CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

INITIAL STATEMENT OF REASONS
Loan Portfolio Restructure Amended Guidelines

The California Department of Housing and Community Development (Department) has proposed amendments to the Loan Portfolio Restructure (LPR) guidelines, which will adopt the recent amendments to the adopted Uniform Multifamily Regulations (UMRs) of November 15, 2017.

PROBLEM STATEMENT

Assembly Bill 1699 was enacted in 2012. The Department adopted guidelines for implementing the requirements of the bill in October 2014.

Since the adoption of the November 15, 2017 UMRs, stakeholders, both internally and externally, have communicated the financial impact and difficulty of long-term project monitoring under the LPR guidelines, as the applicable July 11, 2010 UMRs conflict with other Department funding sources and underwriting requirements subject to the November 15, 2017 UMRs.

BENEFITS

The anticipated benefits of the proposed amended guidelines include, but are not limited to: (1) streamlining underwriting and long-term monitoring efforts with other Department funding sources; and (2) updating and standardizing the underwriting standards to ensure consistency among the Department's programs.

PURPOSE

Section 100(f): The UMRs are set forth in the Title 25 Division 1, Chapter 7, subchapter 19 (commencing with Section 8300) of the California Code of Regulations. The UMRs provide uniform standard and program rules for multifamily rental housing development assisted by the Department; the Department's regulatory action to make comprehensive amendments to the UMRs became effective on November 15, 2017. The LPR guidelines expressly incorporate by reference some of the UMRs.

NECESSITY

The Department is clarifying its interpretation of the LPR guidelines in view of the recent amendments to the UMRs that were adopted November 15, 2017, and in anticipation of any future amendments.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

The requirements of the 2010 UMRs as indicated in the 2014 LPR guidelines conflict with other Department funding sources and underwriting requirements that are subject to the 2017 UMRs. For example, both the Simone 2015 and Empyrean/Harrison projects have two separate funding sources from the Department. The discrepancies include, but are not limited to, asset management fees, supportive services cost, and replacement reserve requirements. The Department's Loan Closing and Transactions Unit are seeing that these conflicts are becoming more difficult to underwrite.

ECONOMIC IMPACT ASSESSMENT/ANALYSIS

The Department has determined that the proposed amended guidelines will not have a significant impact on the creation of new businesses, the elimination of existing businesses within California, or the expansion of businesses currently operating in California. The proposed amended guidelines will have no significant impact on the health and welfare of California residents, worker safety, or the state's environment. Participation is voluntary. The Economic Impact Assessment prepared pursuant to Government Code Section 11346.3(b) was relied upon by the Department in preparing the amended proposed guidelines.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

The Department has made an initial determination that the proposed action will not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

The Department has determined that the amended guidelines will not affect the creation or elimination of jobs in California; the creation of new businesses or the elimination of existing businesses within California; or the expansion of businesses currently operating in California. It will not have a significant statewide impact on the health and welfare of California residents, worker safety, or the state's environment. Participation is voluntary.

REASONABLE ALTERNATIVES TO THE REGULATION AND THE DEPARTMENT'S REASONS FOR REJECTING THOSE ALTERNATIVES

No reasonable alternatives were proposed or considered, and these regulations are not prescriptive.