agencies not use the same term for different parties.

HDFC uses "Sponsor" for the developer-type applicant, while CTCAC and CDLAC use "Project Sponsor" for the ownership entity or bond borrower, and HDFC's own Eligible Household definition uses "Project Sponsor." We recommend renaming HDFC's term "Eligible Applicant." The Recipient definition's reference to control "through control of the managing general partner" could also be read to exclude a for-profit co-general partner, which conflicts with § 32020(b).

> § 34000: ~~Sponsor~~ **Eligible Applicant** – The entity that meets the requirements of § 32020 Eligible Applicant of these Regulations. **[Conforming changes throughout.]** Recipient – … or through control of the ~~managing~~ general partner of a limited partnership Recipient.

Technical Corrections

HDFC should correct the following cross-references and drafting errors.

- § 32020(g)(1)(B)2.d refers to "subsection 2(a)(i) and (ii) above," which does not exist.

- § 32020(h)(1)(B)3 refers to "subsection (3) immediately following," which does not exist.
- § 32022(a)(3)(B)1.b refers to a "notice of recession" (rescission).
- § 32041(a)(2)(A) multiplies VLI units "by 180" and then lists separate per-unit dollar amounts; the intended calculation should be stated once.
- § 32062(b) requires a "replacement reserve" of three months' expenses where it means the operating reserve.
- § 32063(c)(1) requires positive cash flow for "a minimum 15 period" (missing "years").
- § 32070(c)(2) refers to Sponsor distributions "as defined in Section 32063(d)(2)(A)(1)," which is the deferred developer fee tier.
- § 32080(a) refers to ranking in "Section 32046"; ranking is in § 32045.
- § 32085(e) refers to readiness requirements in "Section 32022(b)," which does not exist.
- § 32100(b)(3) cross-references "Section 32020(f)(B)"; the management company requirements are in § 32020(f)(2).
- § 33001(b)(2) refers to "Section 3209."

Not Addressed Since First Draft Regulations

HDFC should commit to an annual review of the regulations.

We appreciate that HDFC has been responsive to stakeholder input throughout this rulemaking process and that several concerns raised during the initial comment period have been addressed in the second round of draft regulations. This collaborative approach has improved the regulations and highlights the value of meaningful engagement with program participants and industry stakeholders.

As these regulations move toward adoption, ongoing accountability and stakeholder engagement will remain critical to the program's long-term success. We encourage HDFC to establish a formal process for regular stakeholder consultation and regulatory review similar to the annual update processes utilized by CDLAC and CTCAC. Housing markets, financing structures, construction costs, operating expenses, and development challenges evolve over time, and successful programs must be able to respond to implementation experience as well as unintended consequences that may emerge after regulations are put into practice.

A predictable process for public input, program evaluation, and regulatory refinement would provide stakeholders with a meaningful opportunity to identify areas for improvement and help ensure that HDFC's programs continue to support affordable housing production

efficiently, effectively, and in a manner consistent with evolving market conditions. Incorporating such a commitment into these regulations would send a strong signal to the affordable housing industry that HDFC is dedicated to continuous improvement, transparency, and the long-term success of its programs.

> § 31000: **(h) HDFC shall review these Regulations and solicited public comment and suggested amendments at least annually and shall publish any proposed amendments for public comment, including at least one public workshop, before adoption.**