

CalHome Program Guidelines
Summary of Comments and Responses

30-DAY PUBLIC COMMENT PERIOD (June 6 through July 9, 2019)

October 18, 2019

This document summarizes public comments received by the Department of Housing and Community Development (HCD) on draft guidelines for the CalHome Program during the public comment period from June 5 to July 9, 2019, and provides HCD's responses to those comments.

Written or verbal comments were received from the following parties:

Commenter Short Name	Commenter
ADU Task Force East Bay	Debra R. Sanderson, ADU Task Force East Bay. 2962 Russell St., Berkeley, CA 94705.
CalHFA	Tia Boatman Patterson & Eric Johnson, California Housing Finance Agency.
CAR	Benjamin Granholm, California Association of REALTORS. 1121 L Street, Suite 600, Sacramento, California 95814.
CCCD	E. Kim Coontz, California Center for Cooperative Development. 979 F Street, Suite A-1, Davis, CA 95616.
CCLTN	Ian Winters, California Community Land Trust Network. 3120 Shattuck Ave, Berkeley, CA 94705.
City of Rancho Cordova	Patrice Clemons, The City of Rancho Cordova. 2729 Prospect Park Dr. Suite 220, Rancho Cordova, CA 95670.
CHIP	Seana O'Shaughnessy, Community Housing Improvement Program.

CalHome Program Guidelines
Summary of Comments and Responses

DRC	Felicia Copeland, Disability Rights California, Legal Advocacy Unit. 1330 Broadway Street, Suite 500, Oakland, CA 94612.
EPACANDO	Duane Bay, EPACANDO. 2369 University Avenue, East Palo Alto, CA 94303.
Grounded Solutions	Stephanie Reyes, Grounded Solutions Network.
Habitat for Humanity EBSV	Rose Wirtz, Habitat for Humanity East Bay/Silicon Valley. 2619 Broadway, Oakland, CA 94612.
Habitat for Humanity CA	Debbie Arakel, Habitat for Humanity California.
Habitat for Humanity LA	Dawkins Hodges, Habitat for Humanity of Greater Los Angeles. 8739 Artesia Blvd., Bellflower, CA 90706.
Hello Housing	Mardie Oakes, Hello Housing. 1242 Market Street, 3rd Floor, San Francisco, CA 94102.
HHC	Helene Gelber-Lehman & Nichelle Sterling-Bias, Housing for Healthy California.
HLT Sonoma	Dev Goetschius, Housing Land Trust of Sonoma County. P.O. Box 5431, Petaluma, CA 94954.
Irvine CLT	Mark Asturias, Irvine Community Land Trust. 930 Roosevelt Avenue, Suite 106, Irvine, CA 92620.
Jerry Rioux (Individual)	Jerry Rioux. 1247 Jackie Lane, Santa Maria, CA 93454.
Karen Mulvany (Individual)	Karen Mulvany.

CalHome Program Guidelines
Summary of Comments and Responses

Mammoth Lakes Housing	Patricia Ann Robertson, Mammoth Lakes Housing. 587 Old Mammoth Road / P.O. Box 260, Mammoth Lakes, CA 93546.
MOHCD	Ffely Charun & Annie Wong, Mayor's Office of Housing and Community Development. 1 South Van Ness, 5th Floor, San Francisco, CA 94103.
Mountain Housing Council	Nikki Caravelli, Mountain Housing Council.
M.P.A./C.F.R. M.	Patrick K. O'Rourke, Master of Public Affairs-Nonprofit Management/Certification in Fund Raising Management. P.O. Box 571, Ferndale, CA 95536-0571.
PH	Comments Collected during Public Hearings at either Riverside, Sacramento, or during the webinar
PUCDC	Sergio Carranza, Pueblo Unido CDC. 78150 Calle Tampico, Suite 214, La Quinta, CA 92253.
SAN JOSE CA	Korey Richardson, City of San José Department of Housing. 200 East Santa Clara Street, 12th Floor, San Jose, CA 95113.
SDHC	Melanie Madrid, San Diego Housing Commission.
SFCLT	Keith Cooley, San Francisco Community Land Trust. 44 Page Street, Suite 401, San Francisco, CA 94102.
SHE	Thomas Collishaw, Self-Help Enterprises. 8445 W. Elowin Court, P.O. Box 6520, Visalia, CA 93290.
SMCGOV	Kenneth Cole, San Mateo County. 455 County Center, 4th Floor, Redwood City, CA 94063.
Twin Pines	David J Thompson, Twin Pines Cooperative Foundation. Davis CA 95616.

CalHome Program Guidelines
Summary of Comments and Responses

Article 1. General

Section 7716: Definitions

Stakeholder Comments	Department Response
<p>DRC –</p> <p>We strongly recommend the CalHome Guidelines include definitions for the terms “Accessible” and “Person With a Disability.” These definitions should be consistent with federal law.</p> <p>We recommend adopting a definition of “Accessible” that complies with all relevant federal and state laws. We also recommend following the California Fair Employment and Housing Act (FEHA) and other disability rights statutes, which define a person with a disability as an individual with a physical or mental impairment that limits one or more major life activities. See Cal. Gov. Code §§ 12926(j) (mental disability), 12926(m) (physical disability), 12926.1(b) (legislative findings and declarations) and 12955.3 (disability). In addition to providing consistency with federal standards, this definition provides flexibility for housing providers to match people with the services they need.</p>	<p>HCD has included a definition of a “Person With a Disability” in the final guidelines.</p>
<p>PH –</p> <p>Add “Housing Preservation” to the list of definitions.</p>	<p>HCD does not use this term within CalHome Statute or Guidelines. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>PUCDC –</p> <p>Include “Polanco Mobilehome Parks” as part of the program definition.</p> <p>Include a “Housing Preservation” definition in relation to Polanco mobilehome parks.</p> <p>Include “Polanco Technical Assistance” as defined to conducting and administering a project of technical or supervisory assistance, which will aid Eligible Households in carrying out owner-builder housing efforts.</p> <p>Include a “Polanco Construction” as part of the program definition.</p>	<p>HCD intends to address Polanco Parks through Mobilehome Park Rehabilitation and Resident Ownership Program (MPRRP). No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 1. General

Section 7716(b): Definition of Activity Delivery Fees

Stakeholder Comments	Department Response
<p>MOHCD –</p> <p>Capitalize the “R” in “recipient” in the last sentence.</p>	<p>The suggested change has been made.</p>

Article 1. General

Section 7716(e): Definition of Annual Income

Stakeholder Comments	Department Response
<p>PH –</p> <p>Income method Part 5 differs across HOME and CDBG programs. HCD needs to be more specific which of the methods (HOME – 3rd party or CDBG – source documents) is to be used for CalHome. Use the more rigorous one, or the method used for HOME program.</p>	<p>The definition has been revised consistent with this comment. “Annual Income” means all income as defined in 24 Code of Federal Regulations (CFR), Part 5, Section 5.609 (see Income Calculation and Determination Guide for Federal Programs, Chapter one, Chapter Two, and Chapter three).</p> <p>In addition, ADU income will be exempt from Part 5 low-income qualification.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>SHE –</p> <p>We support synchronizing this definition with that of the federal programs such as HOME and CDBG.</p>	<p>Thank you for your support.</p>

Article 1. General

Section 7716(j): Definition of Community Revitalization

Stakeholder Comments	Department Response
<p>DRC –</p> <p>The definition for contributions to “Community Revitalization” is too restrictive. Housing that contributes to improvements in underserved communities or lower income census tracts also contributes to community revitalization.</p>	<p>HCD is looking for an area where there is a concerted investment strategy, not just CalHome by itself. There may be other designations that achieve this purpose, but a Qualified Census Tract (QCT) or a lower income census tract by itself does not indicate a concerted investment effort. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 1. General

Section 7716(m): Definition of Developer

Stakeholder Comments	Department Response
<p>MOHCD –</p> <p>Can the definition of “Developer” be expanded to include joint ventures or partnerships between a nonprofit and a for-profit?</p> <p>Some nonprofit developers may elect to establish a separate legal entity (i.e. an LLC or LP); Would such an entity still qualify as an eligible “Developer” under these guidelines?</p>	<p>CalHome Statute limits the program to localities and nonprofits. No change has been made.</p> <p>A separate legal entity would qualify as long as the locality or nonprofit is the sole partner.</p>
<p>SMCGOV –</p> <p>The homeowner is the developer of Accessory Dwelling Unit (ADU) and Junior Accessory Dwelling Unit (JADU) projects. Localities such as San Mateo County and Nonprofit Corporations are providing technical assistance and facilitating financing, but the homeowner owns the land, obtains the financing and develops the project.</p>	<p>No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 1. General

Section 7716(n): Definition of Developer Borrower

Stakeholder Comments	Department Response
<p>SMCGOV –</p> <p>“Developer Borrower” is defined as “a <i>Developer who receives a CalHome loan pursuant to this subchapter for the development of a project involving multiple Homeownership Units.</i>” In the context of ADUs and JADUs, this would not allow a local city or nonprofit to access CalHome funds to facilitate production of multiple ADUs and JADUs in partnership with multiple homeowners.</p>	<p>The new Article 8 (commencing with Section 7742) of the guidelines allows applicants to offer a stand along ADU/JADU program that is separate from a development project. Under the ADU/JADU programs, the awardee receives a grant, such that there is no need to refer to the grantee as a developer borrower.</p> <p>Article governing Development Loans now also allows a developer borrower to include ADU/JADUs in the construction of the new homes.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 1. General

Section 7716(o): Definition of Eligible Household

Stakeholder Comments	Department Response
<p>CHIP –</p> <p>In the draft guidelines, the language in section 7716(o) says:</p> <p><i>“a moderate-income household that is a victim of a disaster as defined in HSC, section 50650.3.”</i></p> <p>We would much prefer the language in the Statement of Reasons, which states that this definition is expanded to reflect a pending budget trailer bill, which would amend statute to assist households at or below moderate income (120 percent AMI) in areas affected by disasters.</p>	<p>Final CalHome Guidelines align with AB 101, which addresses households “that are a victim of a disaster”.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	
<p>Habitat EBSV & Mountain Housing Council –</p> <p>Habitat EBSV believes that the definition of “Eligible Households” should be expanded to include families earning up to 120 percent of AMI in certain geographic regions particularly affected by the rising cost of homeownership. Here in the Bay Area, most housing currently being built is at market rate, which is affordable only to those making more than 150 percent of AMI. There are a great many families who are unable to find stable housing, and the problem of this missing middle is not currently being addressed by most builders. Habitat for Humanity East Bay/Silicon Valley has found a way to incorporate moderate-income housing into our program, and CalHome funding would allow us to maximize our impact for those families.</p> <p>MHC also recommends that targeted households be expanded to include moderate income households up to 120 percent AMI that are not victims of disaster to account for the exceptional difficulty of moderate income households in purchasing and sustaining homes where the average single family home far exceeds the earning potential of families in areas like North Tahoe and Truckee. MHC suggests to change the eligibility definition to include up to 120 percent AMI or create a moderate</p>	<p>CalHome Statute limits the program to 80 percent AMI, except if a household is a victim of a disaster (in which case it is 120 percent AMI). No change has been made.</p>

CalHome Program Guidelines Summary of Comments and Responses

income set-aside for qualifying areas of the state. Two potential options are:

1. Section 7716(o): Expand general eligibility definition on page 5 to all families not exceeding 120 percent AMI, not just disaster-impacted;
2. Section 7753(b): Adopt a set-aside measure to direct funding awards to designated Local Program types or project types to benefit moderate income households up to and meeting 120 percent. This could apply to designated geographic areas of the state, upon a determination that 80 percent of the median income in these particular geographic areas is too low to qualify a substantial number of persons and families of low or moderate income for loans large enough to enable them to afford the down payment or mortgage of the average home in the area.

Under the authority of HSC Section 50093(c), for cases like these, HCD can “*establish and publish a general definition of income, including inclusions, exclusions, and allowances*” and “*Nothing in this division shall prevent the agency or the department from adopting separate family size adjustment factors or programmatic definitions of income to qualify households, persons, and families for programs of the agency or department, as the case may be.*”

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>SMCGOV –</p> <p>"Eligible Household" is defined in a way that does not capture all of the potential households that could create ADUs and JADUs. Please consider adding an owner-occupant who is creating an ADU either through new construction, or conversion of existing space.</p> <p>Also, consider using a two pronged approach to income qualification by allowing households of all income levels to access the program if they agree to house Lower or Very Low Income Households in either the main house or in the ADU for a period of time. This two pronged approach is an elegant way to provide access to high opportunity areas where multifamily housing is atypical. It would also allow penetration of the CalHome Program into high cost areas where homeownership is generally unaffordable to below moderate-income households.</p> <p>Additionally, please consider specifically calling out households building ADUs and JADUs to generate rental income in addition to those providing traditional shared housing.</p>	<p>The definition of "Eligible Household" includes an existing owner-occupant of property in need of Rehabilitation. The definition of Rehabilitation, which is embedded in the definition of Eligible Households, includes construction, repair, reconstruction, or rehabilitation of an ADU or a JADU, as well as conversion of existing space to add an ADU or a JADU.</p> <p>The definition of Eligible Household is amended to add low-income households constructing, converting, or rehabbing an ADU to the definition of eligible household.</p> <p>CalHome Statute limits the program to 80 percent AMI, except if a household is a victim of a disaster (in which case it is 120 percent AMI). No change has been made.</p> <p>ADU income will be exempt from Part 5 low-income qualification. To protect against excessive excluded income, HCD refers to GC 65852.2 which limits the size of ADUs to: for attached ADUs 50 percent of the existing living area or 1,200 square feet and detached ADUs to 1,200 square feet. A local government may choose a maximum unit size less than 1,200 square feet as long as the requirement is not burdensome on the creation of ADUs.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 1. General

Sections 7716(o), 7716(u), 7716(bb) & 7716 (uu): Definitions of Eligible Household, Homeownership, Local Program & Rehabilitation

Stakeholder Comments	Department Response
<p>ADU Task Force East Bay –</p> <p>The definitions of “Eligible Household”, “Homeownership,” “Local Program,” and “Rehabilitation” do not list existing homeowners wanting to add an ADU. The simplest change may be to modify the definition of rehabilitation to include construction of an ADU/JADU; otherwise, please include ADU/JADU to the eligible projects listed in these definitions.</p>	<p>New construction of ADUs has been added to the definitions of Rehabilitation and Eligible Household.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 1. General

Section 7716(u): Definition of Homeownership

Stakeholder Comments	Department Response
<p>CCLTN, Grounded Solutions, HLT Sonoma & Irvine CLT –</p> <p>We note that leasehold interest is included in the definition of homeownership and we would appreciate clarification that this can mean a leasehold interest as established through the purchase of a community land trust home.</p> <p>CCLTN and Grounded Solutions urge CalHome to explicitly allow entities such as community land trusts (CLTs), limited equity housing cooperatives (LEHCs) and mutual housing associations (MHAs) that develop and construct projects the opportunity to use these funds. Furthermore, since CLTs are nonprofit corporations we anticipate that by definition, CLTs will qualify as a “Developer” and be eligible for project financing of homeownership development projects. However, we would appreciate clarification that the definition of a “Homeownership Development Project” includes CLT properties, which are developed on ground-leased property.</p>	<p>Adding this clarification seems unnecessary. No change has been made.</p> <p>Pursuant to the CalHome Statute, nonprofit entities can qualify for CalHome funds, and “mutual housing, community land trusts, and limited equity cooperative housing shall be deemed to be forms of homeownership and developments of those types of housing...shall be eligible to receive assistance under the CalHome Program.” No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>MOHCD –</p> <p>7716(u)(4) reference currently reads “as defined in Section 7716(kk)” but it should be 7716(nn).</p>	<p>The Guidelines have been updated to reflect the correct reference.</p>

Article 1. General

Section 7716(v): Definition of Homeownership Development Project

Stakeholder Comments	Department Response
<p>Grounded Solutions, HLT Sonoma & Irvine CLT –</p> <p>Since CLTs are nonprofit corporations we anticipate that by definition, we will qualify as a “Developer” and be eligible for project financing of homeownership development projects. However, we would appreciate clarification that the definition of a “Homeownership Development Project” includes CLT properties, which are developed on ground leased property.</p>	<p>HCD does not list specific developers in the definition. No change has been made. The CalHome statute clearly states that “mutual housing, community land trusts, and limited equity cooperative housing shall be deemed to be forms of homeownership and developments of those types of housing...shall be eligible to receive assistance under the CalHome Program.”</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>Jerry Rioux & Twin Pines –</p> <p>The definition of “Homeownership Development Project” is too restrictive given the statutory purpose of the CalHome program, which is to increase homeownership. This definition requires “new construction.” Neither this definition nor Article 9 allow acquisition and rehabilitation projects, or the conversion of an existing apartment to condominium, LEHC, MHA or CLT ownership. Many LEHC, MHA and CLT projects are created through acquisition and conversion and they must clearly be allowed under CalHome.</p>	<p>HCD is against conversion of apartments as that reduces precious rental housing stock and generally will require relocation. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 1. General

Section 7716(ii): Definition of Monthly Housing Cost

Stakeholder Comments	Department Response
<p>ADU Task Force East Bay –</p> <p>This section defines “Monthly Household Cost” which is part of the definition of “front end ratio.”</p> <p>First, we suggest you modify the definition of “Front End Ratio” by replacing “Monthly Household Cost” with “Monthly Household Net Cost”.</p> <p>Then, replace the definition of “Monthly Household Cost” with “Monthly Household Net Cost”, which are those costs remaining after subtracting the expected monthly rental income from the ADU/JADU.</p> <p>By allowing the owner to credit rent against household expenses, the ratio will be higher and a better reflection of the owner’s financial circumstances. Otherwise, at least include it in the household income. From a quick read of the federal definition, we are not sure if it is included in annual income.</p>	<p>No change has been made for the definition of Monthly Household Cost.</p> <p>ADU income will be exempt from Part 5 low-income qualification. To protect against excessive excluded income, HCD refers to GC 65852.2(a)(1)(D), which limits the size of ADUs to: for attached ADUs 50 percent of the existing living area or 1,200 square feet and detached ADUs to 1,200 square feet. A local government may choose a maximum unit size less than 1,200 square feet as long as the requirement is not burdensome on the creation of ADUs.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 1. General

Section 7716(qq): Definition of Owner-Occupied Rehabilitation Program

Stakeholder Comments	Department Response
<p>MOHCD & SMCGOV –</p> <p>The reference currently reads “as defined in Section 7716(qq)” but it should be 7716(uu).</p>	<p>The suggested change has been made.</p>

Article 1. General

Section 7716(uu): Definition of Rehabilitation

Stakeholder Comments	Department Response
<p>DRC –</p> <p>The definition of “Rehabilitation” is too narrow, and excludes people with disabilities who need accessibility modifications to their homes. Please add the following language to the list of eligible costs in the Owner Occupied Rehabilitation program, and to other places where rehabilitation is defined or used:</p> <p><i>(8) Modifications, alterations, and additions necessary to improve accessibility and usability for persons with disabilities who reside in or regularly visit the home.</i></p>	<p>The suggested language has been added to the definition of “Rehabilitation” in the final guidelines.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>SMCGOV – Consider adding conversion of existing space to an ADU or JADU to this definition.</p>	<p>The definition has been revised consistent with this comment.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 2. General Program Requirements

Section 7717: General Applicant Eligibility Requirements

Stakeholder Comments	Department Response
<p>PUCDC –</p> <p>Include a clause that provides opportunities for nonprofits to build organizational capacity to deliver services to unique populations with culturally oriented housing needs (Polanco communities).</p>	<p>HCD intends to address Polanco Parks through MPRROP.</p> <p>While CalHome funds will not be used for capacity building, certain adjustments have been made to make it easier for the nonprofits to qualify for CalHome funds. Nonprofits can build capacity by administering like programs. No change has been made.</p> <p>To help inexperienced counties qualify for CalHome funds, HCD now allows localities to hire the nonprofits or for profit consultants located and/or registered in other counties. HCD removed the requirement that nonprofits are eligible to apply for an award only if they have developed a project or operated a program within the county they intend to serve (i.e. allow nonprofits to use experience acquired anywhere in California).</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 2. General Program Requirements

Section 7717(a): General Applicant Eligibility Requirements, Geographic Restrictions

Stakeholder Comments	Department Response
<p>PH –</p> <p>Geographic restrictions as written do not clearly address the experience requirements of applicants.</p>	<p>In addition to the experience requirements related to geographic restrictions modified in Section 7717(a)(1), experience requirements regarding stability and capacity of applicants are modified in Section 7717(b)(2).</p>

Article 2. General Program Requirements

Section 7717(a)(2): General Applicant Eligibility Requirements, Geographic Restrictions

Stakeholder Comments	Department Response
<p>CCLTN, Grounded Solutions, HLT Sonoma & Irvine CLT –</p> <p>Nonprofits are only eligible to apply if it has been a housing program administrator or developed a project within the last two years. There are no definitions for “Housing Program” or “Housing Program Administrator” and it would helpful if that were added to the definitions as it’s an important qualifier for applying. The definition should include CLT’s, LEHC’s and MHA’s.</p>	<p>Per Guidelines, a nonprofit is eligible to apply for an award if it has administered a program or developed a project in California within the last two years. CalHome Programs are defined by the activity they are applying for (though rehabilitation experience counts for ADUs). No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 2. General Program Requirements

Sections 7717(a)(2) & 7717(b): General Applicant Eligibility Requirements, Geographic Restrictions & Stability and Capacity

Stakeholder Comments	Department Response
<p>SMCGOV –</p> <p>These sections are troubling as currently drafted if they are interpreted to require experience in ADU specific program or project. If so, they will likely have the unintended consequence of disqualifying most potential applicants that would like to use CalHome funds to facilitate the creation of ADUs and JADUs through rehabilitation or conversion of existing space such as extra bedrooms, garages or accessory structures. Prior to recent changes in state law, there was not a thriving market for legal ADU creation. Thus, there will be few, if any, potential applicants with existing ADU-specific programs or a long history of ADU projects.</p>	<p>Sections 7717(a) and 7717(b) explain basic stability and capacity requirements to pass threshold criteria. Section 7742 (ADU Programs) allows general owner-occupied rehabilitation experience, new construction development experience, and ADU/JADU program experience to count toward eligibility. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 2. General Program Requirements

Section 7717(b): General Applicant Eligibility Requirements – Stability and Capacity

Stakeholder Comments	Department Response
<p>CCCD –</p> <p>The requirements in this section pertaining to general applicant eligibility are excessively restrictive. Section 7717(b)(2) states:</p> <p><i>“A Nonprofit Corporation must be a corporation whose exempt purposes for the two years prior to the date of application have included the activity for which it is applying.”</i></p> <p>This section is vague in the scope of what a similar qualifying activity would be. CCCD requests a broad definition, such that nonprofit housing developers be qualified to develop LEHCs, which are very similar to multifamily housing including rental housing, but whose ownership structure differs from rentals and traditional homeownership. If LEHC is considered a specific activity would create a detrimental effect to statewide development of LEHCs and establish a funding bias against innovation in housing throughout the state.</p>	<p>HCD strongly believes that applicants or their partners should have substantial experience in the activity they propose. Requiring nonprofits to have experience in the proposed activity within the last two years is consistent with this belief. For the purposes of Section 7717 and 7746, the department will consider previous experience developing homeownership projects as a similar activity to developing a limited equity cooperative. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>PH –</p> <p>Does the nonprofit/consultant add the experience (the locality does not have) and do they build capacity as part of the requirement?</p>	<p>A Locality may rely on the development and organizational experience of a Nonprofit Corporation to qualify toward organizational stability and eligibility. The Locality would only gain experience if the Locality actively co-administers the grant. Guidelines have been revised to clarify.</p>

Article 2. General Program Requirements

Section 7718: Eligible Activities

Stakeholder Comments	Department Response
<p>PUCDC –</p> <p>Include a provision to reference Technical Assistance to Polanco mobilehome parks projects.</p>	<p>HCD intends to address Polanco Parks through MPRROP.</p> <p>CalHome funds cannot be used for Technical Assistance for mobilehome parks. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>MOHCD –</p> <p>Currently the guidelines state under the CalHome rehabilitation program that the work needs to be done in the owner-occupied unit and common areas. We would like this guideline to be revised to include the entire property including non-owner occupied units in a 1-4 unit building. This will also benefit the implementation of the ADU/JADU program.</p>	<p>The CalHome Program generally assists in the rehabilitation of single family homes. Consistent with recent statutory changes, the program can now also support the creation or rehabilitation of an ADU/JADU. HCD is not inclined to support properties of more than two units. No change has been made.</p>

Article 2. General Program Requirements

Section 7719(b)(4): Eligible and Ineligible Uses of Funds

Stakeholder Comments	Department Response
<p>MOHCD –</p> <p>It is a bit confusing to list Unit Construction as an ineligible cost given that Homeownership Development Projects will most likely be expressly seeking construction period funds for unit construction. Can this be removed from the list of ineligible costs/expenses?</p>	<p>This change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 2. General Program Requirements

Section 7720: Eligible Households

Stakeholder Comments	Department Response
<p>ADU Task Force East Bay –</p> <p>Often, low-income seniors will build and occupy the ADU and then rent their main house to a family. In these cases, they are both occupants of the ADU and the owner receiving the funding. I think if you change “<i>residents of</i>” to “<i>tenants occupying the ADU or JADU...</i>”, then the statement will be right. We want to make it attractive to empty nesters to downsize to the ADU and rent out the larger primary home to a family.</p>	<p>The section has been modified to include the following provision: If the borrower will occupy an ADU or a JADU, then the residents of primary unit shall not be considered as part of the household receiving CalHome funding for purposes of this section.</p>
<p>Habitat for Humanity CA –</p> <p>We agree that the borrower for ADU activities must qualify as a lower income household.</p> <p>Additionally, we suggest that a preference be given to ADU activities that include an affordability restriction.</p>	<p>No preference will be given, though grantee(s) may require such a restriction. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 2. General Program Requirements

Sections 7722: Homebuyer Education Requirements

	Department Response
<p>PUCDC – Include Polanco parks under this section’s requirements.</p>	<p>HCD intends to address Polanco Parks through MPRROP. HCD does not specify Homeownership Development Projects in the Guidelines. No change has been made.</p>

Article 3. Homeowner/Homebuyer Loan Requirements

Sections 7726(f): Homeowner/Homebuyer Loan Terms

Stakeholder Comments	Department Response
<p>PH – Does HCD have or should it consider fair return on investment?</p>	<p>We stipulate equity sharing provisions where utilized and prohibit resale restrictions unless there are other public funds or public covenants on the property. This ensures homeowners a fair return on investment while providing some flexibility to accommodate other conflicting public programs. No change has been made.</p>
<p>PH – ADU sale law coming up in 2020.</p>	<p>No response necessary.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 4. Mortgage Assistance Programs

Sections 7729: MA Programs, Eligible Costs

Stakeholder Comments	Department Response
<p>PUCDC – Include Mobilehomes or Manufactured Homes.</p>	<p>Mobilehomes are a part of the Owner-Occupied Rehabilitation Program activity.</p>
<p>SHE – We support adding ADUs and JADUs under this section, and we also understand this to include manufactured housing as well. In the case of both ADUs and manufactured housing, oftentimes there is no primary mortgage, which should not disqualify otherwise qualified applicants. In both cases, we suggest adding an option for mortgage assistance to be a primary mortgage.</p>	<p>There should be primary mortgage and Households are expected to be paying what they can towards the housing. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 5. Owner-Occupied Rehabilitation Programs

Sections 7732: OOR Programs Eligibility Requirements

Stakeholder Comments	Department Response
<p>CCCD –</p> <p>We would like to see this section have a broad experience definition (as in our requested changes to 7717), and to drop the previous Owner-Occupied Rehabilitation Program funding requirement. The requirement that Owner-Occupied Rehabilitation Program applicants must have already received Rehabilitation funding for 2 out of the prior 4 years is restrictive in its goal to ensure applicants are qualified. It unnecessarily limits eligible projects based on a strong preference for a limited group of developers, who may not have the best projects to meet the program’s goals. How can the program serve new, qualified developers with a requirement of previous Owner-Occupied Rehabilitation Program funding?</p> <p>Section 7732 states:</p> <p><i>“In addition to the requirements of Section 7717, to be eligible to apply for a development loan, an Applicant shall have successfully developed a minimum of two similar projects (underline added) within the last four years...”</i>.</p>	<p>While HCD will keep the current rules as they are consistent through all CalHome activities, we have made modifications to the capacity/experience provisions to allow applicants without experience to partner with entities that have experience. Localities and nonprofits can partner up and use the experience of the other entity to qualify.</p> <p>Specific to the rehabilitation component of CalHome, the Applicant or its Administrative Subcontractor shall have successfully administered a local Rehabilitation Program for a minimum of two years within the four years immediately preceding the application.</p> <p>There is no need to define “successfully developed” or “similar projects”. The department will consider previous</p>

CalHome Program Guidelines Summary of Comments and Responses

<p>This section does not define nor refer to a definition of a “similar project,” nor does it define “successfully developed.” This section is restrictive because it can prevent the development of LEHCs. Altering this section to include definitions that reflect the necessary project diversity and allow for innovation while requiring continued affordability would improve this program’s ability to maximize its impact in improving California’s housing stock. Once an LEHC is created, it will provide an affordable housing option in perpetuity.</p>	<p>experience developing homeownership projects as a similar activity to developing a limited equity cooperative. No change has been made.</p>
<p>PUCDC –</p> <p>Include the definition of “Mobilehome Parks (rental)” and “Polanco Parks” under this section as eligible projects.</p>	<p>Polanco parks will be addressed through MPRROP. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 5. Owner-Occupied Rehabilitation Programs

Sections 7733: OOR Programs, Eligible Costs

Stakeholder Comments	Department Response
<p>SHE –</p> <p>Manufactured housing is eligible under this section, but deferred payment loans for 30 years do not take into consideration the useful life of such units, which can lead to borrowers owing more than the unit is worth at loan maturity. Some allowance for depreciation should be built into allowable loan models for manufactured units.</p>	<p>CalHome Statute defines a loan forgiveness provision for Manufactured Housing. No change has been made.</p>

Article 5. Owner-Occupied Rehabilitation Programs

Sections 7733(a): OOR Programs, Eligible Costs

Stakeholder Comments	Department Response
<p>DRC, MOHCD, & SMCGOV –</p> <p>The reference currently reads “as defined in Section 7716(qq)” but it should be 7716(uu).</p>	<p>The suggested change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 6. Self-Help Technical Assistance Projects

Sections 7738(a)(4)(C): Self-Help Technical Assistance Requirements

Stakeholder Comments	Department Response
<p>DRC –</p> <p><i>“Process for determining participant’s physical capability to assist in the construction of their home.”</i></p> <p>As written, this provision in the Self-Help Technical Assistance Program is discriminatory, unlawful under both federal and state law, and excludes people with physical disabilities from participating in the self-help program. Self-help programs must provide for reasonable accommodations, modifications, and effective communications for people with disabilities who wish to contribute to the building of their own home. This could range from providing an ASL Interpreter to an individual who is deaf, to allowing a homebuyer with a disability to substitute the services of a relative or friend in the parts of physical construction that are challenging for them. Provision of reasonable accommodations, modifications, and effective communication auxiliary aids and services must be provided on a case-by-case basis in order to provide equal access to the program for people with disabilities.</p>	<p>The language has been revised to address the process of providing reasonable accommodations to persons with a disability.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 8. ADU Programs

Sections 7742-7745: ADU Programs

Stakeholder Comments	Department Response
<p>ADU Task Force East Bay –</p> <p>We want to point out elements of the Guidelines that are exceptionally helpful to building ADUs, in addition to the loan program itself. Please take care not to remove or weaken these elements:</p> <p><u>1. Allowing homeowners to combine these loans with other funds:</u> Home rehab programs often do not cover construction of an ADU, especially a freestanding ADU. This program expansion allows them to upgrade their homes and add an ADU, giving them sorely needed rental income to maintain their home in the future.</p> <p><u>2. Expanding the program beyond rehab and first-time homeowners:</u> Many low-income senior homeowners have few if any options to continue living in their homes of many years. By building an ADU, they have new options – rental income, exchange care-giving services for housing, downsize to the ADU and rent the primary home, etc. Staying in their own home is often better for their own health, less expensive than moving to a care facility, and helps preserve the neighborhood character.</p>	<p>No response necessary.</p>

CalHome Program Guidelines Summary of Comments and Responses

3. Allowing loans for any type of ADU or JADU: Current state building codes and many local codes result in ADUs being more expensive than they need to be. Pending State ADU legislation will remove some of these obstacles and ADUs should become more affordable over time. By not restricting this funding to one type of ADU or JADU homeowners, future homeowners will be able to take advantage of these reduced costs.

4. Allowing developers access to these funds: To date most ADUs are built by owners of single-family properties, but as the ADU construction costs decrease over time, and with this loan program, developers may find building ADUs financially feasible. Most communities allow only owner-occupants to build ADUs, but this restriction is fading quickly. In Portland, which has a 10-year history of supporting ADU construction, about 30 percent are built by non-homeowners, thereby dramatically increasing the supply of small, “naturally affordable” housing. By allowing developers to take advantage of this program, the Guidelines are prepared for this future, positive trend.

CalHome Program Guidelines Summary of Comments and Responses

<p>In addition, many seriously disabled people do not own their own homes, even if the use of one has been provided for in an estate plan. Instead, a home intended for the use of a disabled person will often be left to a special needs trust (SNT). Such SNT beneficiaries are never, legally speaking, considered to be owners of any assets in the SNT. Please consider whether it would be feasible to enable such an SNT-owned home occupied by a disabled beneficiary to participate in the CalHome ADU program. The staff who provide daily care services to seriously disabled people need affordable housing too, and the ability of a SNT to build an ADU and provide an ADU rental to staff serving a disabled SNT beneficiary would be especially helpful.</p>	
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CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>Habitat for Humanity EBSV –</p> <p>Habitat for Humanity East Bay/Silicon Valley opposes the use of CalHome program funds for the creation of ADUs/JADUs as outlined in the draft guidelines. The guidelines currently do not regulate the affordability levels of the ADUs/JADUs. The way this chapter is written, it means that most of the users of the ADU funds will be market-rate homebuilders building ADUs for market-rate housing. Affordable housing developers do not have the flexibility on density to include ADUs/JADUs in our projects since local jurisdictions mandate high-density multifamily housing with no opportunity for an ADU. Further, there is no way to guarantee that these units will be made available to low-income families. We believe that these funds, which were approved by voters to finance affordable housing, should not be used for the creation of ADUs/JADUs without income restrictions.</p>	<p>Market-rate builders are not eligible CalHome applicants, only non-profits and local governments building for low-income households. The ADU rental income will help low-income families achieve or maintain homeownership. ADUs tend to be naturally affordable. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>Mammoth Lakes Housing –</p> <p>CalHome focus is on serving low-income households. By requiring that the household obtaining the CalHome loan for ADU construction be low-income, the CalHome Program is limiting the access to ADU financing to low-income households. As we know, low-income households already struggle to secure affordable homeownership opportunities, so it is likely that the pool of eligible homeowners who are interested in creating an ADU will be slim. If the goal is to create housing opportunities for low-income households, our suggestion would be not to limit the income of the household seeking the loan, but require a rent-limitation agreement on the ADU itself to insure that the home created through the construction of the ADU remains available and affordable to low-income households.</p> <p>In exchange for a rent-limitation agreement or a deed restriction, which would increase the supply of affordable housing to low-income households, it would be useful to be able to utilize CalHome funding to provide low-interest rate loans to the homeowners (of any income level) for construction, fees, and other barriers to creating ADUs. This would incentivize owners of illegal or unpermitted</p>	<p>There are statutory limitations. The statute only allows assistance to a low-income homebuyer/owner, not to low-income tenants. The Guidelines do not require income limits on the renters and would allow grantees to set such parameters. No change has been made.</p> <p>There are statutory limitations on who CalHome funds can serve.</p>

CalHome Program Guidelines
Summary of Comments and Responses

ADUs to come forward and comply with regulations, while providing a deed restricted, low-income rental unit.

The Draft Guidelines do nothing to restrict the use of ADUs overall. In addition to the comment above requiring a restriction to serve low-income households with the ADU, the Draft Guidelines should also protect the ADU from becoming an investment property such as a vacation rental or nightly rental. In order to protect our long-term housing stock for CA residents, the State must consider the impact that vacation rentals have on local our local communities' abilities to preserve the availability of housing. If the ADUs created through the CalHome Program are required to be long-term, affordable rentals, the Program will be helping to increase the housing stock available to low-income households.

Pursuant to the State Housing Element Law, local jurisdictions are required to identify sites in their Housing Element that are capable of accommodating the regions share of housing as specified by HCD (i.e. RHNA). By requiring a rent-limitation agreement or a deed restriction for an ADU unit constructed with CalHome funding, local jurisdictions would be working towards achieving their RHNA and would be increasing the supply of affordable housing available to low-income households.

HCD imposes a provision to protect against vacation rental by requiring a rental term of at least 30 days.

Grantees may impose rent or deed restrictions.

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>M.P.A./C.F.R.M. –</p> <p>My main comment is that utilizing CalHOME program funds for development of ADUs should not be income-restricted to the home/property owner. Restricting to 80 percent AMI (120 percent in disaster areas) severely limits the number of individual loan borrowers who could benefit from utilizing CalHOME loan funds for the construction of ADUs. Significantly raising and/or removing the 80 percent /120 percent limitations would significantly increase the number of individual borrowers who would utilize such loan funded via CalHOME funds. If there was a need/requirement for income restrictions under CalHOME programs, I would suggest that those restrictions be placed on the tenant/occupant (if such restrictions are required), and they could be memorialized via a deed restriction, if necessary.</p> <p>Income restricting the property owner/ADU developer(s) severely restricts the number of individuals who could benefit from these funds. Even higher income homeowners/property owners are having trouble obtaining and utilizing financing for ADU development - particularly during the construction phase (the exception being those limited number of individuals that already possess plenty of outside income and/or existing equity in their SFR1-zoned property[ies] that can get funding based upon existing equity [not including the additional value of</p>	<p>CalHome Statute limits the program to 80 percent AMI, except if a household is a victim of a disaster (in which case it is 120 percent AMI). No change has been made.</p>

**CalHome Program Guidelines
Summary of Comments and Responses**

<p>the newly constructed ADU construction, and/or the additional rental income upon new ADU occupancy - which traditional banks/lending institutions do not allow/take into account when extending funds for ADU development]). I would strongly suggest removing/adjusting the income limitations.</p>	
<p>SAN JOSE CA –</p> <p>Is there a possibility to expand the ADUs to include existing CalHome Reuse funds?</p> <p>Also, the City has a balance of BEGIN reuse funds. Therefore, it would be helpful for the City to assist Moderate Income homeowner households to build new ADU/JADU since CalHome is limited to Lower Income homeowner households.</p>	<p>Reuse account funds may be used only for the activities for which a Grantee received a CalHome award. No change has been made.</p> <p>These Guidelines only pertain to CalHome funds.</p>
<p>SMCGOV –</p> <p>For ADUs added to existing houses, does the homeowner have to meet income guidelines, or can the unit qualify if it is rented to low income tenants?</p> <p>Also, is there likely to be a per unit funding cap on ADUs?</p>	<p>The owner has to meet income requirements. No change has been made.</p> <p>Like for all other activities funded by CalHome, a per unit funding cap on ADUs will be identified in the NOFA. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 8. ADU Programs

Sections 7742: ADU Programs, Eligibility Requirements

Stakeholder Comments	Department Response
<p>ADU Task Force East Bay –</p> <p>The applicants are restricted to those who have successfully administered a local rehab program or an ADU program for 2 of the past 4 years. Very few government agencies and nonprofits have been operating ADU programs for 2 years; most are just getting started; funding for low-income homeowners to build ADUs is barely available, making it very difficult for agencies/nonprofits to operate an ADU program until funding becomes available. Please expand the eligibility experience to include other types of housing programs, such as mortgage assistance programs, so organizations with some ADU experience will be able to participate in this program. Their experience, even if limited, will result in more successful outcomes than those who have not dealt with ADUs.</p>	<p>Making loans for rehab is akin to ADU loan, but mortgage assistance is substantially different. We believe applicants without rehab experience should partner with an experienced entity to administer an ADU program. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>CalHFA –</p> <p>Given the success of our recent pilot Cottage Home Program for ADUs with the City of Clovis, we would like to suggest that the CalHOME draft guidelines be amended to allow the California Housing Finance Agency (CalHFA) to apply for ADU grants or loans on behalf of localities or nonprofits that chose to partner with us. Given the challenges many jurisdictions are facing with staffing and budgets, we would be able to use our experience with the City of Clovis, and our expertise in lending to help less-experienced municipalities apply for funds. CalHFA would be able to work with localities and/or nonprofits to ensure their applications meet all criteria and are structured to maximize likelihood of approval, and would provide a plug-and-play model for those jurisdictions without the capacity to create a program from the ground up. Crucially, it would allow localities that do not meet the 2-year experience test to participate in the program, which would increase the applicant pool and quality of the program.</p> <p>Specifically, we ask that section 7742 be amended to read:</p>	<p>The statute limits applicants to non-profits and localities. However, pursuant to the Guidelines, a local government could identify CalHFA as its program administrative subcontractor, if it meets the experience requirement, for an ADU program. It would be unfair to exempt CalHFA from the experience requirement all other applicants are held to. HCD will also allow for a consortium of localities to submit a single application to cover multiple jurisdictions, provided there are MOUs between the parties. This would facilitate an entity such as CalHFA administering a program for multiple localities.</p>

CalHome Program Guidelines
Summary of Comments and Responses

“In addition to the requirements of Section 7717, to be eligible to apply for CalHome assistance for an ADU program, the Applicant shall have successfully administered a local Owner-Occupied Rehabilitation Program or an ADU program for a minimum of two years within the four years immediately preceding the application, except where a state agency applies on behalf of the applicant.

Notwithstanding any other requirement to the contrary, a state agency may apply on behalf of a locality or nonprofit corporation to operate a Local Program for construction, repair, reconstruction or rehabilitation of ADUs or JADUs, provided the application includes an executed memorandum of understanding between the state agency and the locality or nonprofit corporation detailing roles and responsibilities and how the Local Program will be operated.”

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>Habitat for Humanity CA & PH –</p> <p>Habitat is pleased to see that ADUs are included as an eligible program activity and we agree that it is important to include an income qualifying requirement for the buyer.</p> <p>Habitat for Humanity CA and PH urge that the eligible experience requirement for ADU program also accept local owner-occupied new construction program (not just rehabilitation or ADU experience); and qualified experience should include experience outside CalHome.</p>	<p>Experience may already be gained outside CalHome. HCD allows applicants with new construction development experience involving multiple homeownership units, including single-family subdivisions, to apply for an ADU program.</p>
<p>SDHC –</p> <p>SDHC recommends that HCD’s response be incorporated into section 7742 of the guidelines under Eligibility Requirements. SDHC also recommends broadening the eligibility to include construction experience that may not be specifically owner-occupied, and to also include programs in which third-party consultants partner with applicants.</p>	<p>See above for experience.</p> <p>Guidelines (Section 7717) have been modified to allow an applicant to rely on the development and organizational experience of a partner to qualify toward organizational stability and eligibility.</p> <p>Guidelines (Section 7717) have also been modified to allow an Eligible Applicant to hire an Administrative Subcontractor who meets the experience and organizational stability requirements.</p> <p>Guidelines (Section 7717) have been modified to also allow joint applications from multiple local agencies – a consortium</p>

CalHome Program Guidelines
Summary of Comments and Responses

	(provided that the participant is not applying for other funds) with a single administrator. One legal entity would be applying on behalf of others.
Stakeholder Comments	Department Response
<p>SMCGOV –</p> <p>Section 7742 provides some latitude in allowing other types of experience. However, given the reductions in funding for affordable housing, you may find that Owner-Occupied Rehabilitation Programs have not been very widely available in the last four years.</p> <p>Additionally, the lack of definition of “ADU program” is challenging, however, we anticipate that it could be addressed in the NOFA process.</p>	<p>Experience may already be gained outside CalHome. the guidelines have been changes to allow applicants with new construction development experience involving multiple home ownership units, including single-family subdivisions, to apply for an ADU program.</p> <p>The definition of ADU/JADU programs has been provided.</p>

Article 8. ADU Programs

Sections 7743(b): ADU Programs, Eligible Costs

Stakeholder Comments	Department Response
<p>ADU Task Force East Bay –</p> <p>Fees are tricky business. They can equal up to half the cost of a proposed ADU when you include impact, development, and utility connection fees. Please clarify that “<i>related government fees</i>” includes all of these fees</p>	<p>The revised language in the Guidelines provides a more comprehensive definition of related government fees,</p>

CalHome Program Guidelines
Summary of Comments and Responses

<p>necessary to build and occupy an ADU, not just fees required of the permitting agency. Pending legislation hopes to reduce these fees but they still might be too high for low-income homeowners.</p>	<p>including all fees necessary to build and occupy an ADU or a JADU.</p>
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Article 8. ADU Programs

Sections 7745(c)(1): ADU Programs, Underwriting and Construction Requirements

Stakeholder Comments	Department Response
<p>ADU Task Force East Bay –</p> <p>Borrowers must maintain insurance <i>“in an amount at least equal to the replacement value of the improvements.”</i> How do you determine the replacement value? Contractors typically understate the project cost listed on building permit applications, so the permit fees will be less. Property values and property sales costs do not yet consistently reflect the value added by an ADU. How will you determine the <i>“replacement value”</i> of an ADU? The program may address this issue elsewhere, in which case please make sure it reflects the true cost to the homeowner, including fees.</p> <p>Second, adding an ADU to an older home often requires rehabilitation of the home in order to support an ADU. For example, imagine an older home whose owner wants to convert a basement into an ADU. It is not unusual to</p>	<p>The replacement value will be determined by the insurance brokers. No change has been made.</p> <p>The Guidelines allow the cost of structural modifications necessary to accommodate the ADU. This includes costs for insuring that ADUs/JADUs meet building codes and standards.</p>

CalHome Program Guidelines
Summary of Comments and Responses

<p>increase electrical service to accommodate the new unit; that should be part of the ADU costs. But they may find that the wiring throughout the house is old nob-and-tube wiring and must be replaced; Or the home may need a new roof, or new joists to support the floor above the basement. These costs are in addition to the actual ADU costs, but these elements are unsafe and must be corrected. Would you use the cost of creating the ADU or the cost of the total rehab project?</p>	
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Article 8. ADU Programs

Section 7745(c)(1) & 7745(c)(2): ADU Programs, Underwriting and Construction Requirements

Stakeholder Comments	Department Response
<p>Habitat for Humanity LA –</p> <p>Does this insurance need to be in place during construction? This is not a normal request as the contractor insures their work. This seems like something that should be required after the construction is completed and the home is reassessed for it’s insurance needs.</p>	<p>No change required.</p> <p>An OOR or ADU/JADU recipient must have insurance on the existing property when they obtain the loan, during construction, and during the term of the loan. In other context of development, the grantee is not involved in the construction. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 9. Development Loan Requirements

Section 7746-7752: Development Loan Requirements

Stakeholder Comments	Department Response
<p>Jerry Rioux & Twin Pines –</p> <p>Development Loan Requirements section should also be amended to clearly allow for the development of LEHC, MHA and CLT projects. While the statutes only allow permanent loans for LEHCs and MHAs, it is important to note that these projects only become LEHCs and MHAs after they are built and occupied. Consequently, these projects are eligible for CalHome development loans and the guidelines, regulations and any NOFA should indicate this.</p>	<p>Eligibility requirements are already stated in the Guidelines and the Statute. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 9. Development Loan Requirements

Section 7746: Development Loan Requirements, Eligibility Requirements

Stakeholder Comments	Department Response
<p>CCLTN, Grounded Solutions, HLT Sonoma & Irvine CLT –</p> <p>Eligibility Requirements further requires that the applicant have successfully developed a minimum of 2 similar project within the last 4 years. This would prevent CLTs that wish to do new and different types of projects from applying. Also, the development process is fairly lengthy (especially for projects involving just a few units) and 2 projects (rather than just 1) may be too optimistic. Minimally, I would recommend that the language be changed to “<i>successfully developed at least 1 housing project within the last 4 years.</i>” However, given the lack of access to public capital programs for CLT’s in the past a stronger recommendation is that this be removed completely in cases where public funding has not been accessible for home ownership projects developed by CLT’s, LEHC’s, and/or MHA’s.</p>	<p>This experience requirement established in the Guidelines is consistent across all programs and indicates significant capacity to complete the proposed activity. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>MOHCD –</p> <p>Section 7746 states:</p> <p><i>“to be eligible to apply for a development loan, an Applicant shall have successfully developed a minimum of two similar projects within the last four years.”</i></p> <p>Would an Applicant’s experience with developing rental housing projects count as a similar project? Because affordable homeownership projects are often very challenging to finance, they are relatively rare relative to rental housing projects. As such not very many nonprofit developers will have completed a homeownership project or have one in the pipeline in the last 4 yrs.</p>	<p>HCD expects it to be a homeownership development.</p>

Article 9. Development Loan Requirements

Section 7747: Development Loan Requirements, Eligible Costs

Stakeholder Comments	Department Response
<p>Habitat for Humanity LA –</p> <p>Add attorney fees.</p>	<p>HCD has made this change; However, attorney fees need to be connected to the program/project for which the applicant is requesting CalHome funds.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 9. Development Loan Requirements

Section 7747(d): Development Loan Requirements, Eligible Costs

Stakeholder Comments	Department Response
<p>CCLTN, Grounded Solutions, HLT Sonoma & Irvine CLT –</p> <p>Eligible Costs (d) indicates that onsite improvements are eligible costs, but only for single-family housing development (excluding condos, duplexes, townhomes, etc.). Given the high cost to provide affordable housing, the state’s desire to increase density so that more housing is developed, and given CalHome’s Purpose, which is to “<i>enable low- and very low-income households to become or remain homeowners</i>”, it appears that other types of housing outside of just single-family housing should be referenced.</p>	<p>Within the Guidelines, the phrase “related to single-family housing development, including ADUs and JADUs” has been replaced with “related to Program eligible housing development”.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 9. Development Loan Requirements

Section 7750: Development Loan Requirements, Development Loan Terms

Stakeholder Comments	Department Response
<p>Habitat for Humanity LA –</p> <p>CalHome loan recording position needs to be clarified. Is their loan recorded in first position? This would hamper other construction financing that might be needed.</p>	<p>The Guidelines already state (Section 7750) that we will subordinate to "...liens, encumbrances and other matters of record which have been reviewed and approved by HCD on a case-by-case basis." No change has been made.</p>

Article 9. Development Loan Requirements

Section 7751: Development Loan-to-Value Limits

Stakeholder Comments	Department Response
<p>CCLTN, Grounded Solutions, HLT Sonoma & Irvine CLT –</p> <p>Development Loan-to-Value Limits state that when loan funds are used for predevelopment or site improvement costs, the loan-to-value ratio cannot exceed 100 percent of the unimproved appraised value, which is not great as the appraised value is lower due to covenants. We suggest the appraised value used should be the market value without covenants or restrictions.</p>	<p>7751(c) refers to "appraised value" rather than unimproved appraised value. Nothing in this section requires the appraised value to discount value for restrictions, nor are there HCD restrictions at application. There would only be a discount if there were pre-existing restrictions from another entity, which would limit HCD's ability to recoup the loan amount in the event of foreclosure. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 9. Development Loan Requirements

Section 7752(b): Development Loan-to-Value Limits

Stakeholder Comments	Department Response
<p>MOHCD –</p> <p>Section 7752(b) states:</p> <p><i>“the Developer Borrower shall be required to develop the project without any co-developer.”</i></p> <p>Would the Department be willing to delete or otherwise expand this requirement? Some nonprofits may choose to partner with a for-profit or vice versa when each entity might not have the all the prerequisite experience in-house for certain Housing Development projects. For local agencies seeking qualified developers of affordable homeownership projects, greater flexibility on this front will be beneficial.</p>	<p>This provision has been eliminated from the Guidelines.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 10. Application Procedures

Section 7753(b): Application Procedures, Application Process

Stakeholder Comments	Department Response
<p>CCLTN, Grounded Solutions, HLT Sonoma & Irvine CLT –</p> <p>Section 7753 Application Process (b) states that HCD may adopt procedures to direct funding awards to Local Program types that use self-help labor, volunteer labor, involve construction skills training program contribute to community revitalization, or located in rural or disaster areas. This does not work well for CLTs in more urban areas that don't utilize volunteer labor (like Habitat). These procedures could be separate NOFAs, bonus points for these types of projects.</p>	<p>HCD reserves the right to target funds to special types of projects, as it deems beneficial. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 10. Application Procedures

Section 7755(a)(7): Selection Criteria & Section 7759(b)(2): Homeownership Development Projects

Stakeholder Comments	Department Response
<p>Habitat for Humanity CA –</p> <p>These two combined requirements make it almost impossible for many Habitat for Humanity programs to complete the standard agreement in 36 months. The requirement that site improvements may not be started prior to the application and the timeline requiring that the entire project must be completed with loans closed within 36 months is not reasonable for most moderate sized and rural communities. The municipal approval process and infrastructure often takes 12-18 months alone. While a 10-20 home development may not be completed in 36 months, these affordable home projects are vital for a community, and they positively improve economic conditions and affordable housing stock. Without the ability to leverage CalHome funds, many of these projects will not be possible in small to mid-sized communities.</p> <p>Our recommendations include:</p> <p>1) Allow applications for new home developments that have started or completed site improvements (infrastructure); and</p>	<p>Due to potential conflicts and compliance-related issues with CEQA and NEPA (when layering with federal funding sources), HCD is not open to allowing site development to be complete or underway at application. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

<p>2) Allow funds to be used for a subsequent phase of a multi-phased new construction project. Nonprofit applicants are encouraged to “right size” their application for the timeframe; however, land acquisition and site improvements will normally be completed for an entire development to achieve economies of scale, making this approach infeasible.</p>	
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Article 10. Application Procedures

Section 7755(b)(2)(3): Selection Criteria, Community Need and Feasibility

Stakeholder Comments	Department Response
<p>CCLTN, Grounded Solutions, HLT Sonoma & Irvine CLT –</p> <p>Selection Criteria (b)(2) and (3), community need is a scoring point but does not incorporate High Opportunity Areas (areas with opportunities for upward economic mobility but have high rents/prices, higher educational attainment, higher employment opportunities). Adding points for these types of locations would be consistent with other affordable housing programs and current research findings. An example of adding points is found in (b)(4) that allows for extra points for volunteer/self help labor or youth construction skills training, another section</p>	<p>High Opportunity Areas been added to the Selection Criteria section of the Guidelines. Development projects in a “high- or highest-resource area as identified on the TCAC/HCD Opportunity Area Maps” are incentivized in the volunteer labor/self-help category (Section 7755(b)(5)).</p>

CalHome Program Guidelines
Summary of Comments and Responses

that seems to favor programs like Habitat in the “Homeownership Development” category.	
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Article 10. Application Procedures

Section 7755(b)(3): Selection Criteria, Feasibility

Stakeholder Comments	Department Response
<p>ADU Task Force East Bay –</p> <p>Potential points assigned when judging an application include experience with mortgage assistance, owner-occupied rehab, and shared housing programs, but not with ADU construction. Some communities and nonprofits have proactively supported construction of ADUs and they have valuable experience. This experience should matter a lot when granting these applications.</p>	<p>A feasibility measure has been added for an ADU program.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 10. Application Procedures

Section 7755(b)(4): Selection Criteria, Community Revitalization

Stakeholder Comments	Department Response
<p>MOHCD –</p> <p>The reference currently reads “as defined in Section 7716(i)” but it should be 7716(j).</p>	<p>This change has been incorporated.</p>

Article 10. Application Procedures

Section 7755(b)(5): Selection Criteria, Volunteer Labor, Self-Help Labor or Youth Construction Skills Training Program

Stakeholder Comments	Department Response
<p>SHE –</p> <p>While we are not opposed to including ADUs under the rating points, we are not sure it belongs in this section, which is designed to prioritize volunteer, sweat equity, and youth training programs. Perhaps the ADU points are better situated under 7755(b)(4).</p>	<p>A feasibility measure has been added for an ADU program, in addition to the language in the Volunteer Labor, Self-Help Labor or Youth Construction Skills Training Program criterion of the selection criteria.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 11. Program Operations

Section 7759: Performance Goals

Stakeholder Comments	Department Response
<p>Habitat for Humanity EBSV –</p> <p>Habitat for Humanity East Bay/Silicon Valley is supportive of the added flexibility for HCD to reasonably extend performance goal timelines. This change will allow nonprofits to successfully deliver projects despite the time it takes to secure project funding, build with affordable methods, and work with homebuyers at closing.</p>	<p>Thank you for your support.</p>
<p>PH –</p> <p>Can the department now provide extensions?</p>	<p>HCD may provide extensions only if reasons are valid and well documented. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Article 11. Program Operations

Section 7759(b): Performance Goals, Homeownership Development Projects

Stakeholder Comments	Department Response
<p>CCLTN, Grounded Solutions, HLT Sonoma & Irvine CLT –</p> <p>Performance Goals (b) call for penalty deductions for future applications if construction and loan closing do not occur between 22 and 36 months. Given the lengthy development process (especially for projects involving more than a few units), it would be helpful for there to be some sort of exception or time extension under certain circumstances.</p>	<p>Extensions will be allowed under certain circumstances. HCD may provide extensions only if reasons are valid and well documented. No change has been made.</p>

Article 11. Program Operations

Section 7759(b)(1) & (c)(1): Performance Goals, Homeownership Development Projects & Self-Help Technical Assistance Grants

Stakeholder Comments	Department Response
<p>SHE –</p> <p>Under (b)(1) and (c)(1) a change should be made from “award” of funds to “receipt of Standard Agreement by the awardee”. Too often, delays in processing of the standard agreement results in having far less than 36 months to</p>	<p>‘Award of funds’ can already be interpreted as the ‘receipt of Standard Agreement. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

<p>meet program goals. Separately, we wholeheartedly support more flexibility in making extensions past the 36 month limit in section (d). As the last recession taught us, reasonable exercise of this flexibility for situations beyond the control of the grantee is warranted.</p>	
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General Comments and Questions

Stakeholder Comments	Department Response
<p>CAR –</p> <p>CAR supports the Department’s inclusion of ADUs and JADUs within the CalHome Program eligibility requirements under Prop 1. Expanding access of Prop 1 bond funds to families making 120 percent AMI will serve as a large step toward providing more affordable housing options to all Californians.</p>	<p>Thank you for your support.</p>
<p>EPACANDO –</p> <p>We encourage CalHome to frame the guidelines in terms of the viable generic attributes of proven “permanently affordable home ownership” models and developers. For example, recognizing co-ownership or share-based interests as in the LEHC and MHA models; or incentivizing permanent subsidy retention as in the CLT model with bonus points.</p>	<p>HCD is interested in exploring the idea of coownership or share based interests further, in the future. No change has been made, for now.</p> <p>Guidelines refer to CalHome Statute, which designates nonprofit entities that can qualify for CalHome funds.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>Hello Housing & SMC GOV –</p> <p>Because of our work in the Bay Area, we strongly recommend there be exceptions to the loan amount caps and the income limits for programs offered in High-Cost Areas.</p> <ul style="list-style-type: none"> • If the maximum loan amount is not sufficient to fully cover the cost of constructing an ADU, then a borrower will need to access additional financing to make it feasible. This creates significant complexity and likely would require placing the CalHOME loan in a subordinate position to a HELOC or other privately-offered financing product, placing these funds at greater risk. • To best protect the CalHOME funding by maintaining a senior position over other rehab financing, we recommend a loan amount maximum in High Cost Areas of \$325,000 which should be sufficient to cover the average costs of a modest 800 SF ADU. A lower maximum loan amount could be offered for a JADU. • By way of example, FHA increases their maximum loan amount by a factor of 50 percent in High Cost Areas. Other programs have adopted factors of +70 percent up to +115 percent above the base limit to address High Cost Areas. 	<p>CalHome Statute limits the program to 80 percent AMI, except if a household is a victim of a disaster (in which case it is 120 percent AMI). No change has been made.</p> <p>CalHome provides gap financing. The maximum loan amounts will be established in the NOFA.</p>

CalHome Program Guidelines Summary of Comments and Responses

- We would recommend ADU financing be available to Moderate Income Households. Taking on a major construction project is riskier than purchasing an existing home, and higher-income borrowers will have more ability to absorb the costs of surprises during the construction project.

- Alternatively, we would recommend a homeowner of any income level could borrow ADU financing in exchange for charging rents that are affordable to low and/or moderate-income households.

With regards to a NOFA specific to ADU Programs, would recommend there being points awarded for programs with features that incentivize the revolving of the CalHOME ADU financing (e.g. an initial 3-year bridge loan to complete construction and season the rents with a goal of a borrower refinancing their first mortgage with conventional financing and repaying the CalHOME loan, but allowing a conversion to a permanent loan if a refinance is not feasible at that time). This will ensure higher levels of housing production, leverage the private capital markets and make the best use of this flexible funding source.

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	
<p>CCLTN, Grounded Solutions, HLT Sonoma & Irvine CLT –</p> <p>The Guidelines reference “single-family housing developments” several times. It seems that the program is targeting very small projects. Given the cost to develop and the scarcity of land, language referring to condos or other types of multi-unit ownership housing would be helpful.</p> <p>In general, the Guidelines do not seem to favor CLTs or nonprofits other than Habitat for Humanity. The guidelines should allow entities such as CLTs, LEHCs and MHAs that develop and construct projects the opportunity to use these funds.</p> <p>Also, the guidelines seem more geared toward individual households, local program/project administrators, and rehab programs.</p>	<p>CalHome Statute (50650.3.) states that the funds provided by HCD to local public agencies or nonprofit corporations include loans that assist <i>development projects involving multiple home ownership units, including single-family subdivisions</i>. Within the Guidelines, the phrase “related to single-family housing development, including ADUs and JADUs” has been replaced with “related to Program eligible housing development”.</p> <p>In regard to eligible applicants, localities and nonprofit corporations are eligible to apply for CalHome funds. In regard to nonprofits, Guidelines follow the rules established in CalHome Statute, Section 50650.5.</p> <p>CalHome Guidelines align with the intent of the Statute. CalHome is intended to increase homeownership, maximize the use of existing homes, etc.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>City of Rancho Cordova –</p> <p>Could application eligibility and underwriting tasks be a General Admin costs? The reason is that applicants will drop out and those costs will need to be recouped somehow.</p> <p>It takes the same amount of time to process a small loan/grant, as it does a large one. That said, can the Activity Delivery maximum be based on a flat rate, rather than percent of loan/grant size, or some other measure?</p> <p>Also, can there be a minimum loan amount? Because processing these loans (aka Activity Delivery) is time intensive regardless of the loan size, and if the Activity Delivery amount allowed is based on percentage, then it is likely that the costs will exceed when the loan/grant is low.</p> <p>We would encourage HCD to find ways to reduce the processing time for these projects (paperwork/reporting requirements perhaps).</p>	<p>Program or project-related activities fall under activity delivery costs. No change has been made.</p> <p>ADF rules are established in the NOFA.</p> <p>Loan amounts are established in the NOFA.</p> <p>This comment has been noted.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>Jerry Rioux & Twin Pines –</p> <p>There are longstanding deficiencies in both the proposed CalHome Guidelines and the existing CalHome Regulations. They are defective because they make it exceeding difficult for CalHome funds to be used for LEHC, MHA and certain CLT projects. The CalHome statutes mandate that these permanently affordable home ownership options be eligible for funding. Given the current housing affordability crisis, these models should be embraced and facilitated.</p> <p>The guidelines and regulations must be modified to facilitate the use of CalHome funds for these projects and any NOFA released before the guidelines and regulations are corrected must explicitly allow applications for projects of these types.</p> <p>Health and Safety Code Section 50650.5(a) clearly states that LEHCs, MHAs and CLTs <i>“shall be eligible to receive assistance under the CalHome Program.”</i> Section 7718(b) of the regulations also state that the Department may <i>“make permanent loans for Mutual Housing and limited equity housing cooperatives.”</i></p> <p>Despite the clear legal mandate, neither the guidelines nor regulations include any instructions, standards or</p>	<p>CalHome Statute defines eligible Applicants. Mutual housing, community land trusts, and limited equity cooperative housing shall be deemed to be forms of homeownership and developments of those types of housing shall be eligible to receive assistance under the CalHome Program. These entities have to fulfill experience requirements defined in the CalHome Guidelines. No change has been made.</p>

CalHome Program Guidelines Summary of Comments and Responses

<p>provisions for financing LEHC, MHA and CLT projects. The guidelines and regulations include sections that deal with every conceivable type of CalHome project and funding except for permanent loans for LEHC, MHA or CLT projects. A new section should be added for such projects.</p> <p>Finally, the guidelines and regulations should be modified to allow for the rehabilitation of LEHC, MHA and CLT projects where individual owners or members do not have separate interests that can be offered as collateral for CalHome rehab loans. A number of these projects are nearing the point in their life that rehabilitation, including conservation upgrades, are needed. CalHome should clearly be available for these projects.</p>	
<p>SFCLT & Twin Pines –</p> <p>Please include LEHCs, CLTs, other forms of Housing Cooperatives, and other forms of Shared Equity Housing such as MHAs for project funding in the new CALHOME regulations. Given that the Legislature has mandated CalHome to provide funding for these type of preferred organizations this seems to be a serious failing of the regulations.</p>	<p>Mutual housing, community land trusts, and limited equity cooperative housing shall be deemed to be forms of homeownership and developments of those types of housing shall be eligible to receive assistance under the CalHome Program. These entities have to fulfill experience requirements defined in the CalHome Guidelines. No change has been made.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>SMCGOV –</p> <p>Is there a limit on the funding available per recipient or per County?</p>	<p>Maximum amounts were established in the last two Disaster NOFAs for impacted counties. For CalHome Disaster NOFA, our expectation was that Applicants would get in touch with the counties to inquire about the maximum amount per an Applicant.</p> <p>However, we did establish maximum amounts per Applicant in the last General NOFA from 2014 and we are in the process of preparing a 2019 General CalHome NOFA, for which we plan to establish maximum amounts per an Applicant.</p>

CalHome Program Guidelines
Summary of Comments and Responses

Stakeholder Comments	Department Response
<p>SMCGOV –</p> <p>Years ago, CalHFA issued semi-annual NOFA under the now defunct Housing Enabled by Local Partnerships (HELP) Program. The HELP Program partnered with local governments to fund affordable housing programs designed at the local level. Applications were evaluated using six criteria: affordability, cost efficiency, maximization of benefits, implementation readiness, resource impact and comprehensiveness of program design.</p> <p>The flexibility built into CalHFA’s HELP Program seems ideally well suited to evaluating and funding innovative ADU programs and projects in the rapidly emerging ADU marketplace. Allowing CalHomeNOFA respondents the leeway to state the full breadth of their prior experience that they believe qualifies them to conduct the work proposed would be preferable to overly prescriptive definitions and requirements in the Guidelines. This flexibility would also encourage innovation.</p>	<p>To ensure the ADU programs are successful, HCD established experience requirements. No change has been made to the Guidelines.</p>