STATE OF CALIFORNIA - BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY GAVIN NEWSOM, *Governor*

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF STATE FINANCIAL ASSISTANCE
651 BANNON STREET, SUITE 400, SACRAMENTO, CA 95811
P.O. BOX 952054, SACRAMENTO, CA 94252-2054
(916) 263-2771
www.hcd.ca.gov

DATE: June 30, 2026

MEMORANDUM FOR: Stakeholders

FROM: Jennifer Seeger
Deputy Director

SUBJECT: **Transit-Oriented Development (TOD) Program**
2026 TOD Guidelines

Dear Stakeholders,

The California Department of Housing and Community Development (HCD or Department) is releasing Guidelines for the Transit-Oriented Development (TOD or Program) Implementation Program (Guidelines), as authorized by Chapter 22, Statutes of 2025 (AB 130). The Guidelines establish a framework to support Vehicle Miles Traveled (VMT) efficient affordable housing and related infrastructure, while providing an additional tool for Lead Agencies to address significant transportation impacts under the California Environmental Quality Act (CEQA).

Mitigation Program Background

The broader AB 130 Statewide Vehicle Miles Traveled (VMT) Mitigation Program (Mitigation Program) is a voluntary, statewide VMT mitigation program established under AB 130. It allows CEQA Lead Agencies to mitigate a project's significant transportation VMT impacts through contribution of funds to the Transit-Oriented Development Implementation Fund (TDIF). These contributions are then used by HCD, through the TOD program, to help finance VMT-efficient affordable housing and related infrastructure projects. The program provides an optional mechanism for Impacting Projects to mitigate their VMT impacts by supporting Mitigating Projects that result in proportional VMT reductions.

The Mitigation Program advances the state's housing, climate, and land use goals by creating a structured, proportional mitigation measure that funds location-efficient affordable housing and related infrastructure. By linking CEQA mitigation to tangible, durable, and proportional VMT-efficient housing and infrastructure outcomes, the Mitigation Program is designed to facilitate housing production while supporting long-term reductions in VMT.

These Guidelines have been developed in close coordination with the Governor's Office of Land Use and Climate Innovation (LCI). For a comprehensive understanding of the Mitigation Program, the Guidelines are best read in conjunction with LCI's Guidance issued June 30, 2026. LCI's Guidance establishes the methodology for determining TDIF contributions, defines location-efficient areas and low-VMT areas, and provides the methods for estimating and validating the VMT reductions associated with Mitigating Projects.

Public Comment Process

We appreciate comments submitted during the 30-day public comment period. All feedback was reviewed and taken into consideration in developing the Guidelines. While not every suggestion is reflected in the updated document, each comment contributed to our analysis and stakeholder engagement.

Eligible Impacting Projects During the Initial Phase of the Mitigation Program

During the initial phase, access to and use of the Mitigation Program will be focused on publicly funded projects. This phased approach, which is consistent with the HCD Administrative Memorandum dated April 8, 2026, and Program Update #1 (December 2025), is intended to support early coordination with public sector partners, to align program demand with available administrative capacity, and to gather user feedback in order to identify issues and potential improvements before the program becomes widely available.

This phased approach is an administrative implementation strategy and does not alter applicable CEQA requirements or the underlying structure of the Mitigation Program. Participation remains voluntary and at the discretion of the Lead Agency. Nothing in the Guidelines limits a Lead Agency's authority to determine significance, identify appropriate mitigation measures, or pursue alternative mitigation approaches. During this initial phase, alternate strategies to mitigate significant transportation impacts (e.g., transit improvements, local or regional mitigation banks and exchanges) continue to remain available to non-participating Lead Agencies and developers.

As implementation progresses, HCD and LCI anticipate adjustments to this phased approach through future guidance updates.

LCI will develop subsequent guidance on or before January 1, 2028, in compliance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

How is the Mitigation Program defining "publicly funded" projects?

For purposes of the initial implementation phase, publicly funded projects, as specified and described above, receiving direct financial assistance, grants, subsidies, loans, tax credits, or other funding support from federal, state, regional, or local public sources.

Examples of public funding sources may include, but are not limited to:

Transportation and Infrastructure Funding Sources:
- Federal transportation grants
- State transportation improvement funding
- Regional transportation funding programs
- Active transportation funding sources
- Transit agency capital funding programs
- Local transportation sales tax measures
- Transportation development impact fee programs administered by public agencies
- State or local climate and sustainable communities funding programs

Affordable Housing Funding Sources:
- Federal or State Low Income Husing Tax Credits (LIHTC)
- Tax-exempt bond financing
- HCD or Housing Development Finance Committee (HDFC) sources, including:
    - Multifamily Housing Program (MHP) funding
    - Affordable Housing and Sustainable Communities (AHSC) funding
    - HOME Investment Partnerships Program funds
- Project-Based Vouchers or other rental assistance programs
- Local housing trust funds
- Local affordable housing gap financing programs
- Regional housing measures or housing bond proceeds

This list is illustrative and not exhaustive. HCD may consider the source, purpose, and structure of funding when evaluating whether an Impacting Project is publicly funded.

Project financing mechanisms that primarily rely on project-generated revenues or assessments, such as Mello-Roos Community Facilities District financing, would not independently qualify an Impacting Project as publicly funded for purposes of initial program participation. Unlike direct public funding or subsidy programs, these financing tools are typically project-specific financing mechanisms used to fund infrastructure or services that are repaid through assessments or taxes levied on the benefiting development rather than representing direct public investment or subsidy that would make a project eligible for initial program participation.

Eligible Mitigating Projects

During the initial roll-out phase of TOD implementation, only applications that propose Affordable Housing Developments (AHD) will be funded. Related Infrastructure Projects will not be funded. AHD applications may, however, propose and receive funding for standard onsite infrastructure necessary to support the AHD, such as sewer, water, utility, and similar onsite improvements. Future phases of the program will expand eligibility to include Related Infrastructure Projects.

Integrated Application Processes

On July 1, 2026, the Housing Development and Finance Committee (HDFC) will begin transitioning designated affordable housing funding programs from HCD and providing for a statewide integrated application and award framework that will consolidate several multifamily affordable housing funding programs into a unified structure. Once that system is in place, the TOD program will no longer require stand-alone guidelines and will instead operate under the broader HDFC regulations.

TOD's rental AHD component will be incorporated into HDFC's single, coordinated application portal for designated affordable housing programs. For more information, visit https://www.bcsh.ca.gov/hdfc.html.

The homeownership AHD component will be incorporated into a future HCD Homeownership Super NOFA (HOSN). Similar to the HDFC single application portal, HOSN streamlines HCD homeownership programs to align eligibility criteria, scoring, and release of funds allowing for a coordinated single application and award process. For more information, visit https://www.hcd.ca.gov/funding/hosn.

The Guidelines set forth rules, standards, and criteria that are specific to the TOD program. The Department anticipates updating the Guidelines to accommodate the transition to HDFC and HCD's future HOSN.

Transit-Oriented Development Fund (TDIF)

The TDIF will be ready to begin accepting contributions on July 1, 2026. During this initial phase, the TDIF will only accept contributions from developers of eligible Impacting Projects, as described above.

Guidance for TDIF contributions (e.g., application forms, intake processes) will be available by mid-July at https://www.hcd.ca.gov/funding/tod.

VMT Mitigation Housing Explainers

Additional resources are available to describe:

- When and how CEQA projects may mitigate transportation impacts.
- When and how mitigation applies to planned and permitted housing.

The Explainers can be found on the Resources tab at https://www.hcd.ca.gov/funding/tod/tod-resources

HCD and LCI look forward to continued engagement with stakeholders during implementation of the Mitigation Program. We will continue to welcome feedback on the Guidelines and appreciate your partnership in advancing housing solutions that support California's climate and transportation goals.