Permanent Local Housing Allocation
2024-2028 Formula Allocation
Program Guidelines

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July 2026

The matters set forth herein are regulatory mandates, and are adopted in accordance with the authorities set forth below:

Quasi-legislative regulations … have the dignity of statutes … [and]… delegation of legislative authority includes the power to elaborate the meaning of key statutory terms…

Ramirez v. Yosemite Water Co., 20 Cal. 4th 785, 800 (1999)

In consultation with stakeholders, the California Department of Housing and Community Development (Department) may adopt Guidelines to implement this Section, including determining allocation methodologies. Any guideline, rule, policy, or standard of general application employed by the Department in implementing this chapter shall not be subject to the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Title 2 Government Code, Part 1 of Division 3).

NOTE: Authority Cited: Health and Safety Code Section 50470, subdivision (d).

The Department reserves the right, at its sole discretion, to suspend or amend the provisions of these Guidelines, including, but not limited to, grant award amounts.

INTRODUCTION

Chapter 364, Statutes of 2017 (SB 2, Atkins) was part of a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. Specifically, it establishes a permanent source of funding intended to increase the affordable housing stock in California. The revenue from SB 2 will vary from year to year, as revenue is dependent on real estate transactions with fluctuating activity. The legislation directs the California Department of Housing and Community Development (Department) to use 70 percent of the revenue collected, beginning in calendar year 2019, to provide financial assistance to Local Governments for eligible housing-related projects and programs to assist in addressing the unmet housing needs of their local communities. This program is hereafter referred to as the Permanent Local Housing Allocation (PLHA) program.

Guidelines for the PLHA Formula Allocation Program are organized into five Articles as follows:

Article I. General Provisions: This article includes information on the purpose of the Guidelines, program objectives, and definitions used throughout the document.

Article II. Program Funding: This article describes allocation formulas and methodologies, and award amounts.

Article III. Eligibility and Programmatic Requirements: This article describes the requirements for Applicants to apply for funds under the formula allocation of the PLHA program.

Article IV. Administration: This article describes administrative functions such as terms, non-performance remedies, and reporting and monitoring requirements.

Note: Guidelines governing the administration of the PLHA Competitive Allocation Program will be either under the purview of the Housing Development Finance Committee effective July 1, 2026 or will follow and be released by the Department.

Permanent Local Housing Allocation (PLHA) Program: 2024-2028 Formula Allocation Program Guidelines

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ARTICLE I. GENERAL PROVISIONS

Section 100. Purpose and Scope

a. These Guidelines (hereinafter “Guidelines”) implement, interpret, and make specific Chapter 2.5 (commencing with section 50470) of Part 2 of Division 31 of the Health and Safety Code (HSC), which created the Building Homes and Jobs Act and the Building Homes and Jobs Trust Fund. The Building Homes and Jobs Act authorized the Department to create the Permanent Local Housing Allocation Program and adopt, amend, and repeal these Guidelines without complying with Chapter 3.5 (commencing with section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The principal goal of the Program is to make funding available to eligible Local Governments in California for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities.

b. These Guidelines establish terms, conditions, and procedures for Local Governments to submit applications to the Department for funds from the Program per HSC 50470(b)(2)(B)(i)(I).

c. These Guidelines do not apply to the Non-entitlement Competitive Allocation program administered under HSC 50470 subdivision (b)(2)(B)(i)(I).

Section 100.1. What’s New for 2024-2028

a. Updated Program Activity Descriptions. The original ten eligible activities have been consolidated into three new activity categories: Rental, Homeownership, and Homelessness Assistance. These changes are intended to simplify the application process, align with current housing priorities, and improve the effectiveness of program implementation.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(A), subdivision (b)(2)(B)(i) and subdivision (b)(2)(B)(ii)(I-V).

Section 101. Definitions

All terms not defined below shall, unless their context suggests otherwise, be interpreted in accordance with the meanings of terms described in Chapter 2.5 (commencing with section 50470) of Part 2 of Division 31 of the Health and Safety Code.

(a) “Accessory Dwelling Unit” or “ADU” means a dwelling unit which is attached, detached or located within the living area of the existing dwelling or residential dwelling unit and which provides complete independent living facilities for one or more persons pursuant to Government Code (GC) Section 65852.2 and 65852.22. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family dwelling. An Accessory Dwelling Unit also includes the following: an efficiency unit, as defined in Section 17958.1 of the HSC, or a manufactured home, as defined in Section 18007 of the HSC.

(b) "Activity" means any single eligible undertaking carried out as part of an Applicant's allocation(s) under the Program.

(c) “Activity Delivery (AD)” means funds for allowable costs incurred for implementing and carrying out eligible PLHA Activities. The AD covers the costs of staff directly carrying out the activity in addition to equipment and supplies that are necessary for successful completion of the activity.

(d) “Administrative Expenses (AE)” are costs for staff time and overhead costs for planning and general administration of the PLHA eligible Activity. Administrative expenses cover the cost of planning, general management, oversight, and coordination of the eligible PLHA Activity and other costs as approved by the Department.

(e) “Affordable” means a housing unit that satisfies at least one of the following criteria:

(1) If the unit is being rented to Low-Income, Very Low-Income or Extremely Low-Income households, it complies with the Multifamily Housing Program Guidelines Section 7312 and the Section 7301 definition of “Affordable Rent”;

(2) If the unit is being sold, it is offered at an “Affordable housing cost”, as published in the [Fannie Mae Selling Guide, Part B, Debt to Income Ratios](), as updated annually and it complies with the income limits stated in the definitions of Moderate-Income and Lower-Income in this section; or,

(3) If the unit is being rented to Moderate-Income households, it is available at a gross rent, including a utility allowance, that does not exceed 30 percent of the applicable income eligibility level, and complies with the definition of Moderate-Income in these guidelines

(f) "Affordable Owner-Occupied Workforce Housing" (AOWH) means owner-occupied housing per HSC Section 50092.1 that is affordable to persons and families of Low- or Moderate-Income, as that term is defined in HSC Section 50093, except in High-cost areas where Moderate-Income shall include households earning up to 150 percent of AMI.

(g) “Allocation” means funds that are calculated annually for each eligible applicant and are non-competitive. The Allocation refers to the year the funds were collected. For example, 2024 Allocation means the funds made available from revenues collected between January 1, 2024 and December 31, 2024. Allocations are typically made available under a Notice of Funding Availability in the calendar year after the Allocation Year.

(h) “Annual Progress Report” (APR) means the Housing Element APR required by GC Section 65400 on the prior year’s activities and due to the Department April 1 of each year.

(i) “PLHA Annual Report" means a form issued by the Department and completed by a Local Government awarded PLHA funds on which the Local Government documents the uses and expenditures of any allocated funds and outcomes achieved.

(j) "Applicant" means an eligible Local Government applying for the program to administer one or more eligible activities. Applicant also means a Local or Regional Housing Trust Fund delegated by an eligible Local Government to apply for the program and administer its allocation in accordance with all program rules.

(k) “Area Median Income” or “AMI” means the most recent applicable county median family income published by the Department, available at the following link: https://www.hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits

(l) “At risk of homelessness” has the same meaning as defined in Title 24 CFR part 578.3. This would apply to individuals or families at or below 30% AMI.

(m) “Capitalized Reserve for Services” means the reserve funded by the Local Government pursuant to Section 301 to address supportive service budget deficits attributable to shortfalls in service funding sources.

(n) “Comprehensive Housing Affordability Strategy” or “CHAS” means annual data compiled by the United States Census Bureau for the U.S. Department of Housing and Urban Development (HUD) to document the extent of housing problems and housing needs, particularly for low-income households.

(o) "Community Development Block Grant" or "CDBG" means the program created pursuant to Title I of the Housing and Community Development Act of 1974, 42 U.S.C. 5301 et seq., as amended.

(p) “Department” means the California Department of Housing and Community Development, a public agency of the State of California.

(q) “Disbursed” means PLHA funds that have been requested using the Permanent Local Housing Allocation Request for funds (RFF) form by the deadline established each year and have been released by the Department to the awardee.

(r) “Expended” means PLHA funds which have been awarded and encumbered in a Standard Agreement by HCD and spent by the Local Government on the previously approved PLHA program or project.

(s) “Extremely Low Income” has the meaning set forth in HSC Section 50106, which is a maximum of 30 percent of AMI. Grantees shall utilize income limits issued by the Department at the following link: https://www.hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits

(t) “Fund” means the Building Homes and Jobs Trust Fund pursuant to HSC Section 50470.

(u) “Grantee” or “Grantees” means the Local Government that has received an award from the Department and has executed the Standard Agreement.

(v) “High-cost area” means those counties defined as high cost by the Federal Housing Finance Agency (at: https://www.fhfa.gov/DataTools/ and those counties for which HUD adjusted the Very Low Income and Low-Income rents due to high costs (at: https://www.huduser.gov/portal/pdrdatas_landing.html), as published by the Department in the annual PLHA Notice of Funding Availability.

(w) “Housing Development Financing Committee (HDFC)” means the committee responsible for the coordination of affordable housing resources and multifamily housing programs effective July 1, 2026.

(x) “Local Government” means any city, including a charter city, any county, including a charter county, or a city and county, including a charter city and county.

(y) “Local Housing Trust Fund” or “Regional Housing Trust Fund” means a public, joint public and private fund or charitable nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code, which was established by legislation, ordinance, resolution (including nonprofit articles of incorporation), or a public-private partnership organized to receive specific revenue to address local or regional housing needs.

(z) “Low or Lower Income” has the meaning set forth in HSC Section 50079.5, which is a maximum of 80 percent of AMI. Grantees shall utilize income limits issued by the Department at the following link: https://www.hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits .

(aa) “Moderate-Income” has the meaning set forth in HSC Section 50093, which is a maximum of 120 percent AMI, or in High-cost areas, 150 percent of AMI. Grantees shall utilize income limits issued by the Department at the following link:https://www.hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits.

(bb) “Multifamily Housing” means a structure or set of structures with common financing, ownership, and management, and which collectively include(s) five or more dwelling Units.

(cc) “Multifamily Housing Program” means the affordable housing program established in Chapter 6.7 (commencing with section 50675) of Part 2 of Division 31 of the Health and Safety Code.

(dd) “Navigation Center” has the meaning set forth in GC 65660, which is a housing first, low-barrier, service-enriched shelter focused on moving people into permanent housing that provides temporary living facilities while case managers connect individuals experiencing homelessness to income, public benefits, health services, shelter, and housing.

(ee) “Non-entitlement Local Government” means a Local Government in an area which is not a metropolitan city or part of an urban county, a Local Government that, as of September 1, 2017, was an incorporated city with a population of less than 50,000 or a county with an unincorporated area population of less than 200,000 persons which had not entered into a three-year Urban County Cooperation Agreement, or a Local Government that was not otherwise entitled to receive CDBG funds directly from HUD.

(ff) “Operating Subsidies” means payments to owners of affordable housing developments that make the housing more affordable by covering a portion of the ongoing costs of operating the development. Such payments would have the same effect as rental assistance.

(gg) “Owner-occupied” means a dwelling which is occupied by the owner and includes a single-family dwelling or a dwelling unit in a stock cooperative, as defined by Business and Professions Code (BPC), Section 11003.2, a community apartment project, as defined by BPC Section 11004, or a condominium project, as defined by subdivision (c) of BPC Section 11004. 5.

(hh) "Plan" means the document submitted by the Applicant to the Department as part of a complete application in which the Applicant proposes to use allocated funds for at least one eligible Activity. The Plan shall have a term of five years. In succeeding years, the Local Government is required to obtain the approval of the Department for any amendments made to the Plan.

(ii) “Permanent Local Housing Allocation Program", “Program”, or "PLHA" means the program developed to annually allocate 70 percent of the moneys deposited into the Fund pursuant to HSC Section 50470(b)(2)(B)(i).

(jj) “Permanent Supportive Housing” has the same meaning as in HSC Section 50675.14, that is, housing with no limit on the length of stay, that is occupied by the target population, and that is linked to onsite or offsite services that assist the supportive housing residents in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community. Permanent supportive housing may include associated facilities if used to provide services to housing residents. Permanent supportive housing does not include “health facility” as defined by HSC Section 1250 or any “alcoholism or drug abuse recovery or treatment facility” as defined by HSC Section 11834.02 or “Community care facility” as defined in HSC Section 1502, “Mental health rehabilitation centers” as defined in Section 5675 of the Welfare and Institutions Code (WIC), or other residential treatment programs.

(kk) “Project” means a residential structure or set of residential structures that an Applicant constructs, acquires, rehabilitates, preserves, incentivizes, or causes to be constructed, acquired, rehabilitated, or incentivized that is Affordable. Project includes Affordable Owner-Occupied Workforce Housing, Multifamily Housing, Rental Housing Developments, and Single-family Dwellings.

(ll) “Regional Housing Needs Allocation" or "RHNA" means the share of the regional housing need represented by persons at all income levels within the area significantly affected by the general plan of the city or county allocated to an Applicant Local Government pursuant to GC Section 65584(b).

(mm) “Single-family” or “Single-family Dwelling” means a single unit providing complete, independent living facilities for one family, including permanent provisions for living, sleeping, eating, cooking, and sanitation, and existing as a separate interest of real property, such as a detached single-family dwelling or a townhouse.

(nn) “Sponsor” means the legal entity or combination of legal entities with continuing control of a Rental Housing Development, as that term is defined in California Code of Regulations title 25, section 8301 subdivision (p). Where the borrowing entity is or will be organized as a limited partnership, Sponsor includes the general partner or general partners who have effective control over the operation of the partnership, or, if the general partner is controlled by another entity, the controlling entity. Sponsor does not include the seller of the property to be developed as the rental housing Project, unless the seller will retain control of the Project for the period necessary to ensure Project feasibility as determined by the Department.

(oo) “Standard Agreement” means the STD 213 and all exhibits thereto that is entered into by an applicant and the Department and obligates the applicant to, among other things, perform one or more Activities or cause such Activities to be performed.

(pp) "Very Low Income" has the meaning set forth in HSC Section 50105, which is a maximum of 50 percent of AMI. Grantees shall utilize income limits issued by the Department at the following link: https://www.hcd.ca.gov/grants-and-funding/income-limits

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470.5 and 50470, subdivision (b)(2).

ARTICLE II. PROGRAM FUNDING

Section 200. Allocations

(a) Health and Safety Code section 50470 subdivision (b)(2) created a dedicated revenue source for affordable housing and directed the Department to make available 70 percent (70%) of the moneys in the Building Homes and Jobs Trust Fund, collected on and after January 1, 2019, to Local Governments through the following allocations:

(1) Ninety percent (90%) of the moneys available shall be allocated based on the formula used under Federal law to allocate CDBG funds within California. This is the formula specified in Title 42 United States Code (USC), Section 5306.

(A) The amount of funds awarded to each Local Government eligible for the entitlement formula component shall be determined by the 90 percent (90%) of PLHA funds available pursuant to this paragraph (1) and the percentage of funds received by the Entitlement Local Governments in the CDBG federal fiscal year 2017 allocation process performed by HUD.

(B) Through the formula specified in paragraph (1), the percentage of funds allocated to Non-entitlement Local Governments shall be distributed to Non-entitlement Local Governments through a competitive grant program to be administered by either the Department or the Housing Development Financing Committee (HDFC).

(2) Ten percent (10%) of the moneys available shall be allocated equitably among Non-entitlement Local Governments.

(A) The equitable allocation awarded to each Local Government eligible for the Non-entitlement formula component shall be based on the sum of: (1) 50 percent (50%) of the funding available for the Non-entitlement formula component divided by the number of Local Governments eligible for the Non-entitlement formula component and (2) 50 percent (50%) of the funding allocated in proportion to each Non-entitlement Local Government's share of the total most severe housing need in California's Non-entitlement Local Governments, based upon the most recent HUD Comprehensive Housing Affordability Strategy.

(b) After funds are appropriated by the Legislature, the Department will issue one or more Notices of Funding Availability (NOFA). Local Governments shall be required to submit an application under the NOFA pertaining to the specific Allocation Year for which the Local Government is eligible.

(c) It is recommended that a Local Government that is located within or is an urban county in accordance with the distribution of funds pursuant to the formula specified in 42 USC, Section 5306 for the federal fiscal year 2017 provide a proportional share of their allocations to Local Governments within their county with which they had a three-year urban county cooperation agreement as of September 1, 2017, provided that these Local Governments meet the threshold requirements of the PLHA and expend sub-allocated funds for eligible activities within the deadlines of the Standard Agreement governing the sub-allocation.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B).

Section 201. Award Amounts

(a) The formula allocation amounts derived pursuant to the formulas in Section 200 will be announced through a NOFA.

(b) An Applicant may apply for its formula allocation from the current and two prior NOFAs for which it did not receive an award, provided that the award meets the requirements of Section 304(c) and the funds have not reverted to the Multifamily Housing Program in accordance with HSC Section 50470 subdivision (b)(1)(a)(ii).

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B).

ARTICLE III. ELIGIBLITY AND PROGRAMMATIC REQUIREMENTS

Section 300. Eligible Applicants

(a) Eligible Applicants are limited to the metropolitan cities and urban counties allocated a grant for the federal fiscal year 2017 pursuant to the federal CDBG formula specified in 42 USC, Section 5306. Eligible Applicants for the non-entitlement formula component are limited to non-entitlement local governments.

(b) A Local Government may delegate another Local Government to submit an application and administer its formula allocation of Program funds on its behalf provided that the Local Governments enter into a legally binding agreement and the funds are expended for eligible Activities and consistent with Program requirements.

The delegating Local Government shall be identified in the application. The administering Local Government shall be responsible for all Program requirements.

(c) A Local Government may delegate a Local or Regional Housing Trust Fund to submit an application and administer its formula allocation of Program funds on its behalf provided that the Local Government enters into a legally binding agreement with the Local or Regional Housing Trust Fund and the funds are expended for eligible Activities and consistent with Program requirements. The delegating Local Government shall be identified in the application. The Local or Regional Housing Trust Fund shall be responsible for all Program requirements.

(d) Any delegation made in accordance with this Section 300 shall be for the entire five-year cycle and the duration of the Standard Agreement under the 2024-2028 Program.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B).

Section 301. Eligible Activities

(a) Eligible Activities are limited to one or more of the following:

(1) Rental Activities (Up to 120% AMI or 150% AMI in High-Cost Areas)

(A) The payment of predevelopment, development, acquisition, rehabilitation, preservation costs, necessary operating subsidies, or any combination thereof, for Multifamily Housing.

(B) The payment of predevelopment, development, acquisition, rehabilitation, preservation costs, or any combination thereof, for Affordable rental housing that does not meet the definition of Multifamily Housing.

(C) Matching Portions of Funds placed into Local or Regional Housing Trust Funds for rental activities. The PLHA funds and the matching funds must be placed into the account for the housing trust fund and then used to complete one or more of the eligible PLHA rental activities.

(D) Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of HSC Section 34176 for rental activities. The PLHA funds and the matching funds must be placed into a housing trust account and then used to complete one or more of the eligible Activities under this paragraph (1).

(E) Acquisition and rehabilitation of foreclosed or vacant properties for use as affordable rental housing.

(F) Fiscal incentives made by a county to a city within the county to incentivize approval of one or more Affordable rental housing Projects, or matching funds invested by a county in an Affordable rental housing development Project in a city within the county, provided that the city has made an equal or greater investment in the Project. The county fiscal incentives shall be in the form of a grant or low-interest loan to an Affordable housing Project. Matching funds invested by both the county and the city also shall be a grant or low-interest deferred loan to the Affordable rental housing Project.

(2) Affordable Owner-Occupied Workforce Housing Activities (Up to 120% AMI or 150% AMI in High-Cost Areas)

(A) The payment of predevelopment, development, acquisition, rehabilitation, or preservation costs, including any combination thereof, for Affordable Single-Family ownership housing.

(B) The payment of predevelopment, development, acquisition, rehabilitation, or preservation costs, or any combination thereof, for ADUs. ADU shall be used as a primary residence by its occupant.

(C) Matching portions of funds placed into Local or Regional Housing Trust Funds for ownership activities. The PLHA funds and the matching funds must be placed into the account for the housing trust fund and then used to complete one or more of the eligible PLHA homeownership activities.

(D) Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of HSC Section 34176 for ownership activities. The PLHA funds and the matching funds must be placed into an account and then used to complete one or more of the eligible PLHA homeownership activities.

(E) Acquisition and rehabilitation of foreclosed or vacant properties to be sold as affordable ownership housing.

(F) Accessibility modifications to Owner-Occupied Housing.

(G) Homeownership opportunities, including, but not limited to, down payment assistance.

(3) Homelessness Assistance Activities (Up to 30% AMI)

(A) Capitalized reserves for services connected to the preservation and creation of Permanent Supportive Housing.

(B) Assisting persons who are experiencing or at risk of homelessness, including, but not limited to, providing rapid rehousing, rental assistance, supportive/case management services that allow people to obtain and retain housing including CARE Act petitioning under Chapter 1 (commencing with section 5970) of Part 8 of Division 5 of the Welfare and Institutions Code, operating and capital costs for navigation centers and emergency shelters, vouchers for temporary hotel/motel stays, and the new construction, rehabilitation, and preservation of permanent and transitional housing.

(i) This Activity may include sub-awards to Administrative Entities as defined in HSC Section 50490 subdivision (a)(1-3) that were awarded HEAP/HHAP funds under Chapter 5 (commencing with section 50210), Chapter 6 (commencing with section 50216), and Chapter 6.5 (commencing with section 50230) of Division 31 of the Health and Safety Code for rental assistance to continue assistance to these households.

(ii) Applicants must provide rapid rehousing, rental assistance, navigation centers, emergency shelter, and transitional housing activities in a manner consistent with the housing first practices described in 25 CCR, Section 8409, subdivision (b)(1)-(6) and in compliance with WIC Section 8255(b)(8).

An Applicant allocated funds for the new construction, rehabilitation, and preservation of Permanent supportive housing shall incorporate the core components of housing first, as provided in WIC Section 8255, subdivision (b).

(b) PLHA funds used for the Activities under this Section 301 subdivision (a)(1)(A), (B), and (a)(2)(A)(i) must result in the development, rehabilitation, or preservation of housing by the end of the Standard Agreement term.

(c) A Local Government that receives an annual allocation shall use no more than 5 percent of the allocation for costs related to the administration of the Activity(ies) for which the allocation was made. Staff and overhead costs directly related to carrying out the eligible Activities described in Section 301 are “activity costs” and not subject to the cap on Administrative Expenses. A Local Government may share any funds available for Administrative Expenses with entities that are administering its allocation.

(d) Two or more Local Governments that receive PLHA allocations may expend those moneys on an eligible jointly funded project as provided for in Section 50470 (b)(2)(B)(ii)(IV). An eligible jointly funded project must be an eligible Activity pursuant to Section 301(a) and be located within the boundaries of one of the Local Governments.

(e) Entitlement Local Governments may use the flow of PLHA funds to incentivize private lender loans and to guarantee payments for some or all public agency bond financings for activities consistent with the uses identified in Section 301.This loan guarantee Activity must be identified and fully explained in the Applicant's five-year Plan.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivisions (b)(2)(B)(ii)(IV), (b)(2)(D)(i-x), and (b)(3).

Section 302. Threshold Requirements

Applicants must meet all the following threshold requirements for participation in the formula allocation:

(a) **Housing Element compliance**: The Applicant and any delegating Local Government, if applicable, must have a housing element that has been adopted by the Local Government's governing body and subsequently determined to be in substantial compliance with state Housing Element Law pursuant to GC Section 65585 at the time of award. A Local Government's current housing element compliance status can be obtained by referencing the Department's website at https://www.hcd.ca.gov/planning-and-community-development/housing-elements .

(b) **APR on the Housing Element submitted to the Department**: The Applicant and any delegating Local Government, if applicable, must submit to the Department the APR required by GC Section 65400 for the Allocation Year(s) for which they are applying no later than the date the Applicant submits its application. The Department will not accept any other report in lieu of the APR.

(c) **Complete Application:** No later than the deadline specified in the NOFA, the Applicant must submit a complete application on the form provided by the Department that meets all of the following minimum requirements:

(1) The Application requests an allocation pursuant to Section 200 in order to carry out one or more of the eligible activities described in Section 301. Except

for a jointly funded project as described in Section 301(d), any activities must be carried out within the jurisdiction of the Applicant.

(2) The Application submission is authorized by the governing boards of the Applicant.

(3) A certification in the resolution that, if the Local Government allocates a portion of its PLHA funds for any Activity to another entity, the Local Government's selection process shall avoid conflicts of interest and shall be accessible to the public. A Local Government that allocates a portion of its PLHA funds to an entity shall comply with Chapter 2.5 (commencing with section 50470) of Part 2 of Division 31 of the Health and Safety Code, these Guidelines, and all other Program requirements for the entire Standard Agreement term. For the purposes of this paragraph, "entity" means a housing developer or program operator; "entity" does not mean an administering Local Government to whom a Local Government delegates its PLHA Formula Allocation, pursuant to Section 300.

(4) A Five-Year Plan covering the Applicant's use of PLHA funds for the 2024-2028 Allocation period that describes or includes all of the following:

(A) The manner in which allocated funds will be used for eligible Activities.

(B) A description of the way the Local Government will prioritize investments that increase the supply of housing for households with incomes at or below 60 percent of AMI. Programs targeted at households at or below 60 percent of AMI will be deemed to meet this requirement.

(C) A description of how the Plan is consistent with the programs set forth in the Local Government's Housing Element.

(D) Evidence that the Plan was authorized and adopted by resolution by the Local Government and that the public had an adequate opportunity to review and comment on its content.

(E) For each proposed Activity the Plan must include:

(i) A description of each proposed Activity, pursuant to Section 301, and the percentage of funding allocated to it.

(ii) The projected number of households to be served at each income level and a comparison to the unmet share of the RHNA at each income level.

(iii) A description of major steps/actions and a proposed schedule required for the implementation and completion of the Activity.

(iv) The period of affordability and level of affordability for each Activity as defined in (6) and (7) of this section.

(5) A certification that, if funds are used for the acquisition, construction, or rehabilitation of owner-occupied housing, the grantee shall record a deed restriction against the property as required below:

Owner-occupied Housing Restriction Requirements: • Rehabilitation projects: minimum of 10 years. • Acquisition or Construction projects: minimum of 20 years • ADUs: minimum of 10 years
Mobile and Manufactured Home Requirements: • For acquisition or rehabilitation, the Local Government shall make the PLHA assistance in the form of a grant or loan, but the Local Government must ensure the home remains the primary residence of an income qualified homeowner for a minimum of 10 years. • For acquisition or rehabilitation of a mobilehome park, the Local Government shall make the PLHA assistance in the form of a loan and the property shall be restricted for a term of at least 35 years.

The Local Government shall ensure compliance with one of the following requirements if the property is no longer the primary residence of the homeowner due to sale, transfer or lease, unless it is in conflict with the requirements of another public funding source or law:

(A) The PLHA loan and any interest thereon shall be repaid to the Local Government's PLHA account. The Local Government shall reuse the repayments consistent with Section 301; or

(B) The initial owner and any subsequent owner shall sell the home at an Affordable housing cost to a qualified Lower-Income or Moderate-Income household; or

(C) The homeowner and the Local Government shall share the equity in the unit pursuant to an equity-sharing agreement. The grantee shall reuse the proceeds of the equity-sharing agreement consistent with this section.

If the funds are used for the acquisition or rehabilitation of a mobile or manufactured home that is not on a permanent foundation, the Local Government may provide the funds to the homeowner in the form of a grant or forgivable loan. The Local Government will be responsible for ensuring the homeowner income qualifies and that the home remains the primary residence of an income qualified homeowner for a minimum of 10 years.

(6) A certification that, if funds are used for the development of an affordable rental housing development, the Local Government shall make the PLHA assistance in the form of a low-interest, deferred loan to the Sponsor of the Project. The loan shall be evidenced through a Promissory Note secured by a Deed of Trust, and a Regulatory Agreement shall restrict occupancy and rents in accordance with the Local Government-approved underwriting of the Project for a term of at least 55 years.

If the funds are used for the acquisition or rehabilitation of a mobilehome park, the Local Government shall make the PLHA assistance in the form of a low-interest loan, no more than 3% interest, which may be forgivable at the end of the term. The loan shall be evidenced through a Promissory Note secured by a Deed of Trust, and a Regulatory Agreement shall restrict occupancy and rents for a term of at least thirty-five years.

(7) A Program income reuse plan describing how repaid loans, if applicable, will be reused for eligible activities specified in Section 301.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii).

Section 303. Application Review

(a) Applicants must submit a complete application by the deadline stated in the NOFA in order to be eligible for funding. Application forms provided by the Department will be available upon release of the NOFA and will require Applicants to submit the forms and other documents to demonstrate that the Local government has met threshold requirements.

(b) The Department may request additional information to complete its review.

(c) Applications recommended for funding are subject to conditions specified by the Department. Applicants will receive an official letter of award after the Department approves funding recommendations.

(d) The Department will issue Over-the-Counter formula allocation NOFA's for each 5-Year Cycle. The NOFA will remain open throughout the 5-year term to allow Local Governments to apply for their available allocations until the application deadline passes for the respective allocation years.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(A).

Section 304. Deadlines and Funding Requirements

(a) All Applicants must submit a Plan to the Department and that Plan must be approved in writing by the Department before the Department will award the Applicant. A Local Government may amend its Plan if the Department provides its prior written approval of the Plan amendment. If a Local Government wishes to amend its Plan to reallocate more than 10% of its PLHA funds to Activities under Section 301, it shall obtain the prior written approval of the Department and the approval of its legislative body at a public meeting of that body.

(b) Notwithstanding subdivision (a) of this Section 304, a Local Government may, in the event of a disaster, reallocate its PLHA funds without obtaining the prior written approval of the Department to address urgent recovery needs. The Local Government will inform the Department how the funds were used on the next PLHA Annual Report.

(c) An initial PLHA application must be submitted within 48 months of the budget appropriation for the initial Allocation Year as detailed in the table below. Any funds remaining after the deadline to apply for funds will revert to the Housing Rehabilitation Loan Fund for the Multifamily Housing Program

Allocation Year	Budget Appropriation Effective Date	Revenue Collection Period	Deadline to Apply for Funds	Deadline to Request Funds
2024	7/1/2024	January 2024 - December 2024	February 2028	March 1, 2029
2025	7/1/2025	January 2025 - December 2025	February 2029	March 1, 2030
2026	7/1/2026	January 2026 - December 2026	February 2030	March 1, 2031
2027	7/1/2027	January 2027 - December 2027	February 2031	March 1, 2032

2028	7/1/2028	January 2028 - December 2028	February 2032	March 1, 2033

(d) A Local Government may petition the Department to return any funds allocated to it to be used for the Multifamily Housing Program.

(e) Except for predevelopment expenses for construction projects funded by PLHA and costs to develop and prepare the Plan and the PLHA application, the Department shall not reimburse any costs incurred by a Local Government more than one year from the date that the Local Government commits its funds to an Activity through a contract. Reimbursement of expenses to prepare the Plan and the PLHA application are subject to the cap on administrative fees.

(f) After the Standard Agreement and attachments have been finalized, the Local Government will follow provided instructions for signing all required documents. The Local Government must submit all supporting materials and a signed Standard Agreement within the timeline provided in the instructions.

(g) After the Standard Agreement has been executed by the state, the Local Government must submit project-specific documents that commit Program funds to the Department for its prior written approval. Once approved, the Local Government may submit a request for 100 percent of the funds allocated to be used for eligible expenditures for the Activity(ies) that received the award, and subject to the terms and conditions of the Standard Agreement.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(i) and subdivision (b)(2)(B)(ii)(VI).

ARTICLE IV. ADMINISTRATION

Section 400. Accounting Records

(a) The grantee shall establish a separate ledger account for receipts and expenditures of grant funds and maintain expenditure details in accordance with the approved work plan, budget, and schedule. Separate bank accounts are not required.

(b) The grantee shall maintain documentation of its financial records for expenditures incurred during the course of the PLHA Activity in accordance with generally accepted accounting principles. Such records shall be kept for at least five years after the close-out report is submitted to the Department.

(c) The Department or its designated representative shall have the right to review and copy any records and supporting documentation pertaining to the PLHA grant.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii)(III) and subdivision (b)(2)(B)(IV) and subdivision (b)(3).

Section 401. Reporting Requirements, Monitoring and Audits.

(a) Grantees must be able to demonstrate that PLHA funds were expended for Eligible Activities to benefit members of the eligible population(s) as documented in the adopted Five-Year Plan.

(b) All monitoring and reporting requirements will be detailed in the standard agreement executed prior to distribution of PLHA. The Department shall provide grantees with reporting formats and instructions. At a minimum, Grantees will be subject to the following reporting requirements:

(1) Annual Reports are required from all grantees pursuant to HSC Section 50470(b)(2)(B)(ii)(III) each year by July 31, for the prior July 1 through June 30 period, for the term of the Standard Agreement. The Annual Report shall document the uses and expenditures of all awarded allocations and outcomes achieved. This report must be signed by both the Local Government's PLHA administrator and the Authorized Representative or designee as listed by resolution The Annual Report must describe any proposed amendment(s) to the approved Activity and schedule.

(2)_Grantees may revise their approved budgets through a budget modification when there is any increase or decrease to the total budgeted or expended amount for any Eligible Activity. If a modification is needed in between reports, a grantee should reach out to PLHASGM@hcd.ca.gov.

(3) Upon expenditure of all allocated funds and completion of the Activities funded by PLHA, the grantee shall submit a close-out report, which will be part of the Annual Report. This report shall include at a minimum, as applicable, the number of units created, and or the number of people served.

The Department may request additional information as needed to meet other applicable reporting or audit requirements.

(c) At a minimum Grantees shall maintain PLHA files which include the following information and reports:

(1) Project/Activity description
(2) Land/site Information
(3) Planning & zoning history (as appropriate)
(4) Records of public hearings and public comments

(5) Relocation needs (as appropriate)
(6) Contracts, loan and grant agreements, Standard Agreement
(7) Environmental records & reports/findings (as appropriate)
(8) Design/engineering reports & plans (as appropriate)
(9) Description of targeted beneficiaries, services to be provided, household incomes, special needs
(10) PLHA Activity costs, invoices, purchase orders, sources and uses of funds for PLHA Activities, terms & conditions of financings, draws and all supporting documentation, change orders (as appropriate)
(11) Activity schedule and amendments
(12) History of Plan amendments
(13) Procurement policy used for PLHA Activity(ies)

(i) Any and all version of draft commitment documents, MOU's, loan documents, agreements, and exceptions granted by HCD

(ii) Any and all version of fully executed and or recorded commitment documents, MOU's, loan documents, agreements, and exceptions granted by HCD

(d) The grantee shall maintain such records for possible audit for a minimum of three years after the close-out report is submitted, unless a longer period of records retention is stipulated in the Standard Agreement.

(e) The grantee shall be responsible for monitoring Rental Housing Developments that received PLHA funds for the term of the loan, including, but not limited to, the Projects' compliance with the occupancy and rent requirements set forth in the Regulatory Agreement, compliance with reserve requirements, and the compliance with habitability standards.

(f) The grantee shall be responsible for monitoring AOWH loans to assure that the homes remain Owner-occupied.

(g) If requested by the Department, the grantee shall obtain a report from a qualified, licensed third party that certifies to the amounts of disbursement and identifies the specific Activities for which the disbursements were made. Such a report is permitted to be a component of the A-133 audit.

(h) The Department may request the repayment of funds or pursue any other remedies available, at law or in equity, for failure to comply with reporting requirements.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii)(III) , (b)(2)(B)(ii)(IV) and (b)(3).

Section 402. Cancellation and Termination

(a) In the event that it is determined, at the sole discretion of the Department, that the grantee is not meeting the terms and conditions of the Standard Agreement, the Department shall issue a notice to stop work. Immediately upon receiving the written notice to stop work, the grantee shall cease all work under the Standard Agreement. The Department has the sole discretion to determine the grantee's compliance with the terms and conditions after issuance of a stop work order, and to deliver a written notice to the grantee to resume work under this Standard Agreement.

(b) The Department shall terminate the Standard Agreement if the grantee is not in compliance with the Guidelines or the terms and conditions of the Standard Agreement. At least 30 days prior to the effective date of the termination of the Standard Agreement, the Department shall provide written notice to the grantee of its intent to cancel the funding allocation. The notice shall specify the reason for early termination and may permit the grantee or the Department to cure any deficiency(ies) prior to the early termination date. The grantee will submit requested documents to the Department within 30 days of the early termination notice.

(c) Failure to meet reporting requirements will result in notice to the grantee that it must satisfactorily cure any deficiencies within three months of the notice, or it will forfeit the following year's PLHA Formula Allocation and be ineligible for a competitive award. The Local Government will forfeit subsequent PLHA Formula Allocations and be ineligible for a competitive award until the Department determines that the Local Government has met reporting requirements.

(d) The Department may, as it deems appropriate or necessary, request the repayment of funds from a Local Government or offset future years' funds, or pursue any other remedies available to it by law for failure to comply with the Guidelines and/or the terms and conditions of the Standard Agreement.

(e) Co-Applicants may be adversely impacted by a notice to stop work and/or termination if one grantee is deemed by the Department to not meet the terms and conditions of the Standard Agreement or fails to meet the reporting requirements outlined in Section 401. The Department shall not be liable to any party for any damages resulting from or caused by its termination of the Standard Agreement.

NOTE: Authority cited: HSC Section 50470, subdivision (d). Reference cited: HSC Section 50470, subdivision (b)(2)(B)(ii)(IV) and subdivision (b)(3).