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August 6, 2021

Jennifer Seeger
Deputy Director for Financial Assistance
California Department of Housing and Community Development
2020 West El Camino Avenue
Sacramento, CA 95833
Submitted via email: MHP@hcd.ca.gov

RE: 2021 Multifamily Housing Program Draft Guidelines

Dear Jennifer:

On behalf of the San Diego Housing Federation, I am writing to submit comments on the draft guidelines for the 2021 Multifamily Housing Program. Founded in 1990, the San Diego Housing Federation (SDHF) serves as the collective voice of those who support, build, finance, and operate affordable homes in the San Diego region.

Section 7302 (h)

Our members expressed appreciation for elimination of the “stacking prohibition” and we support this change. While we appreciate the goal and intent to encourage applications with fewer subsidy sources, the requirement that no more than two Department funding sources plus two infrastructure grants may be used on a single Project presents challenges. This requirement is likely to increase loan amounts needed for a project and something that must be considered is how such a requirement is impacted by loan limits. The requirement may also result in incentivizing smaller projects that need less subsidy.

Section 7307 (c)

We ask HCD to maintain the language to preclude inclusionary units from receiving scarce and oversubscribed MHP funds. Inclusionary housing ordinances are policies designed as a market mechanism to create affordable housing. Along with options such as in-lieu fees and density bonuses, there are many avenues for market rate developers to meet their inclusionary obligations. HCD’s funds are better used for additional affordable units not already required by local ordinance.

Section 7320 (b) and Section 7320 (f)

Changes to the Local Housing Needs scoring category heavily favor projects in higher opportunity areas. While we support incentives that encourage more developments that advance AFFH policies and support the department’s commitment to affirmatively further fair housing, we share concerns that this become the sole determination of project awards. Especially since funding programs that might be paired with HCD funds for a project, such as

the AHSC program, have requirements to be spend in disadvantaged communities. The scoring preference for projects in high opportunity areas also creates significant challenges for the scoring category for cost containment.

Section 7323 (e)

HCD should allow nonprofit-controlled entities to refinance or add additional debt in order to deploy accumulated equity into HCD-approved affordable housing opportunities, including new projects or the rehabilitation of existing developments, provided that such debt is subordinate to HCD's lien and the project remains financially viable. HCD could further require a payoff of its loan if it so desired. Such a policy would unlock millions of dollars to increase the stock of desperately needed affordable homes. If HCD maintains its current policy, at a minimum it should allow for additional debt to pay investor exit taxes. If a nonprofit housing provider cannot raise money at year 15 to buy out the investor, it risks losing the property through sale, possibly to a for-profit owner who is much less likely to maintain long-term affordability. It is a poor policy outcome to force responsible mission-driven organizations to sell, particularly given that lenders will only make an additional loan if the project remains feasible.

Additional comments our members shared with us were regarding timelines and coordination with TCAC and CDLAC. We ask that HCD work with TCAC and CDLAC in developing timelines that are better aligned. Our members also shared a preference for releasing two NOFAs a year to account for timing with the release of local NOFAs, which tend to be released at random.

Thank you for consideration of our comments. Please let us know if there are any questions or if we can provide any additional information.

Sincerely,

A handwritten signature in blue ink that reads "Laura Nunn".

Laura Nunn
Chief of Policy & Education