CCAH
California Council for Affordable Housing

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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 trade association representing the shared interests of California's affordable housing industry. Our membership spans the full affordable housing ecosystem, from financial institutions and tax credit syndicators to developers and long-term property managers, providing a comprehensive perspective on the challenges and opportunities facing the production and preservation of affordable housing throughout the state.

On behalf of CCAH and our members, thank you for the opportunity to provide comments on the draft regulations released by the Housing Development and Finance Committee (HDFC). These regulations will shape how affordable housing is financed, developed, and preserved across California for years to come. As organizations that finance, develop, own, and operate affordable housing throughout the state, our members are deeply invested in ensuring HDFC succeeds in its mission.

We recognize the significant undertaking involved in consolidating multiple housing finance programs and appreciate the effort devoted to developing this framework. This transition presents an opportunity to preserve what has worked well within California's affordable housing finance system while reforming processes that unnecessarily increase costs, complexity, or uncertainty.

The comments contained in this letter reflect concerns broadly shared across the affordable housing industry. While they focus on areas we believe require revision, they are offered in the spirit of partnership and with the shared goal of increasing affordable housing production throughout California.

CCAH offers comments in six broad areas that we believe warrant revision before release of the next draft of the regulations.

Creating Process Certainty and Stakeholder Engagement

The initial release of these regulations generated significant concern within the affordable housing community. Given the size, complexity, and far-reaching impact of these regulations, the original review period did not provide stakeholders sufficient time to conduct a comprehensive analysis and develop meaningful recommendations. While we appreciate HDFC's decision to extend the comment period, the timeline remains too compressed and creates uncertainty regarding the agency's approach to stakeholder engagement going forward.

Affordable housing developers, lenders, investors, and public partners are the day-to-day users of these programs. Their practical experience can help identify unintended consequences, implementation challenges, and opportunities for improvement before regulations are finalized. We therefore strongly encourage HDFC to continue providing meaningful opportunities for public participation throughout the rulemaking process and to view stakeholders as active partners in shaping a successful regulatory framework.

Additionally, while the regulations establish numerous deadlines and requirements for applicants, they contain comparatively few timelines governing HDFC's own review and decision-making responsibilities and where such timelines do exist many of them measure the required time periods based on subjective rather than objective standards that do not provide procedural predictability or accountability. As an example, Section 32050 (b) requires HDFC to provide an applicant list "As soon as possible after the application filing deadline,…" By contrast, CDLAC Regulations include a requirement to provide an application list within a fixed 10-day period following the application due date (See CDLAC Regulation Section 5004(b)(1)).

Additionally, the effectiveness of the appeal procedure described in Section 32087 seems very uncertain. While Section 32087(b)(3) requires appeals to the Executive Committee to be submitted at least thirty (30) calendar days prior to the Executive Committee meeting where award will be made however there are no regulatory provisions regarding the timing for issuance of final determination letters or the scheduling of Executive Committee meetings other than Section 32050 which simply states "HDFC may require up to 120 days to review applications followed by Executive Committee approval at a scheduled meeting.". At minimum additional provisions are required to make certain that final determination letters will be issued within such time as to allow the appeal process to be workable. Program participants require predictable transaction schedules to secure financing, coordinate closings, and meet construction deadlines. We encourage HDFC to establish clear processing timelines and accountability measures for agency actions to provide the certainty necessary for efficient project delivery.

Avoiding Unnecessary Complexity and Costs

A recurring concern among our members is that these regulations frequently restate, reinterpret, conflict with and/or duplicate requirements that already exist within established affordable housing programs and financing systems.

California's affordable housing delivery process is already highly complex, requiring coordination among CDLAC, CTCAC, CalHFA, HCD, local governments, investors, lenders, and numerous other stakeholders. In many cases, the draft regulations layer additional requirements or alternative formulations onto standards that are already well understood, broadly recognized, and successfully implemented elsewhere. Rather than streamlining the development process, these duplicative, overlapping and conflicting provisions risk creating additional administrative burden, confusion, and compliance costs.

Rather than recreating existing regulatory frameworks, we believe HDFC should rely more extensively on cross-references to established statutes, regulations, and program guidelines whenever possible. Doing so would reduce duplication, minimize conflicting interpretations, and provide applicants with a more predictable and efficient regulatory environment. This is particularly important given HDFC's stated goal of consolidating and simplifying California's affordable housing finance system.

This concern is especially apparent within many of the program-specific supplements contained in Chapter 3 and throughout Article 6 governing underwriting and feasibility standards. In numerous instances, these provisions appear to introduce additional requirements without providing meaningful clarification or operational benefit.

HDFC is clearly intended to operate in conjunction with CDLAC and CTCAC. For decades, the underwriting and feasibility standards administered through those programs, particularly those reflected in Section 10327 of the CTCAC Regulations, have helped produce financially viable and sustainable affordable housing developments. Rather than creating new regulatory overlays, HDFC should incorporate or reference existing standards wherever possible. Additional layers of underwriting requirements create unnecessary complexity and increase the potential for conflicting interpretations without improving project outcomes.

Equally concerning are provisions that impose new costs on affordable housing developments without a demonstrated need or benefit. For example, Section 32020(e)(2)(A)(1) would require sponsors to provide audited financial statements as part of demonstrating organizational capacity. While we appreciate HDFC's interest in evaluating financial strength, audited financial statements are both costly and time-consuming to obtain, particularly for smaller nonprofit and emerging developers. Notably, neither CTCAC nor CDLAC currently require audited financial statements as part of their application processes, and audited financials are generally not required by equity investors, tax credit syndicators, or construction and permanent lenders as a condition of project financing.

Moreover, the affordable housing finance system already contains substantial safeguards designed to protect projects and public investment. Development teams undergo rigorous underwriting by lenders, investors, and public agencies, while reserve requirements, including operating reserves, are specifically designed to ensure that properties have adequate resources to withstand temporary operating challenges and maintain long-term financial stability. Adding expensive reporting requirements that do not materially improve project performance or risk management will ultimately increase development costs and divert scarce resources away from the shared goal of producing and preserving affordable housing. We encourage HDFC to carefully evaluate whether each new requirement advances a meaningful policy objective or instead creates unnecessary administrative and financial burdens on housing production.

Facilitating Transparency, Accountability, and Stakeholder Engagement

California's affordable housing industry has long operated within transparent, predictable, and highly public allocation systems administered through CDLAC and CTCAC. Developers, lenders, investors, local governments, and service providers have come to rely on public meetings, published scoring methodologies, readily available staff guidance, public award recommendations, and meaningful opportunities for stakeholder engagement. These practices have created a level of transparency and predictability that allows the industry to plan, invest, and deliver housing efficiently.

We encourage HDFC to adopt and build upon these best practices wherever possible. Transparency strengthens public confidence, promotes consistency in decision-making, improves accountability, and creates a more equitable environment for all applicants. As HDFC develops its policies and procedures, it should strive to mirror the accessibility, responsiveness, and openness that have made CDLAC and CTCAC trusted partners within California's affordable housing finance system.

Equally important is the need for ongoing accountability after these regulations are adopted. HDFC should establish a formal process for stakeholder engagement and regulatory review similar to the annual update process utilized by CDLAC and CTCAC. Housing markets, financing structures, and development challenges evolve over time, and successful programs must be able to respond to implementation experience and unintended consequences. A regular process for public feedback and regulatory refinement will help ensure that HDFC's programs continue to support affordable housing production efficiently and effectively.

By contrast, our members have too often experienced situations where guidance, policies, or program requirements are developed with limited transparency and insufficient stakeholder input, leaving applicants uncertain about expectations and without meaningful opportunities to provide feedback. HDFC has an opportunity to establish a different model from the outset: one that values collaboration, transparency, and responsiveness as core principles of administration.

HDFC should view industry stakeholders as implementation partners whose practical experience can help identify regulatory issues before they adversely affect housing production. Developers, lenders, investors, and housing operators will be responsible for implementing these regulations in real-world transactions, and their perspectives can help improve clarity, reduce unintended consequences, and strengthen program effectiveness over time.

The industry is not merely seeking another funding agency. We are seeking a partner in the shared mission of increasing affordable housing production across California. That requires clear lines of communication, transparent decision-making, reasonable response times, and an organizational structure that helps stakeholders navigate challenges rather than creating additional obstacles. HDFC has an opportunity to build a system that reflects the best aspects of California's housing finance infrastructure while avoiding many of the frustrations that have historically undermined confidence in similar programs. We encourage HDFC to seize that opportunity and create a framework that is responsive, accountable, and worthy of the industry's long-term confidence.

Clarifying Drafting Errors and Ambiguities

Our members identified several provisions throughout the draft regulations that appear unclear, internally inconsistent, or insufficiently developed to allow for confident and consistent implementation. Given the significant role these regulations will play in shaping affordable housing finance in California, greater precision and clarity are essential to avoid confusion, inconsistent interpretations, and unintended consequences.

Among our concerns are provisions governing transfers and sales approvals, where it is not always clear which agency or entity holds ultimate approval authority when multiple funding sources and regulatory agreements are involved. Similarly, a number of definitions and terms differ from those currently used by CDLAC, CTCAC, CalHFA, and HCD, creating the potential for conflicting interpretations across programs that are otherwise intended to be coordinated and aligned. Consistency should be a fundamental objective of these regulations, particularly where existing definitions and standards are already widely understood within the industry.

Questions also remain regarding sponsor experience and capacity requirements, including how qualifying experience will be evaluated across different organizational structures, joint ventures, affiliated entities, and personnel transitioning from one firm to another. Additional clarification is needed regarding acquisition and rehabilitation tiebreaker calculations, which could materially impact funding outcomes and project competitiveness. Likewise, several provisions referencing applicants, sponsors, recipients, and owners use those terms interchangeably or inconsistently, creating uncertainty about who is ultimately responsible for compliance with specific requirements.

For example, Section 32012(b)(3) addressing Prior Owner Costs creates confusion regarding the distinction between the "current applicant" and affiliated entities. As currently drafted, it is unclear whether documented acquisition or predevelopment costs incurred by an entity related to, affiliated with, or under common control with the applicant would be considered eligible for reimbursement. Given the prevalence of special purpose entities and affiliate structures in affordable housing development, additional guidance is needed to ensure this provision is interpreted consistently and does not inadvertently disqualify legitimate project costs.

Similarly, Section 32014(b) concerning CEQA compliance lacks clarity regarding projects that qualify for a statutory or categorical exemption. While the provision references demonstration of compliance through a notice of determination, notice of exemption, or local agency statutory exemption, it remains unclear whether projects that are exempt from CEQA are considered fully compliant for purposes of this requirement or whether additional review or documentation may be required by HDFC. Given the increasing reliance on CEQA exemptions for affordable housing development, this distinction should be clarified.

As HDFC moves toward subsequent drafts, we strongly encourage a comprehensive legal and technical review focused on standardizing definitions, clarifying roles and responsibilities, eliminating inconsistent terminology, and resolving ambiguities before implementation. Doing so will improve regulatory certainty, reduce administrative disputes, and better position the affordable housing industry to successfully deliver the housing these regulations are intended to support.

Balancing Public Stewardship with Private Participation

CCAH supports the State's objective of protecting public investment, maintaining long-term affordability, and ensuring responsible stewardship of housing resources. However, several provisions within the draft regulations appear to significantly restrict the economic flexibility necessary for private and nonprofit developers to continue participating in affordable housing production at scale.

In particular, Section 32114(e) governing Transfers and Sales would substantially limit a sponsor's ability to refinance projects, recapitalize assets, or monetize value created through successful project delivery and long-term ownership. As currently drafted, these restrictions could materially undermine the economic incentives that drive private-sector participation in affordable housing development.

Developers take on significant risks throughout the housing development process, including entitlement risk, predevelopment expenditures, construction risk, guaranty obligations, lease-up risk, operating risk, and long-term ownership responsibilities. A successful affordable housing policy framework must recognize these risks and allow sponsors a reasonable opportunity to realize value once a project has met its affordability obligations, reserve requirements, operational standards, and long-term performance expectations. The current language appears overly restrictive and may create unintended consequences for project recapitalizations, refinancing transactions, ownership restructurings, and Year 15 tax credit exits.

Maximizing Public/Private investments

As California works to streamline its affordable housing finance programs and reduce unnecessary complexity, policymakers should also focus on maximizing the impact of both public and private investment. The success of HDFC will ultimately be measured not only by how efficiently it administers resources, but by how effectively it leverages available capital to produce and preserve the greatest number of affordable homes.

To achieve that goal, the regulations should strike an appropriate balance between affordability objectives and long-term project feasibility. We are concerned that the current tie-breaker structure places too much emphasis on increasingly deeper income targeting, creating incentives that may inadvertently undermine financial sustainability. While serving the lowest-income households remains a critical public policy objective, affordable housing developments must also generate sufficient operating revenue to maintain properties, fund reserves, and support long-term stewardship. Incentive structures that continually reward deeper targeting can create a "race to the bottom" that ultimately reduces a project's financial resilience and increases reliance on additional public subsidy.

We believe an average affordability level of 50 percent of Area Median Income (AMI) represents an appropriate benchmark for achieving both affordability and long-term sustainability. Projects should certainly be allowed to serve households below that threshold; however, the regulations should not continue providing additional competitive advantages beyond that point. Establishing 50 percent AMI as the threshold at which deep-targeting benefits plateau would encourage the development of financially sustainable projects while still ensuring the production of housing affordable to Californians with the greatest need.

The regulations should also be structured to maximize efficiency and avoid recreating the fragmented funding landscape that HDFC was established to improve. If HDFC intends to fully fund projects awarded through its competitive programs, those developments should not also be expected or incentivized to compete separately for 9 percent federal Low-Income Housing Tax Credits and state tax credits. Requiring projects to pursue multiple competitive funding sources increases transaction costs, extends development timelines, creates additional administrative burdens, and undermines the objective of creating a more streamlined housing finance system.

Nine percent federal tax credits are a scarce and highly competitive resource that should remain available to projects that do not receive sufficient HDFC funding. Encouraging HDFC-funded developments to compete for the same limited credits risks concentrating public resources in a smaller number of projects while reducing overall housing production statewide. A more efficient approach would be for HDFC to provide sufficient funding to allow projects to proceed independently, thereby preserving other financing resources for additional developments.

Additionally, the draft regulations acknowledge that existing law permits the Mixed-Income Program to access up to $200 million in state tax credits. We recommend clarifying subsection (e) to explicitly state that this authority applies only to Mixed-Income Program projects. State tax credits were not intended to be routinely paired with other HDFC programs, and doing so would unnecessarily increase complexity and competition for limited resources. For all other HDFC programs, we encourage a commitment to full project funding that minimizes the need for applicants to assemble layered financing structures or seek additional competitive allocations from separate programs.

Ultimately, HDFC has a unique opportunity to simplify affordable housing finance while maximizing housing production. The regulations should be structured to encourage financially sustainable developments, leverage private investment, and deploy public resources as efficiently as possible. By reducing the need for multiple funding competitions and avoiding incentives that compromise long-term project viability, HDFC can create a system that delivers more housing with greater certainty and less administrative burden.

CCAH appreciates the significant effort that has gone into developing this initial regulatory framework and recognizes the complexity of consolidating multiple affordable housing programs under a unified structure.

Throughout these comments, we have identified areas where the proposed regulations risk creating unnecessary complexity, increasing uncertainty for project sponsors and investors, discouraging private participation, or reducing housing production. We encourage HDFC to carefully consider these concerns as it prepares the next draft of the regulations and to continue engaging with stakeholders throughout the rulemaking process.

Given the breadth and complexity of the proposed regulations, CCAH will continue reviewing the draft and intends to provide additional technical and section-specific recommendations as the process moves forward. We hope these comments serve as a useful resource as

HDFC evaluates the substantial volume of feedback it will receive from industry participants and other stakeholders.

CCAH remains committed to serving as a constructive partner throughout this process. We appreciate the opportunity to provide these comments and stand ready to assist in developing a regulatory framework that promotes accountability, encourages investment, and expands affordable housing opportunities for Californians.

Please do not hesitate to contact us for further clarification or engagement on what is contained within our letter. Contact CCAH Public Policy Manager, Paul Shafer (pshafer@californiacouncil.org).

Thank you,

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