

**CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

**NOTICE OF PROPOSED ACTION  
Portfolio Restructure Amended Guidelines**

**NOTICE IS HEREBY GIVEN** that the California Department of Housing and Community Development (Department) has proposed amendments to the Portfolio Restructure (LPR) Guidelines to reflect the enactment of AB 2562 in Fall 2019, AB 130 in June 2025, and SB 686. AB 2562 authorizes the Department to restructure loans made under the Multifamily Housing Program and all other multifamily housing loans funded or monitored by the Department, specifically including the modification of interest rates. AB 130 and SB 686 authorize the extraction of excess equity in affordable housing developments funded or monitored by the Department.

**WRITTEN COMMENT PERIOD**

Any interested person, or their authorized representative, may submit written comments relevant to the proposed action to the Department. The written comment period begins **January 12, 2026**, and closes at **5:00 p.m. on February 2, 2026**. The Department will consider all comments received during this timeframe. Please submit comments to **[HCDLPR@hcd.ca.gov](mailto:HCDLPR@hcd.ca.gov)** and include **LPR Amended Guidelines Public Comments** in the subject line. Written comments can also be sent via mail to:

California Department of Housing and Community Development  
651 Bannon Street, Suite 400, Sacramento, CA 95811  
**Attention: Ryan George - LPR Amended Guidelines Public Comments**

**PUBLIC HEARING WEBINAR**

A public hearing webinar is scheduled on the proposed guidelines at the following location:

Date: January 21, 2026  
Time: 1:30 p.m. – 3:00 p.m.  
Location: <https://hcd-ca-gov.zoom.us/j/88327049120>

At the hearing, any person may present statements or arguments orally or in writing relevant to the proposed action described in the Informative Digest. The Department requests, but does not require, that persons who make oral comments at the hearing also submit a written copy of their testimony at the hearing. ***Please reference the section of the proposed guidelines on which you are commenting in your oral or written comments.***

**AUTHORITY AND REFERENCE**

The Department is conducting this guideline development activity pursuant to the authority provided by Health and Safety Code Sections 50406.4, 50560, 50561, 50562

and Chapter 3.9 of Part 2 of Division 31 of the Health and Safety Code (Chapter 3.9). Chapter 3.9 authorized the Department, under specific loan programs, to extend the term of the existing multifamily housing loans, subordinate a Department loan to new debt, and authorize an investment of tax credit equity in developments with Department loans.

## **INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW**

Assembly Bill 2562 (AB 2562) introduces expanded loan restructuring powers for the Department. This legislation empowers the Department to restructure loans issued under the Multifamily Housing Program (MHP) and other multifamily housing loans funded or monitored by the Department, including options for loan extensions, subordination to new debt, and investment of tax credit equity.

Assembly Bill 130 (AB 130) and Senate Bill 696 (SB 686) authorize the extraction of excess equity from eligible affordable housing developments funded or monitored by the Department, subject to defined underwriting standards, permitted uses, recording/priority requirements, and ongoing monitoring.

The amended Portfolio Restructuring (LPR) Guidelines implement statutory requirements of AB 2562, AB 130 and SB 686, ensuring compliance with the law, and provide enhanced clarity and operational consistency across loan management practices. These updated guidelines serve to preserve long-term affordability and fiscal integrity of projects while safeguarding tenant protections throughout the restructuring process. The revised guidelines emphasize a balance between meeting the financial viability of projects and maintaining affordability covenants, essential to the Department's goal of protecting California's public investment in affordable housing. Additionally, the revised guidelines provide provisions in which excess equity can be extracted from projects funded or monitored by the Department in accordance with AB 130. Additionally, the amended Guidelines modernize application, closing, and annual monitoring fees to recapture Department costs in proportion to transaction complexity (e.g., unit count, scattered sites, number of loans/grants, and specialized actions such as Extracted Equity), and standardize ongoing monitoring to support effective oversight.

## **IMPACT OF PROPOSED REGULATIONS**

Since the enactment of AB 2562, AB 130, SB 686, stakeholders both within the Department and externally have recognized the need for clearer, more detailed guidance on restructuring multifamily housing loans. The existing Portfolio Restructure guidelines do not fully accommodate the new provisions introduced by AB 2562, AB 130, and SB 686, leading to uncertainties, especially regarding interest rate modifications, excess equity extraction, and other restructuring options. The amendments to the LPR guidelines are specifically designed to integrate these new legislative changes effectively. The primary benefit of these proposed amendments are to:

1. Provide clear, concise guidelines that specifically address the provisions of AB 2562, AB 130, SB 686, helping to eliminate ambiguities in loan restructuring processes. This clarity will aid in the accurate application of the law, ensuring that stakeholders have definitive guidance on how to proceed under the regulations.
2. Enhance the alignment of the LPR Guidelines with other Department funding sources and underwriting requirements. This alignment is crucial for streamlining administrative processes and reducing the operational burdens associated with loan modifications and interest rate adjustments.

These amendments aim to deliver a robust and detailed framework that supports the enactment of AB 2562, AB 130 and SB 686, resolving the current gaps in guidance for the Department's stakeholders and promoting a streamlined, efficient approach to multifamily housing loan restructuring.

Additionally, as required by Government Code section 11346.5, subdivision (a)(3)(C), the anticipated benefits of the proposed guidelines include, but are not limited to: (1) preservation of affordable housing units through extension of restrictions on rents and income-limited occupancy, physical improvements to the properties, and/or the fiscal integrity of the projects; (2) updating and standardizing the framework for project regulatory agreements; and (3) protection of existing households in the properties from involuntary displacement.

### **EVALUATION OF WHETHER THESE REGULATIONS ARE INCONSISTENT OR INCOMPATIBLE WITH EXISTING STATE REGULATIONS**

Pursuant to Government Code Section 11346.5 subdivision (a)(3)(D), the Department must evaluate whether the proposed regulations are inconsistent or incompatible with existing state regulations. Pursuant to this evaluation, the Department has concluded that the proposed regulations are not inconsistent or incompatible with existing state regulations.

### **LOCAL MANDATE**

The Department has determined that these regulations do not impose a mandate on local agencies or school districts. Participation in the program is voluntary and eligibility for the program is limited to multifamily property owners with the capacity to develop and administer affordable housing.

### **FISCAL IMPACT**

The Department has determined that no savings or increased costs to any state agency, no reimbursable costs or savings under Part 7 (commencing with Section 17500) of Division 4 of the Government Code to local agencies or school districts, no nondiscretionary costs or savings to local agencies or school districts, and no costs or savings in federal funding to the state will result from the proposed action. The Department is not committing any new funds to the projects eligible under the provisions

of these amended guidelines. By bringing the rules for various programs into conformance with the Department's UMRs, the Department anticipates that, over time, the proposed changes will result in modest reductions in administrative costs.

Participation in restructurings is voluntary. The Department proposes to charge fees to cover the costs of processing the restructurings as well as monitoring fees to cover the additional period during which the Department will have to ensure compliance through long-term oversight. These fees are being established at levels to cover the Department's costs for these activities so there will not be any additional cost to the Department.

The Department loans will accrue interest, some of which will be repaid on an annual basis from project operating cash flow and the remainder will be due at the end of the loan term. In return for these payments, the Department will forego repayment of the loans and any accrued interest for an extended period of time in order to preserve the existing affordable housing stock for the State of California. The original amount of Department assistance per unit in the projects eligible for restructuring is less than the current cost of developing new affordable housing units.

### **RESULTS OF ECONOMIC IMPACT ASSESSMENT**

The Department has determined that the proposed amended guidelines will not have a significant impact on the creation of new businesses, the elimination of existing businesses within California, or the expansion of businesses currently operating in California. The proposed amended guidelines will have no significant impact on the health and welfare of California residents, worker safety, or the state's environment. Participation is voluntary.

The Economic Impact Assessment prepared pursuant to Government Code Section 11346.3(b) was relied upon by the Department in preparing the amended proposed guidelines.

### **EFFECT ON SMALL BUSINESS**

The Department has determined that the proposed action has no impact on small business because participation in LPR is voluntary.

### **EFFECT ON HOUSING COSTS**

The Department has determined that the proposed action has no significant impact on housing costs in California.

### **INITIAL DETERMINATION OF STATEWIDE ADVERSE ECONOMIC IMPACT**

## **DIRECTLY AFFECTING BUSINESSES**

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

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

## **COST IMPACTS ON PRIVATE PERSONS OR BUSINESSES DIRECTLY AFFECTED**

The Department is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action. While private businesses (including nonprofits) are eligible to participate under LPR, participation is voluntary.

The Department has determined that the multifamily rental project owners who chose to participate in the loan restructurings will incur minor costs for the processing fees and the long-term monitoring fees. These costs are considered minor in relation to the value of the properties and the additional private and, possibly, other public funding that will be obtained by the projects.

## **CONSIDERATION OF ALTERNATIVES**

The Department must determine that no reasonable alternative considered by the Department, or that has otherwise been identified and brought to the attention of the Department, would be more effective in carrying out the purpose for which the action is proposed, or would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law. The Department has discussed alternatives it considered, and why it chose the proposed actions it selected, in its guidelines text and Initial Statement of Reasons.

## **AVAILABILITY OF TEXT OF PROPOSED GUIDELINES AND INITIAL STATEMENT OF REASONS**

The text of the proposed guidelines is available on the Department's website, at <https://www.hcd.ca.gov/grants-and-funding/programs-active/loan-portfolio-restructuring-program>. All information the Department is considering as a basis for this proposal is maintained in a guidelines file, which is available for inspection at the address noted below. Copies can be obtained by contacting Ryan George at the address noted below.

### **AVAILABILITY OF CHANGED OR MODIFIED TEXT**

Following the written comment period, the Department may adopt the proposed amended guidelines substantially, as described in this notice. If the Department makes modifications, which are sufficiently related to the originally proposed text, it will make the modified text--with changes clearly indicated--available to the public for at least 15 days before the Department adopts the amended guidelines as revised. Please send requests for copies of any modified amended guidelines to the attention of Ryan George at the address indicated below. The Department will accept written comments on the modified guidelines for 15 days after the date on which they are made available.

### **AVAILABILITY OF RULEMAKING DOCUMENTS**

All of the information upon which the proposed amended guidelines are based is contained in the guidelines file, which is available for public review by contacting Ryan George at the address noted below.

## **AVAILABILITY OF FINAL STATEMENT OF REASONS**

At the conclusion of this rulemaking, a Final Statement of Reasons will be prepared as required by Government Code section 11346.9. You may also obtain a hard copy of these documents by writing to the address below or calling (916) 327-1944.

## **CONTACT PERSON**

**HCD:** Ryan George ([Ryan.George@hcd.ca.gov](mailto:Ryan.George@hcd.ca.gov))

**HCD back up:** Esmeralda Martin  
([Esmeralda.Martin@hcd.ca.gov](mailto:Esmeralda.Martin@hcd.ca.gov))

**HCD address:** California Department of Housing and Community  
Development  
**ATTENTION: LPR Amended Guidelines Public Comments**  
**651 Bannon Street, Suite 400, Sacramento, CA 95811**  
**(916) 327-1944 / FAX (916) 263-2762**

**HCD website:** Copies of the Notice of Proposed Action and the text of the  
proposed LPR amended guidelines and Initial Statement of  
Reasons may be accessed through our website at:  
<https://www.hcd.ca.gov/funding/lpr>

The Department invites interested persons to present statements or arguments with respect to alternatives to the proposed guidelines during the written comment period. Inquiries concerning the substance of the proposed action should be directed to:

**California Department of Housing and Community Development**  
**651 Bannon Street, Suite 400, Sacramento, CA 95811**  
**ATTENTION: Ryan George - LPR Amended Guidelines Public Comments**

**E-mail: [HCDLPR@hcd.ca.gov](mailto:HCDLPR@hcd.ca.gov)**