

Summary of Proposed 2015 Regulation Changes



William Pavão, Executive Director

Anthony Zeto, Section Chief

Gina Ferguson, Specialist



Public Hearing Format

- Brief summary of proposed changes and reasons
- Formal comment period
 - Come to front
 - State name and organization
 - Provide business card if available
- Written comments taken through 5:00 p.m. Friday, October 24th



Proposed Regulation Changes

- Released September 23rd
- Two groups of proposed changes
 - Substantive (15 sets) – 36 last year!
 - Clarifying or conforming (5 sets) - 23 last year



Substantive Change #1

1. Add HCD's Veteran's Housing and Homeless Prevention Program to the nonprofit set-aside priorities; clarify development sources priority; competitively establish minimum dollar amounts.

Reason: Would ensure projects funded under this new initiative would receive first consideration in the appropriate competitive set-aside. **Section 10315(b), page 1 of the ISOR**



Substantive Change #2

2. Establish a 15% goal within the rural set-aside for Senior housing type projects.

Reason: Would address recent trend where rural projects favor Senior deals without consequence under the first tiebreaker. Would retain Senior housing type headroom for regions. **Section 10315(c), page 2**



Substantive Change #3

3. Increase the Special Needs (SN) housing type goal from 15% to 25%.

Reason: By making SN projects the second-largest goal, would delay the point at which such projects are at a competitive disadvantage simply for being SN housing. Would further the State's interest in housing homeless and other SN populations. **Section 10315(g), page 3**



Substantive Change #4

4. Allow increased acquisition basis where the sales price rises, so long as the sales price does not exceed assumed third-party debt on the property.

Reason: Would allow additional equity under limited circumstances where the development stage funding gap is not increased by the price difference. **Section 10322(h)(9)(A), page 4**



Substantive Change #5

5. Allow existing tax credit properties to use the California Utility Allowance Calculator (CUAC) if PV installed through MASH program .

Reason: Would allow a small subset of projects to use more accurate utility allowances where verified improvements are made to on-site energy generation. **Section 10322(h)(9)(A), page 4**



Substantive Change #6

6. Add service amenities to the proportionate scoring methodology currently used for scattered site projects' site amenities.

Reason: Would assure that residents of a project's various scattered sites would be near available on-site services. **Section 10325(c), page 6**



Substantive Changes #7 & 9

7 & 9. Retain 2008 Title 24 calibration for new construction, and add a Zero Net Energy (ZNE) option for scoring and threshold.

Reason: Would calibrate against a known standard and would afford an additional path to points and compliance. **Sections 10325(c)(6)(A)-(C), page 7 and 10325(f)(7)(A), page 13**



Substantive Change #8

8. Establish rehabilitation documentation protocols consistent with the Sustainable Building Workbook. Also clarify numbering of scoring options.

Reason: Would provide standardized guidance for documenting energy efficiency improvements from rehabilitation projects. Changes would numerically distinguish among scoring options. **Section 10325(c)(6)(E)-(G), page 9**



Substantive Change #10

10. Reflect the CalGreen building code applicability for high-rise residential developments.

Reason: Would delete inclusive language that is now part of State building code. **Section 10325(f)(7)(B), page 13**



Substantive Change #11

11. Add adhesives and caulks to the low-VOC list within the minimum construction standards.

Reason: Would further the State's interest in healthy indoor air quality. **Section 10325(f)(7)(J) & (K), page 14**



Substantive Change #12

12. Establish a combustion-testing protocol for rehabilitation projects, and allow the CUAC and PV calculator.

Reason: Would further the State's interest in healthy indoor air quality, and would accommodate a reliable method for quantifying energy generation relative to usage. **Section 10325(f)(7)(M) & (N), page 15**



Substantive Change #13

13. Permit a larger maximum developer fee in project cost and basis for 4% new construction projects of 150 units or more. If exceeding \$2.5M, half of the developer fee would be deferred.

Reason: Would account for developer risk and complexity with very large projects, and would make additional equity available for such projects.

Section 10327(c)(2)(B) & (C), page 16



Substantive Change #14

14. Extend the prevailing wage basis limit boost to projects with a PLA or with funding from a labor-affiliated source.

Reason: Would account for any additional wage costs where union labor is used. **Section 10327(c)(5)(A), page 19**



Substantive Change #15

15. Clarify cash flow maximums for projects forecasting break-even year-15 balances, and assuring early-year surpluses benefit the project.

Reason: Would set 1% of the year-15 gross income as “break-even,” and would require capitalizing reserves with early-year surpluses.

Section 10327(c)(5)(A), page 19



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