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DATE: December 4, 2025

TO: California Debt Limit Allocation Committee Stakeholders

FROM: Marina Wiant, Executive Director

RE: Final Proposed Regulation Changes, Statement of Reasons, and Response to Comments

On October 17, 2026, the California Debt Limit Allocation Committee (CDLAC) released proposed regulation changes for a regular rulemaking for CDLAC programs and opened the 21-day public comment period. CDLAC staff subsequently held an in-person and virtual public hearing in Sacramento on October 29, 2025.

CDLAC accepted written comments on the initial proposed regulation changes through Monday, November 10, 2025. Numerous individuals, organizations, and groups formally commented on the proposed regulation changes in both oral and written form. CDLAC staff reviewed all comments received and finalized the recommendations for consideration and adoption to be presented to the Committee on Wednesday, December 10, 2025.

This memo includes the final proposed regulation changes, the initial statement of reasons, a brief summary of the comments received, staff's responses to comments, including explanations to any proposed revisions to the initially proposed changes, and the final proposed changes. CDLAC staff also received comments on regulation changes outside the scope of this regular rulemaking and will consider those comments for a future possible regulation change package. Those additional comments outside the scope of this regular rulemaking are not included in the document.

**List of Final Proposed Regulation Changes, Statement of Reasons, Comments
Received, and Responses to Comments
December 4, 2025**

1. Chapter 1. General Provisions. Section 5000. Definitions.

Proposed changes delete the Verification of Zoning and Local Approvals definition because it is not used in the Qualified Residential Rental Program (QRRP), delete definitions related to recovery zones because those programs were previously repealed and delete definitions that are QRRP-specific and therefore are being moved to the QRRP Chapter of the Regulations. Changes also delete the following definitions rendered obsolete by proposed amendments: “Accredited Investor,” “Bond Regulatory Agreement,” “Credit Enhancement,” “Credit Enhancer,” “General Project Pool,” “Governmental Bond,” “Investor Representation Letter,” “Nationally Recognized Statistical Rating Organization,” “Qualifying Bond Default,” “Sophisticated Investor,” “Travelling Investor Representation Letter,” and “WELL.” Changes propose to move the following definitions to Chapter 2: “Market Study,” “Mixed Income Project,” “Public Transit Corridor,” “Restricted Residential Units,” “Rural Project,” “Rural Project Pool,” and “Supplemental Allocation Pool.”

Additionally, proposed changes make technical changes to the definitions below.

Initial Proposed change:

“Application” means the request by an Applicant to the Committee for an Allocation of the State Ceiling which shall include the information specified in [Section 5003](#) ~~article 4 of~~ this chapter.

“Cash Flow Permanent Bond” means a bond where the identified payment source is based on cash flow availability in the form of residual payments and that are issued for the purposes of providing permanent financing that (i) does not meet CDLAC's Debt Service Coverage Ratio requirement in Section 51~~0793~~ and that, (ii) together with all other Bonds not meeting CDLAC's Debt Service Coverage Ratio requirements in Section 51~~0793~~ (if any), exceed 5% of the total project cost.

“Draw-down Bond Issuance” means a draw-down loan as defined for purposes of 26 U.S.C. sections 103 and 141 through 150 (generally, a Bond issue in which Bonds are delivered to the Bond purchaser intermittently as funds are needed by the Bond Issuer and the Bond Issuer only ~~provides payments~~ owes interest based on the amount of Bonds drawn- down).

“Exempt Facility Project” means a Project financed with an exempt facility bond satisfying the requirements of 26 U.S.C. section 142, except that airports, docks and

wharves, governmentally owned solid waste disposal facilities, spaceports, and Qualified Residential Rental Projects shall not be considered exempt facilities for purposes of these regulations.

“Fiscal Agent” means a trust company, a national banking association, ~~or~~ state banking corporation, or comparable entity with the authority to accept trusts, that performs various administrative and trustee duties in connection with bond, note and other debt issuances, including, without limitation, the maintenance and management of funds and accounts, payments, redemptions, investment of moneys, related tax matters, and other related administrative duties.

“Regulatory Period and/or Compliance Period” means for projects awarded allocation after December 31, 2016 a period of time enumerated in the CDLAC resolution whereby Annual Applicant Public Benefits and On-going Compliance Self Certification is required to be submitted. For QRRP projects the period of time will be consistent with Section 510792, for IDBs the longer of project completion or 2 years after the project completion if a job creation election is made, and for all other programs when the project is completed or allocation has been utilized.

“Report of Action Taken for Bonds” means the specific Report of Action Taken due to the Committee following the use of Allocation for Qualified Private Activity Bonds ~~(excluding RZBs)~~ titled “Report of Action Taken Regarding the Issuance of Private Activity Bonds.”

“Standard Permanent Bonds” means Bonds issued for the purposes of providing permanent Project financing which (i) meet CDLAC's Debt Service Coverage Ratio requirement in Section 510793 or (ii) are not Cash Flow Permanent Bonds.

“State Ceiling” means the amount of Qualified Private Activity Bonds that can be issued in California for each calendar year specified by 26 U.S.C. section 146(d), ~~and the amount reserved to California pursuant to sections 1112 and 1401 of the American Recovery and Reinvestment Act of 2009 as established by and announced by the Committee in accordance with article 2 of this chapter, and any amount made available for allocation pursuant to federal legislation.~~

“Taxable Debt” means conventional financing from a major financial institution or taxable Bonds issued by a municipality including but not limited to Build America Bonds ~~or Recovery Zone Bonds~~.

Comments received: None

Final proposed change: Proceed as initially proposed.

2. Article 2. State Ceiling and Application Process

Proposed changes move Section 5010(c) to a new Section 5101 in the QRRP Chapter in the Regulations, add language from Section 5021, and renumber the Section to 5001.

Comments received: None

Final proposed change: Proceed as initially proposed.

3. Article 3. State Ceiling Pools

Proposed changes move Sections 5020, 5021, and 5022 to a new Section 5101 in the QRRP Chapter in the Regulations.

Substantive proposed changes to the new Section 5101 combine the Preservation Pool and Other Rehabilitation Pool to a new Acquisition/Rehabilitation Pool, which will set state priorities through the use of scoring priorities in Section 5105(b) (described in more detail under Item 21).

Comments received: None

Final proposed change: Proceed as initially proposed.

4. Article 4. Application Procedures.

Proposed changes renumber Section 5031 as new Section 5002, reorganize language from Sections 5032, 5033, 5054, and 5154 to a new Section 5003, reorganize language from Section 5034 and 5035 to a new Section 5004, and delete Sections 5030, 5037, and 5038 as they were previously repealed, delete Section 5039 as it is a restatement of existing law, and renumber sections.

Proposed substantive changes to Section 5002 move ineligible applicant rules from Section 5066 into Section 5002, changes to Section 5004 include modifying the timing for the list of preliminary recommendations to align with the timing for posting meeting materials (10 days), which will allow more time for project review and is consistent with the 9% program, and setting a limit of 5 days for applicants to correct any errors in the applicant list, which is also critical to allowing staff to timely begin project reviews.

Proposed substantive changes reorganize language in Section 5036 to a new Section 5005 and clarify that applicants have 5 days to cure deficiencies only during

an open application process. During a competitive application process, incomplete applications will be disqualified and subject to the appeal process, which is being clarified.

Comments received: One commenter requested CDLAC use a “business day” standard instead of “calendar day” standard. One commenter requested 7-10 business days to cure deficiencies. One commenter was supportive of the changes.

Response to Comments: Changes to this section intend to align the competitive application process with existing CTCAC practices.

Final proposed change: Proceed as initially proposed.

5. Article 5. Performance Deposits and Fees

Proposed changes reorganize language from Sections 5050, 5051, 5052, and 5053 to Section 5006, move language from Section 5054 to the new Section 5003 and delete previously repealed Sections 5055 and 5056.

Comments received: None

Final proposed change: Proceed as initially proposed.

6. Article 6. Bond Sale Structure Requirements

Proposed changes reorganize Section 5060 into new Section 5007, eliminate obsolete Sections 5061, 5064, 5065, and 5066, renumber Section 5062 as new Section 5008, and renumber and amend Section 5063 to new Section 5009, establishing rules for limited offering and public offering bond sales reflecting current industry practices.

Proposed substantive changes in the requirements for all limited and public offering bond sales delete prior requirements related to prior bond defaults and minimum bond denominations, as these are required in Section 5002.

Proposed change:

§ 5060~~7~~. Minimum Bond Sale Structure Requirements.

(a) Applicants, other than Applicants for a Mortgage Credit Certificate Program, shall provide evidence of a plan to privately place, limitedly offer or publicly sell the proposed Bonds ~~with or without Credit Enhancement~~ for an amount no less

than the amount requested in the Application. All relevant bond documents for Qualified Residential Rental Projects must permit principal payments or prepayments on the underlying loan(s) as transferred proceeds in a bond preservation and recycling program as permitted by 26 U.S.C. Section 146(i)(6) ~~and shall require no less than thirty (30) days' notice to CDLAG and to the applicant prior to the redemption of bonds at the conversion to permanent financing. Bond sale structures that include a credit rating shall be subject to the following:~~

~~(1) Governmental Bond issued with full recourse to, or guaranteed by a general obligation of a governmental entity with taxing authority or Qualified Private Activity Bonds with recourse to the corporate parent entity of the Project Sponsor via a corporate guarantee must have an investment grade credit rating for the Project or the source of the aforementioned guarantee for the Project.~~

~~(2) Qualified Private Activity Bonds without a governmental or corporate guarantee shall provide a credit rating specifically for the transaction.~~

~~(3) Governmental Bond issues with limited recourse (i.e. lease revenue Bonds, project-specific recourse, or certificates of participation) may provide either a credit rating specifically for the transaction or provide evidence of a current credit rating for an existing outstanding Bond with the same source of debt repayment.~~

~~(4) All Bond ratings shall include evidence that the credit rating has been provided within the last six (6) months, or that the current credit rating for outstanding Bond(s) has been substantiated via the most recent updated surveillance review completed by a rating agency within the last thirty-six (36) months.~~

~~(b) Applicants requesting an award of Allocation for pollution control projects administered by the California Pollution Control Financing Authority (CPCFA) should refer to CPCFA regulations for additional requirements.~~

~~(cb) Notwithstanding the requirements set forth in Sections 5008 and 5009 ~~article 6 of this chapter~~, the Committee may apply more stringent requirements and thresholds for a given Project ~~based upon factors such as, but not limited to the size of the Bond issue and/or the specific ratings of the Applicant and/or Project Sponsor.~~~~

§ 500862. Private Placement Sales.

(a) Subject to subsection (b) below, applications for Bonds to be issued and sold

through a private placement will be deemed to have provided satisfactory evidence of a Bond sale plan required in section 50607 if documentation from the Bond purchaser(s) includes the following:

(1) Project Sponsor (borrower).

(2) Project name and location.

(3) Bond purchase amount.

(4) Salient terms and conditions, including but not limited to the fee structure, proposed term, rate, security, collateral, guarantee, expiration date of the commitment, and recourse of the commitment including the interest rate of the agreement.

(5) Evidence that the lender is committed to move forward with the transaction if the terms and conditions in the commitment letter are met.

(6) The commitment is fully executed by the bond purchaser and project sponsor.

~~(b) For applications submitted after December 31, 2016~~ Cash Flow Permanent Bonds to be issued and sold through a private placement including, without limitation, bonds purchased by a property seller in consideration of the provisions of a purchase and sale agreement, will be deemed to have provided satisfactory evidence if the provisions of 5062(a) have been satisfied, and, additionally, if at the time of bond issuance the bond purchaser elects to:

~~(1) submit a Traveling Investment Representation Letter from a Qualified Institutional Buyer or Sophisticated Investor due three (3) days prior to Bond issuance; or~~

~~(2) ensure a minimum Bond denomination of \$100,000.~~

~~§ 500963. Limited Offering and Public Offering Bond Sales Unenhanced Bond Sales with an A Category or Higher Rating Including Sales Where Cash is the Collateral.~~

~~(a) Applications for Bonds to be issued and sold with an unenhanced credit rating equivalent to an "A" category or higher as rated by a Nationally Recognized Statistical Rating Organization will be deemed to have satisfied evidence of the minimum Bond sale plan requirements required in section 50607 if the following is provided:~~

~~(1a) Project Sponsor (borrower) Placement Agent Statement.~~

~~(2b) Project name and location Certifications of no current Bond Defaults by the~~

~~Issuer, guarantor (if any) and the Project Sponsor (if any).~~
(c) Bond offering amount.

(d) Salient terms and conditions, including but not limited to the fee structure, proposed term, security, collateral, guarantee, and expiration date of the commitment.

(e) Evidence that the placement agent or underwriter is committed to move forward with the transaction if the terms and conditions in the preliminary placement agent or underwriter statement are met.

Comments received: One commenter was supportive of the changes.

Final proposed change: Proceed as initially proposed.

7. Article 7. Committee Resolution; Use of State Ceiling Allocations

Proposed changes reorganize language from Sections 5080, 5081 and 5082 to a new Section 5010. Substantive proposed changes establish a bond issuance deadline for all allocations as no later than December 31 of the year following the year of the Allocation.

Comments received: One commenter was generally supportive but did express that bond awards at the end of the year would have a shorter timeline to meet the bond issuance deadline.

Final proposed change: Proceed as initially proposed.

8. Article 8. Expiration of Allocations

Proposed changes move Section 5101 to the QRRP Chapter in the Regulations, delete previously repealed Sections 5102 and 5103, delete Section 5104, as the Committee Resolution will include this language, delete a previously renumbered and relocated Section 5107, and reorganize language from Sections 5105, 5106, 5130, 5131, 5132, 5133, and 5143 to a new Section 5011.

Substantive proposed changes delete language in 5100 to instead set allocation expiration dates as described in Item 7 and instead focus on reforming Readiness deadlines in Section 5106 (described in more detail in Item 21).

Comments received: One commenter was supportive of the changes.

Final proposed change: Proceed as initially proposed.

9. Article 9. Transfers of Allocation

Proposed changes move Section 5120 to a new Section 5010.

Comments received: One commenter was supportive of the changes and one commenter recommended that the Executive Director be granted the authority to administratively transfer allocation.

Final proposed change: Proceed as initially proposed.

10. Article 10. Carryforward Allocations

Proposed changes reorganize Sections 5130, 5131, 5132, and 5133 to a new Section 5011.

Comments received: One commenter was supportive of the changes.

Final proposed change: Proceed as initially proposed.

11. Article 11. Reporting and Compliance Requirements

Proposed changes reorganize Sections 5140, 5141, 5142, and 5143 as a new Section 5012, renumber the remaining sections, and delete contact information because this is available on our website.

Comments received: None

Final proposed change: Proceed as initially proposed.

12. Article 12. Universal Evaluation Criteria for All Applications

Proposed changes move Sections 5150, 5151, 5152, and 5154 to a new Section 5003, delete a previously repealed Section 5155, and delete requirements for measuring distance as it is outlined in application instructions which reference requirements in CTCAC regulations.

Comments received: None

Final proposed change: Proceed as initially proposed.

13. Chapter 2. Qualified Residential Rental Projects. Section 5170. Definitions.

Proposed changes to this section move definitions from Section 5000, renumber Section 5170 to 5100, delete terms no longer used, and move requirements for specific Pools and Set-Asides to a definition.

Proposed changes also rename “Other Rehabilitation Projects” to “Acquisition/Rehabilitation Projects” and move the threshold requirements during competitive application years to a new Section 5103 and delete the definition of “Preservation Project,” which will now be captured by “Acquisition/Rehabilitation Project” definition and the use of scoring priorities in Section 5105(b).

Proposed changes also correct a reference to Revenue and Taxation Code in the definition of “At Risk Project,” cross reference CTCAC Regulations for the definition of Capital Needs Assessment for consistency purposes, and add the CTCAC definition of Hard Construction Costs.

Proposed substantive changes to the definition of BIPOC Project include requiring the BIPOC Entity remain in the BIPOC project for a minimum of three years from the project’s placed-in-service date to ensure that they are building experience and adds a definition to “Recycled Bonds.”

Proposed Change:

“At Risk Project” means a property that is at risk of conversion as defined by Revenue and Taxation Code section 17058(c)(6)(4) ~~and by section 10325(g) of Title 4 of the California Code of Regulations; or a property that otherwise meets all requirements of Revenue and Taxation Code section 17058(c)(4) and section 10325(g) of Title 4 of the California Code of Regulations, except that the federal assistance due to expire within five (5) calendar years of application to the Committee may include a tax-exempt private activity Bond regulatory agreement.~~

“BIPOC Project” means a Qualified Residential Rental Project for which the sponsor is a Qualified BIPOC Entity. A BIPOC Project may be a New Construction Project, Rural Project, ~~Preservation Project, or Other~~ Acquisition/Rehabilitation Project. The partnership agreement of a BIPOC Project must allocate at least 51% developer fee, cash flow, and net sale proceeds to the BIPOC Entity and provide the BIPOC Entity an option to purchase the development. A BIPOC Project does not include a project for which any principal, partner, affiliate, parent organization, or member of the sponsor entity is eligible to receive maximum General Partner Experience points pursuant to Section 10325(c)(1)(A) of the CTCAC regulations unless (a) those points are awarded to a principal of the BIPOC Entity who no longer is employed by the developer of, or has an ownership interest in, the project(s) which form the basis of

the experience points, or (b) those points are awarded-available to a nonprofit managing general partner that is (1) eligible under 501(c)(3) of the Internal Revenue Code and (2) not receiving more than 10% of the economic interests of the Project, which include developer fee, cash flow, and net sale proceeds and (3) the BIPOC Entity qualifies for-receives General Partner experience points pursuant to Section 5105230(f)(1)(C). All BIPOC Projects shall be prequalified under Section 5231(d) and the BIPOC Entity must remain in the BIPOC Project ownership for a minimum of three years from the date the BIPOC Project is placed into service.

“Capital Needs Assessment” means the physical needs assessment required for all acquisition/rehabilitation projects as defined in Section 10302(k) of the CTCAC Regulations. ~~a document containing the information defined in section 5212.~~

“Hard Construction Costs” means the amount of the construction contract, excluding contractor profit, general requirements and contractor overhead.

“New Construction Project” means a QRRP project applying for an allocation of tax-exempt private activity bonds that meets at least one of the following: (1) 100% of its units constitute new units to the market, (2) involves the demolition or rehabilitation of existing residential units that increase the unit count by either 25 units or 50% of the existing units, whichever is greater, unless, for existing SRO projects, waived by the Executive Director provided that the applicant demonstrates that full compliance would be impractical, or (3) adaptive re-use of non-residential structures, including hotels and motels that were converted to residential use within the previous five (5) years from the date of the application.

“Neighborhood Change Map” means the Final 2024 Neighborhood Change Map, and any subsequent updates, developed by HCD to identify neighborhoods that have undergone rapid racial/ethnic change and economic change, which present a risk of exacerbating challenges to Affirmatively Furthering Fair Housing. An applicant may choose to utilize the census tract or census block group resource designation from the Neighborhood Change Map in effect when the initial site control was obtained up to seven calendar years prior to the application.

~~“Other Acquisition/Rehabilitation Project” means a QRRP Project applying for an allocation of tax-exempt private activity bonds from the General Pool that is not eligible for treatment as a New Construction Project or a Preservation Project. In a Competitive Application Process, an Other Rehabilitation Project shall meet all of the following criteria: (a) Shall complete at least \$60,000 in hard construction costs per tax credit unit, as defined in CTCAC Regulation Section 10302(x); and (b) At least 60% of hard construction costs shall be expended only on immediate health and safety improvements, seismic and accessibility improvements, and/or the~~

~~replacement of major systems with a remaining useful life of less than ten years, as evidenced by a CTCAC Capital Needs Assessment.~~

"Recycled Bonds" means previously issued Allocation that meets the requirements of IRC section 146(i)(6).

Comments received: One commenter was opposed to changes in the BIPOC Project definition that more clearly prohibits BIPOC entities that are partnering with experienced nonprofits from accessing the joint venture developer fee if the project is competing in the BIPOC Pool. One commenter was opposed to allowing BIPOC entities to partner with experienced nonprofits. Four commenters requested that the BIPOC entity be required to maintain their ownership for the full term of the regulatory period, as opposed to the proposed 3 years. 5 commenters supported the changes to the definition of Neighborhood Change Map. One commenter was opposed to allowing the Executive Director to waive the minimum unit count requirement for SROs that are rebuilding units to count as New Construction Projects. One commenter was opposed to combining Preservation Project and Other Rehabilitation Project into a new "Acquisition/Rehabilitation Project and 22 commenters were supportive. One commenter suggested changes to Acquisition/Rehabilitation Project Priorities to only truly at-risk projects be eligible for maximum points and opposed the proposed modifications to the definition.

Response to Comments: The changes to BIPOC Project clarifies the original intent of the increased developer fee, which was to incentivize joint ventures competing outside of the BIPOC Pool. The recent changes to the definition of BIPOC Project to allow a BIPOC Entity to partner with an experienced partner should not change that. The changes to "New Construction Project" are aligning with existing authority allowable under the CTCAC Regulations and therefore necessary for the administration of the program.

Final proposed change: Proceed as initially proposed except the following modifications to the "At Risk Project" definition.

"At Risk Project" means a property that is at risk of conversion as defined by Revenue and Taxation Code section 17058(c)(6)(4) and by section 10325(g) of Title 4 of the California Code of Regulations; or a property that otherwise meets all requirements of Revenue and Taxation Code section 17058(c)(4) and section 10325(g) of Title 4 of the California Code of Regulations, except that the federal assistance due to expire within five (5) calendar years of application to the Committee may include a tax-exempt private activity Bond regulatory agreement.

14. New Section 5101. Announcement of Qualified Residential Rental Project Pools, Set-Asides, and Minimum Points.

Proposed changes move language from Sections 5020 and 5022 to a new Section 5101, “Announcement of QRRP Pools, Set-Asides, and Minimum Points,” and replace the Preservation Pool and Other Rehabilitation Pool with one Acquisition/Rehabilitation Pool, in order to better set scoring priorities for Acquisition/Rehabilitation Projects. Proposed changes eliminate the prescriptive pool-by-pool determinations required by the Committee under current Section 5020 to reflect the current practice for adopting state ceiling pool and set-aside distributions.

Comments received: None

Final proposed change: Proceed as initially proposed.

15. Article 2. Applications.

Proposed changes move Section 5180 to a new proposed Section 5102, QRRP Application Procedures and Requirements, delete Sections 5181, 5182, and 5183 on concurrent applications with other agencies and CTCAC, which will be handled in the CTCAC Regulations.

Comments received: None

Final proposed change: Proceed as initially proposed.

16. Article 3. Minimum Requirements

Proposed changes move Section 5190 to a new Section 5102, move Sections 5191, 5192, 5193, and 5194 to a new Section 5107, “QRRP Program Requirements.”

Proposed substantive changes to language moved into Section 5102 (current Section 5190) include adding Labor Laws to the disclosures required under (c)(4)(D) in order to ensure members of the development team are not violating wage or other benefit payments or contributions. New Section 5102 is also being reorganized to clarify which members of the development team are subject what legal status disclosure rules.

Additionally, proposed substantive changes include requiring all Applicants provide evidence of enforceable financing commitments for at least fifty percent (50%) of the acquisition and construction financing, or at least fifty percent (50%) of the

permanent financing, of the proposed project's estimated total acquisition and construction or total permanent financing requirements. This will help ensure that all projects will be able to utilize bonds in an appropriate amount of time. Proposed changes also require commitment letters for applications that contain Recycled Bonds. Proposed changes also include the CTCAC definition of "enforceable financing commitment."

Proposed change:

§ 5102. QRRP Application Procedures and Requirements.

~~(a)(4)~~ Legal Status of ~~Project Sponsor and Developer~~Development Team Members.

(A) Applicants shall provide information regarding the legal status of the Project Sponsor and Developer.

4(i) Financial Viability. Disclose any legal or regulatory action or investigation that may have a material impact on the financial viability of the project or the Project Sponsor and Developer. The disclosure should be limited to actions or investigations in which the applicant or the applicant's parent, subsidiary, or affiliate involved in the management, operation, or development of the project has been named a party. Not Applicable is an unacceptable response.

2(ii) Fraud, Corruption, or Serious Harm. Disclose any legal or regulatory action or investigation involving fraud or corruption, or health and safety where there are allegations of serious harm to employees, the public, or the environment. The disclosure should be limited to actions or investigations in which the Project Sponsor and Developer or the Project Sponsor's and Developer's current board member (except for volunteer board members of non-profit entities), partner, limited liability corporation member, senior officer, or senior management personnel has been named a defendant within the past ten years. Not Applicable is an unacceptable response.

3(iii) Disclosures required under (i) and (ii) should include civil or criminal cases filed in state or federal court; civil or criminal investigations by local, state, or federal law enforcement authorities; and enforcement proceedings or investigations by local, state or federal regulatory agencies. The information provided must include relevant dates, the nature of the allegation(s), charters, complaint or filing, and the outcome. For a publicly-traded company, the relevant sections of the company's 10K, 8K, and 10Q most recently filed with the Securities and Exchange Commission may be attached in response to question #1. With respect to a response for question #2, previous 10K, 8K, and 10Q filings of the company may be attached if applicable.

(B) Applicants shall disclose the following information for the Project Sponsor, Developer, General Contractor, and Property Manager:

(4)(1) Fair Housing, ~~and~~ Anti-Discrimination, ~~and~~ Labor Laws. Disclose any regulatory or investigative proceeding by a local, state, or federal agency relating to an alleged, pending, ongoing, or closed violation of fair housing, ~~or~~ anti-discrimination, ~~or labor~~ laws and the status of the proceeding, as applicable.

(5) Enforceable financing commitment.

(A) Applicants shall provide evidence of enforceable financing commitments for at least fifty percent (50%) of the acquisition and construction financing, or at least fifty percent (50%) of the permanent financing, of the proposed project's estimated total acquisition and construction or total permanent financing requirements.

(B) An "enforceable financing commitment" must:

(i) be in writing, stating rate and terms, and in the form of a loan, grant or an approval of the assignment/assumption of existing debt by the mortgagee;

(ii) be subject only to conditions within the control of the applicant, but for obtaining other financing sources including an award of Bonds;

(iii) have a term of at least fifteen (15) years if it is permanent financing;

(iv) demonstrate feasibility for fifteen (15) years at the underwriting interest rate, if it is a variable or adjustable interest rate permanent loan;

(v) be executed by a lender other than a mortgage broker, the applicant, or an entity with an identity of interest with the applicant, unless the applicant is a lending institution actively and regularly engaged in residential lending; and

(vi) be accepted in writing by the proposed mortgagor or grantee, if private financing.

(C) Substitutions are allowed after an allocation only if the new source is comparable (e.g., bank loan for bank loan, public funds for public funds).

Comments received: Two commenters were supportive of CDLAC requiring all applicants to provide evidence of enforceable financing commitments for at least 50% of construction financing. Five commenters were concerned that the disclosure requirements were overly broad and that the development team members may not be knowable at the time of application and those relevant disclosures should be provided at readiness. One commenter was supportive of the inclusion of labor law disclosures. Six commenters were opposed to the limitation on substitution of funds

and one commenter requested that CalHFA subordinate hard loans not be considered public funds for the purposes of substitutions. One commenter did not support the requirement of 15 year terms for permanent financing commitments. One commenter requested that CDLAC make a conforming change to CTCAC proposed changes to site control requirements that allow for a form of lease or option to lease that is “acceptable to CTCAC.”

Response to Comments: Staff acknowledges that the disclosure requirements may be overbroad and, therefore, are modifying the proposal to limit the disclosures to affordable housing development related actions and allowing them to be provided by readiness deadline. Staff is modifying the site control language to conform with CTCAC’s and deleting the language related to substitution of funds.

Final proposed change: Proceed as initially proposed, with the exception of the following:

[...]

~~(1)(A)~~ Site control may be evidenced by any of the following:

~~(A)(i)~~ The Applicant or Project Sponsor holds fee title as evidenced by the current (within 90 days prior to the Application date) preliminary or final title report;

~~(B)(ii)~~ An executed long-term lease agreement or lease option between the applicant and the property owner, extending for the duration of the project’s regulatory period under this program ~~for the length of time the Project will be regulated under this program between the Applicant or Project Sponsor and the owner of the subject property;~~

[...]

~~(B) Applicants shall disclose the following information for the Project Sponsor, Developer, General Contractor, and Property Manager:~~

~~4(1)~~ Fair Housing, ~~and~~ Anti-Discrimination, ~~and~~ Labor Laws. Disclose any regulatory or investigative proceeding related to affordable housing development or management by a local, state, or federal agency relating to an alleged, pending, ongoing, or closed violation of fair housing, ~~or~~ anti-discrimination, ~~or~~ labor laws and the status of the proceeding, as applicable.

~~(5) Enforceable financing commitment.~~

(A) Applicants shall provide evidence of enforceable financing commitments for at least fifty percent (50%) of the acquisition and construction financing, or at least fifty percent (50%) of the permanent financing, of the proposed project's estimated total acquisition and construction or total permanent financing requirements.

(B) An “enforceable financing commitment” must:

(i) be in writing, stating rate and terms, and in the form of a loan, grant or an approval of the assignment/assumption of existing debt by the mortgagee;

(ii) be subject only to conditions within the control of the applicant, but for obtaining other financing sources including an award of Bonds;

(iii) have a term of at least fifteen (15) years if it is permanent financing;

(iv) demonstrate feasibility for fifteen (15) years at the underwriting interest rate, if it is a variable or adjustable interest rate permanent loan;

(v) be executed by a lender other than a mortgage broker, the applicant, or an entity with an identity of interest with the applicant, unless the applicant is a lending institution actively and regularly engaged in residential lending; and

(vi) be accepted in writing by the proposed mortgagor or grantee, if private financing.

(C) Substitutions are allowed after an allocation only if the new source is comparable (e.g., bank loan for bank loan, public funds for public funds).

17. Article 4. Market Studies.

Proposed changes reorganize Section 5200 into a new Section 5107.

Comments received: None

Final proposed change: Proceed as initially proposed.

18. Article 5. Sustainable Building Standards.

Proposed changes reorganize Section 5205 into a new Section 5107.

Comments received: None

Final proposed change: Proceed as initially proposed.

19. Article 6. Acquisition and Rehabilitation Project.

Proposed changes reorganize Sections 5210, 5211, and 5212 into a new Section 5103 renamed “Additional Requirements for Acquisition/Rehabilitation Projects”, which also adds minimum requirements during a Competitive Application Process.

Proposed change:

~~Article 6. Acquisition and Rehabilitation Projects~~

~~Section 5210-5103. Additional Requirements for Acquisition/Rehabilitation Projects. Minimum Expenditures.~~

~~Except as set forth in subdivision (a) of this section, Qualified Residential Rental Projects involving the rehabilitation of existing buildings~~

~~(a) Acquisition/Rehabilitation Projects must complete a minimum of \$15,000 in hard construction costs per unit, except At Risk Projects that receive only an award of Bond authority and do not receive low-income housing tax credits must spend the minimum amount required by 26 U.S.C. section 147(d)(2).~~

~~(b) In a Competitive Application Process, Acquisition/Rehabilitation Projects shall meet all of the following criteria:~~

~~(1) Shall complete at least \$60,000 in hard construction costs per tax credit unit; and~~

~~(2) At least 60% of hard construction costs shall be expended only on immediate health and safety improvements, seismic and accessibility improvements, and/or the replacement of major systems with a remaining useful life of less than ten years, as evidenced by a CTCAC Capital Needs Assessment.~~

~~(a) At Risk Projects that receive only an award of Bond authority and do not receive low income housing tax credits must spend the minimum amount required by 26 U.S.C. section 147(d)(2).~~

~~(b) For purposes of this article, “hard construction costs” means the sum of the structure costs plus on-site and off-site costs.~~

~~(c) Applicants proposing rehabilitation or demolition of occupied housing shall comply with Section 10322(h)(28) of the CTCAC regulations.~~

(d) Except as provided below for reapplications, the Applicant shall submit a Capital Needs Assessment with report and inspection dates within 180 days prior to the Application deadline that details the condition and remaining useful life of the building's major structural components, all necessary work to be undertaken and its associated costs, as well as the nature of the work, and distinguishing between immediate and long-term repairs. The Capital Needs Assessment shall also include a fifteen (15) year reserve study, indicating anticipated dates and costs of future replacements of all major building components that are not being replaced immediately and the reserve contributions needed to fund those replacements. The Capital Needs Assessment shall be prepared by the Project's architect, as long as the architect has no identity of interest with the Project Sponsor or other member of the development team; or by a qualified independent third party who has no identity of interest with any of the members of the development team. The Capital Needs Assessment is not required if the Project, within the immediately preceding three (3) years, received an Allocation and this requirement was satisfied in the original Application. The Committee may permit the Capital Needs Assessment of an unsuccessful application to be submitted, only once, in the reapplication cycle immediately following the unsuccessful application.

Comments received: One commenter requested that the 60% threshold be reduced to 40%. Seven commenters support the requirement for 60% of hard costs needed to be for useful improvements like seismic retrofits, health and safety improvements, and the replacement of major building systems approaching the end of their usable life. They recommend CDLAC also allow building electrification costs to count towards that 60% threshold.

Final proposed change: Proceed as initially proposed.

20. Article 7. Post Issuance Oversight and Termination of Project-Based Subsidies.

Proposed changes reorganize Section 5220 into a new Section 5112, renamed "Post-Issuance Compliance," and delete a previously repealed Section 5221.

Comments received: None

Final proposed change: Proceed as initially proposed.

21. Article 8. Evaluation Criteria.

Proposed changes reorganize Section 5230 into a new Section 5105, renamed "Application Evaluation and Points," Section 5231 into a new Section 5106, renamed

“Competitive Application Process Application Ranking,” Sections 5232 and 5233 into a new Section 5108, renamed “Bond Allocation Limits and Issuance Deadline Extensions.”

Substantive changes in the new Section 5105 propose the following:

- Restructure the points available to Acquisition/Preservation Projects to clarify state priorities. Previously, the Preservation Pool articulated different priorities using points, but the Other Rehabilitation Pool did not provide any such distinctions. This puts certain project types at a significant disadvantage. This proposal keeps the scoring priorities that were for the Preservation Pool and applies them more broadly to first prioritize At Risk Projects, second legacy HCD or HUD projects, third projects with high rehabilitation needs, and finally projects that have either never accessed the bond/tax credit program or have not in the last 20 years. The proposal also keeps the scoring priority that was available to “Other Rehabilitation Projects” as an available 10 points for “Acquisition/Rehabilitation Projects,” but modifies the prohibition of repayment of existing soft financing to allow the repayment of de minimis loans or temporary repayments. Keeping these priorities in scoring, allows lower-priority projects to still have access to bonds if the Pool is less competitive. CDLAC intends to pair these changes with more resources for Acquisition/Rehabilitation Projects.
- Delete the Leveraged Soft Resources point score. Currently, all applicants receive the maximum points for leveraged soft resources. This point category was initially critical to encourage bond issuers to establish bond recycling programs; however, with the bond financing requirements lowering from 50% to 25%, this point category is unintentionally incentivizing projects that do not need recycled bonds to use this scarce resource to gain the category points.
- Require all deferred-payment financing, residual receipts payment financing, grants and subsidies shown in the application are “committed” at the time of application. This will ensure that all projects claiming readiness are not still waiting for public financing commitments and align with CTCAC threshold requirements for points.
- Establish a process to enforce Readiness deadlines, extensions, and appeals. Currently, readiness deadlines are aligned with bond issuance deadlines and CDLAC lacks tools to hold Applicants accountable for points received under the readiness standard. Now, Applicants will be required to meet the Readiness deadline separate from the Bond issuance deadline, as established in new Section 5010.
- Refine the soft cap “approximately” language to turn off at 48%, and not to exceed 52% of bond allocation amounts.

Substantive changes in the new Section 5106 propose the following:

- Allow all Acquisition/Rehabilitation Projects to use actual rents in their rent savings benefit calculation.
- Propose a homeless population benefit in the special populations benefit category for projects that qualify for the Homeless Set-Aside and are serving communities with a high homeless population per capita. This helps ensure that the program is targeting these units to the areas that need them.
- Set all bond requests at 30% of aggregate basis plus land basis for the purposes of the tie breaker calculation to prevent Applicants from manipulating their bond requests during application and coming back for Supplemental Allocations.
- Exclude Farmworker State Credits from the tiebreaker calculation since these projects are at a structural disadvantage when competing against other projects because Farmworker State Credits allow for a high credit amount than other state credits.
- Add a 3% cost adjuster for projects subject to a Project Labor Agreement or where the general contractor has an enforceable commitment to participate in state-approved apprenticeship training programs and provide health care for construction workers and their dependents
- Remove the disaster priority expiring at the end of 2025.

Substantive changes in the new Section 5108 propose the following:

- Delete allocation limits because, with the 25% test, the limits are no longer necessary
- Make permanent emergency regulation changes that were adopted in August 2025 relating to the implementation of the 25% test for bond allocation limits and extensions to issuance dates.

Proposed change:

5230-5105. Application Evaluation Criteria and Points.

(a) The following criteria will be used to evaluate and rank all Qualified Residential Rental Project applications. Each of the items in this section shall be memorialized in the Committee Resolution.

(b) ~~Preservation and Other Acquisition~~/Rehabilitation Project Priorities (20 points maximum).

(1) A project meeting all of the following criteria shall receive 10 points:

(A) The project does not result in a distribution of net project equity, as that term is defined in Section 10302(gg) of the CTCAC Regulations, to a general partner or a related party to the general partner. For purposes of this subparagraph, there may be a buyout of a limited partner or equity distributed to a third party seller;

(B) There is no partial or full repayment of existing soft financing, except for loans less than or equal to the greater of \$500,000 or 1.5% of the project's total development costs or for temporary repayments that will be restored in the permanent financing; and

(C) The application's developer fee limit pursuant to Section 10327(c)(2) of the CTCAC Regulations is further limited to a cash-out developer fee no greater than 80% of the CTCAC cash-out developer fee limit.

(2) A project shall receive points in only one of the following: Preservation Projects meeting the following criteria shall receive points in the highest scoring category only:

(A) A project that meets at least one of the following shall receive 20 points:

(i) An At-Risk Project shall receive 10 points.

(ii) A project in which lower income rent and income restrictions on at least 50 percent of the total units pursuant to a regulatory agreement with a public entity shall terminate or be eligible for termination within five years of application with no other rent and income restrictions remaining.

(iii)

(B) A project that meets at least one of the following shall receive 9 points:

(i) A replacement or rehabilitation project approved by HUD pursuant to a Section 18 or 22 Demolition/Disposition authorization, a

(iv) A component one project being rehabilitated under the HUD Rental Assistance Demonstration (RAD) Program, or a rehabilitation project that has received a new Section 515 loan from the United States Department of Agriculture; or,

(v)(ii) A project that received an award from HCD's Portfolio Reinvestment Program; or a

(B) A project that meets at least one of the following shall receive 14 points:

(i) A component two project being rehabilitated under the HUD Rental Assistance Demonstration (RAD) Program; or

~~(ii) A project with a pre-1999 HCD loan that is being restructured pursuant to Health and Safety Code section 50560 (AB 1699) that has not previously received an allocation of Low-Income Housing Tax Credits.~~

(C) A project that meets at least one of the following shall receive 8 points:

(i) A project with at least \$120,000 in hard construction costs per tax credit unit and is replacing at least two major building systems

~~(iii)~~(ii) A project applying as an SRO housing type, as defined in Section 10325(g) of the CTCAC regulations, and the rehabilitation will add a bathroom and complete kitchen to each unit.

(D) A project that meets at least one of the following shall receive 7 points:

(i) A project that has previously received an allocation of Low-Income Housing Tax Credits where it has been greater than 20 years from the placed in service date.

(ii) A project that has never received an allocation of Low-Income Housing Tax Credits.

~~(C) A project with a pre-1999 HCD loan that is being restructured pursuant to Health and Safety Code section 50560 (AB 1699) that has previously received an allocation of Low-Income Housing Tax Credits shall receive 6 points.~~

~~(2) Other Rehabilitation Projects meeting all of the following criteria shall receive 20 points:~~

~~(A) The project does not result in a distribution of net project equity, as that term is defined in Section 10302(gg) of the CTCAC Regulations, to a general partner or a related party to the general partner. For purposes of this subparagraph, there may be a buyout of a limited partner or equity distributed to a third party seller;~~

~~(B) There is no partial or full repayment of existing soft financing; and~~

~~(C) The application's developer fee limit pursuant to Section 10327(c)(2) of the CTCAC Regulations is further limited to a cash-out developer fee no greater than 80% of the CTCAC cash-out developer fee limit.~~

[...]

(g) Housing Types (10 points maximum; ~~Preservation Projects and Other Acquisition/~~Rehabilitation Projects not eligible for these points). A New Construction Project that meets any of the following criteria shall receive 10 points:

(1) The project meets the criteria for any of the housing types described in Section 10325(g) of the CTCAC regulations. Points will be awarded only in one housing type.

(2) The project meets the requirements of subdivision (c) of this section or is a New Construction Project that obtained all land use approvals prior to January 1, 2022.

~~(h) Leveraged Soft Resources (8 points maximum). A project shall receive 1 point for each full percent that leveraged soft resources defraying residential costs represent as a percentage of total residential project development costs, except that a New Construction Project that receives points as a Large Family project or Special Needs project pursuant to the conditions specified in Section 5230(j)(1)(A) and is located in a High or Highest Resource Area as specified on the CTCAC/HCD Opportunity Area Map shall receive 2 points for each full percent of leveraged soft resources. For purposes of this subdivision, leveraged soft resources shall have the same meaning as in Section 10325(c)(9) of the CTCAC regulations.~~

~~(i) (h) Readiness to Proceed (10 points maximum). Projects may earn 10 points by documenting enforceable financing commitments as defined in Section 5102(b)(5) for all construction financing and demonstrating that construction can begin within 180 days, 201 days, or 222 days of the bond allocation, as assigned by the Executive Director. Additionally, Applicants shall provide evidence that all deferred-payment financing, residual receipts payment financing, grants and subsidies shown in the application are “committed” at the time of application, as described in CTCAC Regulations Section 10325(f)(8)(A)-(D), except a project is exempt from this requirement if it has funds anticipated and publicly published with provisional awardee names but not yet officially awarded in the capacity required.~~

~~(1) Before the end of the assigned deadline, CDLAC must receive:~~

~~(A) A completed updated application with an explanation of changes from the initial application.~~

~~(B) An executed construction contract.~~

~~(C) Recorded deeds of trust for all construction financing (unless precluded by tribal trust land), binding commitments for permanent and any other required financing.~~

~~(D) Executed limited partnership agreement with equity investor.~~

~~(E) Updated Attachment 16.~~

(F) Issued building permits or applicable tribal documents.

(i) Grading permits may be used to meet this requirement only if the city or county does not issue building permits before grading is complete.

(ii) Documentation that the city or county approved construction to begin may be used to meet this requirement for design-build projects where the city or county does not issue building permits until designs are fully complete.

(G) Notice to proceed delivered to the contractor.

(2) If no construction lender is involved, evidence of equity partner admission and initial disbursement must be submitted by the deadline. CDLAC will conduct a financial feasibility and cost reasonableness review upon receipt. In cases of federally or state-declared emergencies (or similar events, at the Executive Director's discretion), extensions may be granted.

(3) Failure to meet the deadline or provide sufficient documentation may result in the Executive Director issuing a notice rescinding the bond allocation for failure to be ready to proceed. Prior to the deadline, the applicant may submit one request for an extension of up to ninety (90) days, which the Executive Director may grant at their discretion. If the applicant fails to meet the requirements by the expiration of the granted extension, the bond allocation may be rescinded, subject to appeal under Section 5005. The Executive Director's denial of an extension request, as well as any notice of rescission, is also appealable under Section 5005. The Committee may issue negative points under Section 5105(m) in connection with any allocation rescission, or with any extension granted or denied, including those addressed through an appeal under Section 5005. Projects that receive the maximum number of points pursuant to this subdivision shall have a readiness deadline that aligns with the allocation expiration assigned pursuant to Section 5100(b)(3)(i), and submit within that time period evidence of the issuance of building permits or the applicable tribal documents, and notice to proceed delivered to the contractor. Failure to meet the assigned due date shall result in rescission of the bond allocation and negative points may be assessed at the discretion of the Committee pursuant to subdivision (n).

(1) For purposes of submitting evidence of the issuance of a building permit:

(A) A grading permit shall not suffice to meet the building permit requirement except that if the city or county as a rule does not issue building permits prior to the completion of grading, then a grading permit shall suffice.

~~(B) If the project is a design-build project in which the city or county does not issue building permits until designs are fully complete, then the city or county shall have approved construction to begin.~~

~~(j)(i) Affirmatively Furthering Fair Housing Access to Opportunity~~ (10 points maximum).

(1) A New Construction project shall receive points in only one of the following manners:

(A)(i) Except as provided in (ii) below, 10 points if the project receives points as a Large Family project or Special Needs project pursuant to subdivision (g) (except the Special Needs project shall have at least 50% of its units set aside as permanent supportive housing), is located in a High or Highest Resource Area as specified on the CTCAC/HCD Opportunity Area Map, and at least 10% of tax credit units shall be restricted at or below 30% of area median income and an additional 10% of tax credits units shall be restricted at or below 50% of area median income (except Special Needs projects shall be exempt from this 50% AMI requirement).

(ii) Using the sort order described in Section 5~~106234~~, after projects receiving 10 points pursuant to this subdivision have been recommended for allocations that meet or exceed the following ~~50%~~ threshold, all remaining projects in each pool or set aside shall receive 9 points for meeting the requirements of this subdivision. For the purpose of awarding points per round, excluding an established waiting list, pursuant to this subdivision, 10 points shall be awarded until ~~48%-approximately~~ 50% of the amount available to a pool or set aside has been allocated or until the next eligible project in line would allocate over 52% of the amount available to the pool or set aside. Subsequently, all remaining projects in each pool or set aside shall receive 9 points for meeting the requirements of this subdivision.

[...]

~~(n)(m)~~ Negative Points (no maximum). ~~(1) The Committee may deduct points for an Application involving a Project Sponsor that has been or is a Related Party to a Project Sponsor (i.e. in the ownership structure) for which an Allocation has been awarded as follows:~~

~~(A)(1)~~ Ten (10) points may be deducted for each failure to fully utilize the leveraged soft resources for which points were awarded in connection with the prior Allocation, unless it can be demonstrated that the failure was unforeseen and entirely outside of the Project Sponsor's control or the amount not utilized is not material, or is the

result of voluntarily returning leveraged soft resources due to the project being over-sourced, or if a change in federal or state law provides additional financial resources that result in a reduction in leveraged soft resources. This deduction may be assessed against the Project Sponsor for a period of up to two (2) calendar years (10 points each year) from the date on which the prior Allocation was awarded.

~~(B)-(2)~~ Ten (10) points may be deducted for each failure to issue Bonds or utilize 90% or more of a Supplemental Allocation, unless it can be demonstrated that the failure was unforeseen and entirely outside of the Project Sponsor's control. This deduction may be assessed against the Project Sponsor for a period of up to two (2) succeeding years (10 points each year) following the year the Allocation was awarded.

~~(C)-(3)~~ Ten (10) points may be deducted for each failure to spend the proceeds of Bonds issued pursuant to an Allocation in full, or in accordance with the terms and conditions of the Committee Resolution, unless it can be demonstrated that the failure was unforeseen and entirely outside of the Project Sponsor's control, the amount not spent is not material or is consistent with the requirements of Section 5006(c)52(b), or the deviation from the terms and conditions of the Committee Resolution is not material. This deduction may be assessed against the Project Sponsor for a period of up to three (3) calendar years (10 points each year) from the date of determination of failure to spend proceeds.

~~(D)-(4)~~ Ten (10) points may be deducted for failure to comply with any provision of the Committee Resolution, unless it can be demonstrated that the failure was unforeseen and entirely outside of the Project Sponsor's control. This deduction may be assessed for a period of up to three (3) calendar years (10 points each year) from the date of determination of non-compliance with the Committee Resolution.

~~(E)-(5)~~ Ten (10) points may be deducted in connection with any adverse action taken under Section 5105(h). any extension granted by the Committee for allocations of QRRP Bonds pursuant to Sections 5101 and 5132. This deduction may be assessed against the Project Sponsor for a period of up to two (2) succeeding years (10 points each year) following the year the Allocation was awarded.

~~(2)-(6)~~ Where CTCAC has determined an Application for tax credits involving a Project Sponsor that has been or is a Related Party to a Project Sponsor who is subject to negative points under its regulations, CDLAC will deduct an equal amount of points for an equal period of time from tax exempt bond applications involving the Project Sponsor or a Related Party to the Project Sponsor.

~~(3)-(7)~~ Where CTCAC has determined an Applicant for tax credits involving a Project Sponsor that has been a Related Party to a Project sponsor who is subject to any type of determination of ineligibility, CDLAC will recognize the length of ineligibility and apply it to the tax exempt bond applications involving the Project Sponsor or Related Party to the Project Sponsor.

Section ~~5231~~ 5106. Competitive Application Process Application Ranking.

After all Applications for Qualified Residential Rental Projects are evaluated pursuant to Section ~~5105~~5230, the Applications shall be ranked and may be awarded an Allocation as follows, except that a project shall not receive a bond allocation if it had requested and is not scheduled to receive an award of State Tax Credits:

(a) Applications for Rural Projects will be ranked amongst themselves, and separately from Applications for all other Qualified Residential Rental Projects. Applications for Rural Projects awarded the greatest number of points after factoring in the tiebreaker pursuant to Section ~~5106(f)~~5231(g), as applicable, shall be awarded an Allocation from the Rural Pool. Applications for Rural Projects not receiving an Allocation will not be eligible for consideration for an Allocation under subdivisions ~~(b)~~, ~~(cb)~~ or ~~(ed)~~ of this section.

~~(b) Applications for Preservation Projects will be ranked amongst themselves, and separately from Applications for all other Qualified Residential Rental Projects. Applications for Preservation Projects awarded the greatest number of points after factoring in the tiebreaker pursuant to 5231(g) as applicable shall be awarded an Allocation from the Preservation Project Pool. Applications for Preservation Projects not receiving an Allocation pursuant to this subdivision will not be eligible for consideration for an Allocation under subdivision (a), (c) or (e) of this section.~~

~~(cb)~~ Applications for ~~OtherAcquisition~~/Rehabilitation Projects will be ranked amongst themselves, and separately from Applications for all other Qualified Residential Rental Projects. Applications for ~~OtherAcquisition~~/Rehabilitation Projects awarded the greatest number of points after factoring in the tiebreaker pursuant to Section ~~5106(f)~~5231(g), as applicable, shall be awarded an Allocation from the ~~OtherAcquisition~~/Rehabilitation Pool. Applications for ~~OtherAcquisition~~/Rehabilitation Projects not receiving an Allocation pursuant to this subdivision will not be eligible for consideration for an Allocation under subdivisions (a), ~~(b)~~ or ~~(ed)~~ of this section.

~~(dc)~~ Applications for BIPOC Projects.

[...]

(~~ed~~) Applications for Qualified Residential Rental Projects that are New Construction Projects, exclusive of Rural Projects, will then be ranked together. Applications receiving the greatest number of points after factoring in the tiebreaker pursuant to Section ~~5106(f)~~~~5231(g)~~, as applicable, shall be awarded an Allocation from the New Construction Pool in the following manner.

[...]

(2) Geographic region application selection. Bonds available in the New Construction Pool that are not reserved to a Set Aside shall be allocated to the highest ranking applications according to the geographic allocation described in Section ~~5022-5101~~. Projects receiving an allocation in the Rural, ~~Preservation, Other Acquisition~~/Rehabilitation, or BIPOC Pools or in the Homeless, Extremely Low/Very Low Income, and Mixed Income Set Asides shall not be counted towards the geographic apportionments.

[...]

(~~fe~~) If the last project allocation in a Pool, Set Aside, or geographic region requires more than the bonds remaining in that Pool, Set Aside, or geographic region, those overages shall be subtracted from that Pool, Set Aside, or geographic region in determining the amount available in the Pool, Set Aside, or geographic region for the subsequent allocation round. The last project to be allocated in a Pool, Set Aside, or geographic region shall not receive an Allocation unless at least 80%, or 100% in the final round of the year, of the requested Allocation for that project is remaining in that Pool, Set Aside, or geographic region for that round. When the first or next highest-ranking project does not meet the 80% or 100% rule above, that project, as well as any subsequent projects in rank order that also do not meet the 80% or 100% rule, may be skipped over to the next highest ranking project that meets the 80% or 100% rule. However, for all Allocation Rounds except the final Allocation Round of the calendar year, a project shall not be funded by this skipping process unless it (~~a~~) has a point score within one point of the first project skipped and (~~b~~) has a final tiebreaker score equal to at least 75% of the first skipped project's final tiebreaker score or a final tiebreaker score equal to at least 75% of the final tiebreaker score of the first skipped project after the last funded project in the Pool, Set Aside, or geographic region. If bonds within a Pool, Set Aside, or geographic region remain unallocated at the end of an allocation round, they shall be added to the subsequent round amounts in the same Pool, Set Aside, or geographic region. In the final allocation round of the year, the allocations within a Pool, Set Aside, or geographic region shall not exceed the amount of bonds available in the Pool, Set Aside, or geographic region.

(g) If two or more Applications are awarded the same total number of points, those Applications shall be ranked according to the highest amount of public benefit per dollar of cost-adjusted Bond and State Credit Allocation requested.

(1) A project's public benefit is the sum of all of the following:

(A) The project's unit production benefit, which is the product of the bedroom-adjusted number of tax credit units multiplied by \$50,000. To calculate a project's bedroom-adjusted number of tax credit units, the Committee shall first multiply the number of tax credit units of each bedroom count by the adjustment factor for units of that bedroom count. A project's bedroom-adjusted number of tax credit units shall be the sum of each of these products. The adjustment factors shall be .9 for a studio unit, 1 for a 1-bedroom unit, 1.25 for a 2-bedroom unit, 1.5 for a 3-bedroom unit (up to no more than 30% of the total units, then those additional units shall be counted as 2-bedroom units), and 1.75 for a 4-bedroom or larger unit (up to no more than 10% of the total units, then those additional units shall be counted as 2-bedroom units).

(B) The project's rent savings benefit, which is as follows:

(i) For all projects not covered in subparagraph (ii), the product of the sum across all tax credit units of each unit's difference between the monthly fair market rent established by HUD for the county in which the project is located and the area median income monthly gross rent limit for that unit at the targeted rent level for the appropriate bedroom size, all calculated according to the methodology for tax credit rents, multiplied by 180. If this calculation results in a negative number for any particular unit, then the rent savings benefit for that unit shall not be lower than zero. Units with federal project-based rental assistance or a similar local rental assistance program approved by the Executive Director shall be assigned targeted rent levels of 30% AMI regardless of their actual income targeting. If the average affordability of tax credit units, exclusive of units with rental assistance, is less than 40% AMI, then the calculation shall assume a targeted rent level of 40% AMI for each tax credit unit that does not have rental assistance.

(ii) For PreservationAcquisition/Rehabilitation Projects whose actual rents are less than the CTCAC rent limits, the sum of the following: (a) for tax credit units without federal project-based rental assistance or a similar local rental assistance program approved by the Executive Director, the product of the sum across all such units of each unit's difference between the monthly fair market rent established by HUD for the county in which the project is located and the average rent charged for each unit over the last three years, as documented with rent rolls or property audits, multiplied by 180; and (b) for tax credit units with federal project-based rental assistance or a similar local rental assistance program approved by the Executive Director, the product of the sum across all such units of each unit's difference between the

monthly fair market rent established by HUD for the county in which the project is located and the targeted rent level at 30% AMI regardless of their actual income targeting.

(C) The project's population benefit, which is comprised of an ELI benefit and a special populations benefit.

(i) The ELI benefit is the product of the number of tax credit units targeted at 30% of AMI or below, limited to no more than 50% of tax credit units, multiplied by \$20,000.

(ii) The special populations benefit is the product of the number of tax credit units restricted to persons with Special Needs, as defined in Section 10325(g)(3) of the CTCAC regulations, or veterans, limited to no more than 50% of tax credit units, multiplied by \$10,000, or, for projects eligible for the Homeless Set Aside, the product of the number of tax credit units designated for homeless households and (the number of homeless residents per 100,000 residents) multiplied by \$100. Applicants may use the greater per capita homeless count for either the project's county or city, if the city population is at least 100,000 residents).

[...]

(2) The cost-adjusted Bond and State Credit Allocation shall be calculated by reducing the unadjusted Bond and State Credit Allocation request by the following, as applicable:

(A) For purposes of this section, the unadjusted Bond calculation will assume an amount equal to 30% of the aggregated depreciable basis plus land basis for all projects. Additionally, the State Credit Allocation request will be calculated excluding Farmworker State Credits.

(AB) 15% for projects that are paid for in whole or in part out of public funds and are subject to a legal requirement for the payment of state or federal prevailing wages on the entire project. An additional 3% for projects that certify that either (i) they are subject to a project labor agreement within the meaning of Section 2500(b)(1) of the Public Contract Code that requires the employment of construction workers who are paid at least state or federal prevailing wages or (ii) the general contractor has an enforceable commitment to participate in state-approved apprenticeship training programs and provide health care for construction workers and their dependents.

(BC) Either 10% for projects in which at least 95% of the construction is Type I, as defined in Title 24, Section 602.2 of the California Building Code.; or 5% for projects

in which at least 95% of the construction is Type III, as defined in Title 24, Section 602.3 of the California Building Code, or a combination of Type I and Type III.

(~~CD~~) 25% of the statewide basis delta for the county in which the project is located. At least 10 days prior to the first application deadline of each calendar year, the Committee shall publish the statewide basis delta for each county, which shall represent the percentage difference between the two-bedroom 4% tax credit threshold basis limit for the county and the median two-bedroom 4% tax credit threshold basis limit for any county in the state, as those limits are determined by CTCAC pursuant to Section 10302(rr) of the CTCAC regulations.

(~~DE~~) For ~~Preservation or Other~~Acquisition/Rehabilitation projects requiring seismic upgrading of existing residential structures, and/or requiring on-site environmental remediation, including cleanup of lead or asbestos, and sporic growth, the lesser of 15% or the percentage of the bond request related to such costs, to the extent that the project architect or seismic engineer certifies in the application to the costs associated with such work.

Comments received:

- Restructuring the points available to Acquisition/Preservation Projects: Three commenters would like SRO conversions to be eligible for 9 points instead of 8 points. Five commenters would like all other SRO projects to be eligible for 8 points. Four commenters suggested adding projects that are financially distressed to be eligible for 8 points. One commenter suggested making HUD projects with section 8 rental assistance without a long-term regulatory agreement and that has never received bonds and credits a top priority and another commenter suggested this framework as an 8-point option. Five commenters suggested allowing any projects with existing HCD loans be eligible for 8 points. Seven commenters suggested adding projects with at least \$30,000/unit of local funds to be eligible for 9 points. One commenter suggested projects with a new Section 515 loan that closes on the acquisition prior to the tax credit syndication, which has recorded a new affordability covenant within two years of the tax credit reservation, be eligible as an At-Risk project and equal priority to the legacy HCD, PRP and HUD projects. Another commenter stated projects that haven't had tax credits in 7-point category be required to have a local agreement. Two commenters suggested that any project that previously received tax credits be eligible for 7 points. Two commenters suggested removing the requirement to replace two major building systems, as this may not be supported by the required PNA and could limit sponsors' ability to complete necessary repairs. Seven commenters suggested removing the requirement that applicants limit the

- cash-out developer fee to score a full 10 points and the Net Project Equity definition should be amended to allow General Partners to recoup their costs. There was also commentary suggesting at-risk projects involving third party acquisitions be excluded from these limits as it is often not within the applicant's control to maintain existing soft loans. Eight commenters suggested reducing the construction threshold from \$120,000 to \$100,000, \$85,000, or even \$80,000 per unit. Two other commenters suggested the same score be applied to financially distressed projects that cannot meet the \$120,000 per unit requirement.
- Deleting the Leveraged Soft Resources point score: Thirteen commenters support removing leveraged soft resources from scoring. Five of the commenters state that the Leveraged Soft Resources point category has never accomplished any specific purpose other than the unnecessary consumption of recycled bonds, drive up costs and waste limited public funding. With the implementation of the 25% test, the commenters state that it is critical that recycled bonds be used in the most effective and cost-efficient manner possible to help reduce taxable financing costs. Four commenters oppose removing the leveraged soft resources point category stating it risks further misaligning our housing finance system. Three of the commenters suggest maintaining the Leveraged Soft Resources point category for new construction projects at CDLAC but removing recycled bonds from the leveraged soft resources definition at CTCAC as it will still recognize the higher public benefit delivered by projects that leverage public dollars and align with local and state priorities. Another commenter supported removing recycled bonds from leveraged soft resources but maintaining leveraged soft resources as a tiebreaker component with adjusters for use of recycled bonds.
 - Requiring all deferred-payment financing, residual receipts payment financing, grants and subsidies shown in the application are "committed" at the time of application: Six commenters suggested reducing the requirement for deferred payment financing from 100% to 95% as there are often small loan amounts that may not yet be secured but are not enough to make the project infeasible if never obtained.
 - Establishing a process to enforce Readiness deadlines, extensions, and appeals: Ten commenters support changes to the readiness requirements. One commenter is opposed to the readiness-to-proceed requirement changes. Two commenters support the Director's 90-day extension authority. Three commenters suggested various adjustments to the readiness deadlines assigned at allocation. Six commenters suggested removing some of the suggested requirements when submitting proof of meeting the assigned readiness deadline.

- Refining the soft cap “approximately” language to turn off at 48%, and not to exceed 52% of bond allocation amounts: Eight commenters support changes to the high opportunity area point cap. Two opposed the change.
- Allowing all Acquisition/Rehabilitation Projects to use actual rents in their rent savings benefit calculation: Seven commenters supported allowing all Acquisition and Rehabilitation projects to use actual rents in their rent savings benefit calculation.
- Proposal of a homeless population benefit in the special populations benefit category for projects that qualify for the Homeless Set-Aside and are serving communities with a high homeless population per capita: Five commenters support the tiebreaker adjustment for homeless populations. There were concerns about the data sources and the ability to implement this provision consistently across the state. Commenters suggested the Committee provide data for applicants to use and potentially implement a review opportunity to reduce applicant confusion to obtain the numbers and staff effort to verify the data. One commenter stated it is not clear that this new methodology will result in the desired outcome of supporting homeless projects where concentration is the highest and does not see the policy benefit of building additional permanent supportive housing in areas that already have a high concentration of homeless individuals. They suggested it makes more sense to diversify cities and counties away from concentrations of poverty and this issue be studied further before implementing any changes. Eleven commenters suggested increasing the benefit to \$200 x the per capita rate of homelessness per 100,000 residents. Another commenter suggested looking at sheltered and unsheltered populations combined. Three commenters suggested the Homeless benefit be capped at 50% of tax credit units. There were several suggestions for data sources including the Annual Homelessness Assessment Report (AHAR), the California Interagency Council on Homelessness (Cal ICH) Homeless Data Integration System (HDIS), and self-reporting from local authorities.
- Setting all bond requests at 30% of aggregate basis plus land basis for the purposes of the tie breaker calculation to prevent Applicants from manipulating their bond requests during application and coming back for Supplemental Allocations: Six commenters supported changing the unadjusted bond calculation in the tiebreaker and five of them recommended adjusting the requirement to the greater of 27.5% of aggregate basis or the actual request.
- Excluding Farmworker State Credits from the tiebreaker calculation: Three commenters supported this change.
- Adding a 3% cost adjuster for projects subject to a Project Labor Agreement or where the general contractor has an enforceable commitment to participate in state-approved apprenticeship training programs and provide health care

for construction workers and their dependents: One commenter supported this change.

Response to Comments:

Staff agrees with comments to remove the AB 1699 qualifier of projects with pre-1999 HCD loans and is modifying the proposal to reflect this recommendation. Regarding adding additional projects to point categories, staff will consider this in a future regulation change. Staff is maintaining the proposal to require \$120,000 per unit and replacing two major building systems for projects to be eligible for 8 points. The intent behind this category is to identify projects that have extreme rehabilitation needs. Future regulation packages may modify this or the tiebreaker for Acquisition/Rehabilitation Projects based on 2026 applicant and award data. Staff agrees that At Risk Projects should not need to qualify for the points in (b)(1) since they previously were not subject to these requirements.

Staff is maintaining the proposal to delete the Leveraged Soft Resources point score as it is necessary to preserve recycled bonds, which are now a significantly more limited resource as a result of the 25% test. Previously, when projects were requesting over 50% of aggregate basis plus land basis, for many projects, the majority of those bonds were paid off at the time of conversion and those bonds were able to be recycled to support the permanent debt of other projects at a tax-exempt rate. Now that projects may only request 30% of aggregate basis plus land basis, very few bonds will be able to be recycled. Under the current regulations, alignment of the housing finance system is managed through the use of the Homeless, ELI/VLI, and Mixed Income Pools, which prioritize projects with state funding.

The proposed modification to enforceable financing commitments to allow a substitution of funds should allow small soft loan amounts that may not yet be secured be covered by deferred developer fees in the event that they are not later acquired.

Staff agrees with the recommendation to eliminate updated applications and attachment 16s from the required readiness documentation and is making that modification to the proposal.

Staff agrees with the comments to provide more specificity for which data source to use for quantifying homelessness per capita and is modifying the proposal accordingly. Staff will also publish guidance each year to assist applicants. Staff is reluctant to increase the value of the benefit or limit it to 50% of units at this time, but will consider it in a future regulation package based on the outcomes of 2026.

Staff agrees with the recommendation to set bond requests at the greater of 27.5% of aggregate basis or the actual request and is making that modification to the proposal.

Final proposed change: Proceed as initially proposed, which the following changes:

(b) ~~Preservation and Other Acquisition~~/Rehabilitation Project Priorities (20 points maximum).

(1) A project meeting all of the following criteria shall receive 10 points:

(A) The project does not result in a distribution of net project equity, as that term is defined in Section 10302(gg) of the CTCAC Regulations, to a general partner or a related party to the general partner. For purposes of this subparagraph, there may be a buyout of a limited partner or equity distributed to a third party seller;

(B) There is no partial or full repayment of existing soft financing, except for loans less than or equal to the greater of \$500,000 or 1.5% of the project's total development costs or for temporary repayments that will be restored in the permanent financing; and

(C) The application's developer fee limit pursuant to Section 10327(c)(2) of the CTCAC Regulations is further limited to a cash-out developer fee no greater than 80% of the CTCAC cash-out developer fee limit.

(2) A project shall receive points in only one of the following: ~~Preservation Projects meeting the following criteria shall receive points in the highest scoring category only:~~

(A) ~~A project that meets at least one of the following shall receive 20 points:~~

~~(i) An At-Risk Project shall receive 20 points.~~

~~(ii) A project in which lower income rent and income restrictions on at least 50 percent of the total units pursuant to a regulatory agreement with a public entity shall terminate or be eligible for termination within five years of application with no other rent and income restrictions remaining.~~

~~(iii)~~

(B) A project that meets at least one of the following shall receive 9 points:

(i) A replacement or rehabilitation project approved by HUD pursuant to a Section 18 or 22 Demolition/Disposition authorization, a

~~(iv) A component one~~ project being rehabilitated under the HUD Rental Assistance Demonstration (RAD) Program, or a rehabilitation project that has received a new Section 515 loan from the United States Department of Agriculture; or,

~~(v)(ii)~~ A project that received an award from HCD's Portfolio Reinvestment Program, or a

~~(B) A project that meets at least one of the following shall receive 14 points:~~

~~(i) A component two project being rehabilitated under the HUD Rental Assistance Demonstration (RAD) Program; or~~

~~(ii) A project with a pre-1999 HCD loan that is being restructured pursuant to Health and Safety Code section 50560 (AB 1699) that has not previously received an allocation of Low-Income Housing Tax Credits.~~

~~(C) A project that meets at least one of the following shall receive 8 points:~~

~~(i) A project with at least \$120,000 in hard construction costs per tax credit unit and is replacing at least two major building systems~~

~~(iii)(ii)~~ A project applying as an SRO housing type, as defined in Section 10325(g) of the CTCAC regulations, and the rehabilitation will add a bathroom and complete kitchen to each unit.

~~(D) A project that meets at least one of the following shall receive 7 points:~~

~~(i) A project that has previously received an allocation of Low-Income Housing Tax Credits where it has been greater than 20 years from the placed in service date.~~

~~(ii) A project that has never received an allocation of Low Income Housing Tax Credits.~~

[...]

~~(f) (h)~~ Readiness to Proceed (10 points maximum). Projects may earn 10 points by documenting enforceable financing commitments as defined in Section 5102(b)(5) for all construction financing and demonstrating that construction can begin within 180 days, 201 days, or 222 days of the bond allocation, as assigned by the Executive Director. Additionally, Applicants shall provide evidence that all deferred-payment financing, residual receipts payment financing, grants and subsidies shown in the application are "committed" at the time of application, as described in CTCAC Regulations Section 10325(f)(8)(A)-(D), except a project is exempt from this

requirement if it has funds anticipated and publicly published with provisional awardee names but not yet officially awarded in the capacity required.

(1) Before the end of the assigned deadline, CDLAC must receive:

(A) A completed updated application with an explanation of changes from the initial application.

(A) An executed construction contract.

(B) Recorded deeds of trust for all construction financing (unless precluded by tribal trust land), binding commitments for permanent and any other required financing.

(C) Executed limited partnership agreement with equity investor.

(E) Updated Attachment 16.

(D) Issued building permits or applicable tribal documents.

(i) Grading permits may be used to meet this requirement only if the city or county does not issue building permits before grading is complete.

(ii) Documentation that the city or county approved construction to begin may be used to meet this requirement for design-build projects where the city or county does not issue building permits until designs are fully complete.

(F) Notice to proceed delivered to the contractor.

[...]

(ii) The special populations benefit is the product of the number of tax credit units restricted to persons with Special Needs, as defined in Section 10325(g)(3) of the CTCAC regulations, or veterans, limited to no more than 50 than 50% of tax credit units, multiplied by \$10,000, or, for projects eligible for the Homeless Set Aside, the product of the number of tax credit units designated for homeless households and (the number of homeless residents per 100,000 residents) multiplied by \$100. Applicants may use the greater per capita homeless count for either the project's county or city, if the city population is at least 100,000 residents). When calculating the per capita homeless count, applicants may use the per capita rate of homelessness for the specific city the project is located in if the city population is at least 100,000 residents. If a project is located in a city of less than 100,000 residents or an unincorporated area, applicants shall use county-level per capita

homelessness rates. If the per capita rate of homelessness on a county level is greater than the city-level per capita rate of homelessness, the applicant may elect to use the county-level per capita rate of homelessness. In all cases, the per capita rate of homelessness shall be the most recent Point-in-Time count homeless population divided by the most recent Census population estimate for the corresponding jurisdiction in the year of the most recent Point-in-Time count.

[...]

(2) The cost-adjusted Bond and State Credit Allocation shall be calculated by reducing the unadjusted Bond and State Credit Allocation request by the following, as applicable:

(A) For purposes of this section, the unadjusted Bond calculation will assume an amount equal to the greater of 27.5% of the aggregated depreciable basis plus land basis or the actual amount requested for all projects. Additionally, the State Credit Allocation request will be calculated excluding Farmworker State Credits.

22. Article 9. Supplemental Allocation.

Proposed changes reorganize Sections 5240 and 5241 into a new Section 5109 named “Supplemental Allocation Process” and make permanent emergency regulation changes that were approved in August 2025.

Comments received: None

Final proposed change: Proceed as initially proposed.

23. Article 10. Scattered Site Applications

Proposed changes reorganize 5250 and 5251 into a new Section 5104.

Comments received: None

Final proposed change: Proceed as initially proposed.

24. Article 11. Application Process for Projects Assisted by the U.S. Department of Housing and Urban Development

Proposed changes reorganize Section 5255 and 5256 into a new Section 5110.

Comments received: None

Final proposed change: Proceed as initially proposed.

25. Article 12. Expiring Projects in Difficult Development Areas

Proposed changes reorganize Section 5258 into new Section 5111, rename “Expiring Projects in Difficult Development Areas or Qualified Census Tracts,” clarify the section’s intent to explain requirements for preserving an expiring DDA or QCT status and also move the filing fee from Section 5054, which is deleted.

Comments received: None

Final proposed change: Proceed as initially proposed.

26. Article 13. Qualified Residential Rental Project Allocation Request Process for December 2017 [Repealed]

Proposed changes delete a previously repealed Section 5259.

Comments received: None

Final proposed change: Proceed as initially proposed.

27. Chapter 9. Recovery Zone Economic Development Bond (RZEDB) Program [Repealed].

Proposed changes delete a previously repealed Chapter.

Comments received: None

Final proposed change: Proceed as initially proposed.

28. Chapter 10. Recovery Zone Facility Bond (RZFB) Program [Repealed].

Proposed changes delete a previously repealed Chapter.

Comments received: None

Final proposed change: Proceed as initially proposed.

29. Chapter 11. Qualified Energy Conservation Bond Program [Repealed].

Proposed changes delete a previously repealed Chapter.

Comments received: None

Final proposed change: Proceed as initially proposed.

30. Chapter 13. Qualified Public Educational Facility Bond (QPEFB) Program [Repealed].

Proposed changes delete a previously repealed Chapter.

Comments received: None

Final proposed change: Proceed as initially proposed.