CALIFORNIA HOUSING CONSORTIUM

April 10, 2023

California Department of Housing and Community Development
Jennifer Seeger, Deputy Director of Financial Assitance
2020 West El Camino Ave.
Sacramento, CA 95833

Submitted via online public comment form and via supernofa@hcd.ca.gov

RE: Proposed Changes to Multifamily Super NOFA (MFSN)

Dear Ms. Seeger:

The California Housing Consortium (CHC) is a non-partisan advocate for the production and preservation of housing affordable to low- and moderate-income Californians. CHC's diverse membership that spans the development, building, financial, and public sectors makes us uniquely situated to provide a broad, united position that reflects the majority of the affordable housing community.

Thank you for the opportunity to provide comments on the summary of proposed changes to the MFSN prior to the release of the Round 2 NOFA. We greatly appreciate the time and energy spent by staff to address our concerns with the results of Round 1, and, in particular, changes to the sort order.

Our comments on specific proposed changes are as follows:

Change 1.b. HCD should allow applicants with a by-right project approval to submit local approval forms prior to the award date and not require such approvals at application. Otherwise, these projects are unnecessarily delayed a year.

Change 3.c. We recognize the need for HCD to deal with partial awards from MFSN Round 1, however, we don't think that priority to partial awardees is appropriate in point scoring and should only be considered in the tiebreaker for this round only. This would ensure that HCD is still funding projects that meet the state's true policy priorities and does not inadvertently encourage projects to apply in two consecutive years to get this advantage.

Change 3.d. We believe applicants proposing partial veteran or farmworker developments will continue to apply for VHHP and Serna funds because it increases their chances of getting an HCD award and do not need additional incentives. Incentives would, however, move applicants already applying for VHHP or Serna up the rankings without a public policy rationale for favoring such developments.

Change 3.e. We appreciate HCD's interest in providing all necessary state gap funding so that HCD awardees must not also compete for scarce state tax credits. We can only support this or any disincentive or prohibition of pairing HCD-funded projects with state credits, so long as it's coupled with 1) increasing the $35 million HCD overall loan limit and 2) providing either additional HCD funds or an allowance of use of state credits to cover cost changes between application and closing.

Change 4.a. We are in full support of creating a single funding order. This is the single most important change the SuperNOFA needs. This will ensure that the projects with the greatest public benefit, as measured by the scoring and tiebreaker system, prevail regardless of project type. This will also avoid the unfair results of Round 1 whereby only VHHP and some Serna projects were able to access MHP funds and no MHP funds were left for MHP-only applicants.

Change 4.b. To add certainty to the allocation process, HCD should clarify the process for handling the last funded project in a set-aside, funding source, or geographic target.

Change 6.a. We support increasing loan limits to reduce the need for applicants to request state credits. While flexibility is needed to accommodate cost changes that occur as developers navigate the multiple state financing competitions, HCD should seek to supply all necessary state gap funding in one award.

Change 6.b. We strongly support harmonizing the loan limits for 4% and 9% LIHTC developments. The distinction is no longer relevant as 4% projects now have access to enhanced state credits and both programs are competitive. This also will facilitate giving developers more options to secure tax credits.

Change 6.c. The $35 million overall loan limit remains inadequate to fully fund gaps in larger developments. Given the interest in reducing state credit requests, HCD should increase this loan overall loan limit to $50 million or eliminate it in light of the separate per-unit loan limits that remain in place. In addition, given the UMR cost cap, the cost containment points, and the additional cost containment tiebreaker factor, HCD should eliminate the limits on the percentage of total development cost that HCD may fund.

Change 7.a. While the proposal to rectify application omissions by accepting documentation that existed in the public realm (only on the internet as we understand it) prior to the application is a helpful start, we strongly urge HCD to adopt application error/omission standards that are at least consistent with TCAC and ideally consistent with CDLAC. Disqualifying a project for small errors or omissions is poor public policy. TCAC allows staff to request documentation from third parties, provided those documents were in existence prior to the application deadline. CDLAC allows applicants five days to correct application deficiencies. Both are reasonable, and both are fair in that all applicants have the same access. It is also beneficial to all applicants to align standards across programs.

Switching Between 4% and 9% Executions. There is no longer an easy path for any development to secure tax credits. In this environment, it is critical that developers be able to change paths at TCAC and CDLAC. We appreciated your willingness during Round 1 to permit a one-time switch between 4% and 9% financing after receipt of a SuperNOFA award. Nonetheless, it is still important that HCD eliminate all limits on switching. The workload impacts on HCD are mitigated by the proposed change to apply the same loan limits regardless of tax credit type.

Concurrent Applications to TCAC or CDLAC. HCD permits concurrent SuperNOFA and TCAC/CDLAC applications only if the tax credit financing type is the same. If the concurrent SuperNOFA and TCAC/CDLAC applications show different tax credit financing, HCD indicated that the SuperNOFA application would be disqualified. HCD should allow concurrent applications to TCAC and CDLAC regardless of credit type. Until there is a one-stop state funding table, developments need to dual- or multi-track to efficiently push forward given the current competitive funding landscape and rising construction costs. It adds too much time and expense to wait for successive rounds.

Thank you for your consideration and we look forward to working with you in the coming weeks leading up to the release of the Round 2 MFSN.

Sincerely,

Ray Pearl
Executive Director