State of California

2025 – 2029 Federal Consolidated Plan

Annual Action Plan

One Year Use of Funds Fiscal Year 2026-2027

First Amendment – Substantial

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DRAFT

August 7, 2026

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State of California

2026-2027 Annual Action Plan First Amendment – Substantial

The primary reason for this substantial amendment is that the state received its official Fiscal Year 2026 (FY26) National Housing Trust Fund (NHTF) allocation from U.S. Department of Housing and Urban Development (HUD), which was higher than previously estimated. Because this change significantly increases available funding and affects multiple sections of the 2026-2027 Annual Action Plan (AAP), a substantial amendment is required under federal regulations. The updated NHTF allocation prompted revisions to the Expected Resources, funding distributions, project amounts, goals, and projected unit outcomes to ensure the plan reflects the current award and accurately describes how these funds will be used.

While updating the NHTF sections, the state also made necessary corrections to related program areas to align the plan with current data. Updates were made to the HOME Investment Partnerships Program (HOME) and Emergency Solutions Grants (ESG) programs where funding totals, program income, and outcome numbers required adjustment. Significant updates were also made to the Appendix C: HOME Resale and Recapture Policy. For the Community Development Block Grant (CDBG) program, changes were limited to the Methods of Distribution (AP-30) and the Colonias Set-Aside (AP-48), where eligible activities, program rules, and set-aside details were clarified for the 2026 program year. No other programs, including Housing Opportunities for Persons With AIDS (HOPWA) and Disaster Recovery, were modified as part of this amendment.

All edits in the document show previous numbers or text in ~~strikethrough~~, and updated figures or language in red font and underlined, allowing readers to clearly identify every change made through this amendment.

AP-12 Participation - 91.115, 91.300(c)

Summary of Citizen Participation Process and Consultation Process

This amendment will be available for a 30-day public comment period in accordance with the California Department of Housing and Community Development's (HCD) Citizen Participation Plan. The public comment period will run from **August 8, 2026**, to **September 7, 2026**, during which all interested members of the public will be encouraged to review and provide feedback.

A virtual and in-person public hearing will be held on **September 2, 2026**, **at 2:00 p.m**. The webinar is open to the public, and registration is required: Public Hearing (*https://hcd-ca-gov.zoom.us/webinar/register/WN_wTY4yGGCSluifRum6fCh0w#/registration*). Webinar details, including access instructions, will be provided in a confirmation email upon registration.

This amendment will be available for review on HCD's website at HCD's Annual Action Plans page.

Public Comment Submission

All comments are to be received by **5:00 p.m. PST on September 7, 2026**, and may be submitted in any form convenient to the public, including written responses, email, and over the phone.

Address for written comments:

California Department of Housing and Community Development
651 Bannon St., Suite 400
Sacramento, CA 95811
Attention: HUD Reporting Coordinator

via email: FederalReporting@hcd.ca.gov

Phone: (916) 263-2771

Accessibility and Accommodations

HCD makes every effort to accommodate the needs of non-English-speaking residents and individuals with disabilities. Translation services and auxiliary aids were available upon request. Submit requests by email to FederalReporting@hcd.ca.gov prior to the public hearing date.

Expected Resources

AP-15 Expected Resources – 91.320(c) (1,2)

Introduction

HCD receives funds on an annual basis for HUD programs including: CDBG, HOME, ESG, National Housing Trust Fund and HOPWA (administered by California Department of Public Health) to address the identified different needs across the state as determined by the goals and allocation priorities of the 2025-2029 Consolidated Plan. The anticipated resources for the second year of the Con Plan, FY 2026-2027, and the remaining three years of the five-year Con Plan cycle are provided in the table below and include administrative costs. Administration costs are excluded from the aligned table of AP-20, and AP-35/38.

Annual programs, with the exception of NHTF, are allocated through the federal budget/appropriation process and tend to be relatively stable. However, the ongoing NHTF allocation is based on assessments to Fannie Mae/Freddie Mac loans rather than through the federal budget/appropriation process. Federal interest rates can impact the number of assessments (higher rates can mean fewer people buying, resulting in fewer loans). For example, recent interest rate hikes resulted in a sharp reduction in NHTF allocations. These allocations can go back up in the future if interest rates are reduced.

The Program Income (PI) estimates are based on PI generated by state-held loan portfolios and from locally held state recipient loan portfolios during FY 2024. Total CDBG State Program Income (PI) available for FY24 was $11,780,617.10. HOME Program Income and Recaptured funds received in FY24 were $6,000,000 received by HOME state recipients and $487,000 received by HCD.

CDPH/OA receives federal and state funds to administer several programs that provide HIV services to persons living with HIV/AIDS or those at risk for acquiring HIV. CDPH receives HOPWA funds on an annual basis through the federal budget/appropriations process.

Anticipated Resources

Program	Source of Funds	Use of Funds	Expected Amount Available Year 2				Expected Amount Available Remainder of Con Plan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
NHTF	Public Federal	Acquisition, Administration and Planning, Homebuyer Assistance, Multifamily Rental New Construction, Multifamily Rental Rehabilitation, New Construction for Ownership	*~~21,104,000~~ 28,226,868.41	0	0	~~*21,104,000~~ 28,226,868.41	~~63,312,000~~ 56,188,414	2026 HUD ~~*Anticipated Award Allocation~~

Table 4 - Expected Resources – Priority Table

Discussion

The anticipated resources for FY 2026–2027 reflect updated program allocations, program income, and prior-year balances that HCD expects to expend. AP-15 totals include administration, while AP-20 and AP-38 exclude it. Estimates assume a 10 percent reduction from prior-year allocations and will be updated upon HUD's final awards. Program income projections are based on recent receipts. NHTF allocations may fluctuate due to changes in mortgage market activity, which affects its funding source. Leveraging state, local, and private resources, including surplus lands, remains critical to address housing and infrastructure needs, especially in rural and underserved communities.

On March 25, 2026, HUD approved a remediation plan for ESG in the amount of $1,111,200 in prior year resources from FY2023 ~~will be made available upon HUD's approval of a remediation plan~~ to expend FY2023 remaining funds after the original performance period ended. In the remediation plan, HCD proposed to offer the remaining unexpended FY2023 funds to grantees with a recent history of good performance and timely expenditure. ~~If the remediation plan is approved by HUD, t~~ The funds are currently being added into grantee's current standard agreements and will be expended by July 2027.

AP-20 Annual Goals and Objectives – 91.320(c)(3) & (e)

Sort Order	Goal Name	Description	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator (Cumulative of all programs)
1	Increase Supply of Affordable Housing	Development of new rental and homeownership housing opportunities to increase the supply of affordable housing	2026	2027	Affordable Housing	Statewide	Increased Supply and Preservation of Affordable Housing	HOME: $25,728,421 HTF: ~~*$17,094,240~~ $22,863,763	Rental units constructed: ~~167~~172 Household Housing Units Homeowner Housing Added: 14 Housing Units
2	Preserve Existing Affordable Housing	Rehabilitation of existing units in order to preserve viability and affordability of existing housing stock.	2026	2027	Affordable Housing	Statewide	Increased Supply and Preservation of Affordable Housing	CDBG: $8,414,550 HOME: $7,544,424 HTF: $~~1,899,360~~ 2,540,418	Rental Units Rehabilitated: 32 Housing Units Homeowner Housing Rehabilitated: 107 Housing Units
4	Prevent Homelessness	Address the needs of those at risk of homelessness through prevention activities. Includes homeless prevention activities through the ESG and HOPWA programs. Provide short-term disaster response assistance for the needs of persons who are experiencing homelessness or at-risk of homelessness residing in disaster areas.	2026	2027	Homeless	Statewide	Address the Homelessness Crisis	ESG: $631,849 HOPWA: $6,637,594	Homeless Prevention: ~~719~~ 585 Persons Assisted

Table 5 - Goals Summary

AP-30 Methods of Distribution – 91.320(d)&(k)

Introduction

Per 24 Code of Federal Regulations (CFR) Part 91.320(d) and (k), the State of California's Annual Action Plan (AAP) must include a description of its method(s) for distributing funds to local governments and nonprofit organizations to carry out activities, or the activities to be undertaken by the state using funds that are expected to be received under formula allocations and Program Income (PI) and any other U.S. Department of Housing and Urban Development (HUD) assistance during the Fiscal Year (FY). The description must include the reason for allocation priorities, how the proposed distribution of funds will address the priority needs and specific objectives described in the Consolidated Plan (Con Plan), and any obstacles to addressing needs. The method of distribution must also describe specific information for each program it administers. Distribution methods for the Community Development Block Grant (CDBG), Emergency Solutions Grants (ESG), HOME Investment Partnerships Program (HOME), Housing Opportunities for Persons With AIDS (HOPWA), and the National Housing Trust Fund (NHTF) programs are described below.

For the CDBG and HOME programs, the state will be directly carrying out both administrative- and activity delivery (project soft costs)-related activities across all activities where activity delivery is appropriate.

Distribution Methods Table

1	**State Program Name:**	**CDBG Over-the-Counter (OTC)**
	Funding Sources:	**CDBG**
	Describe the state program addressed by the Method of Distribution.	HCD's CDBG program partners with rural cities and counties to improve the lives of low and moderate-income residents through the creation and expansion of community and economic development opportunities in support of livable communities. CDBG eligible activities under the 2026 NOFA will only include housing and non-housing (infrastructure and public facilities) projects, referred to collectively as "projects". What is considered an eligible activity is further defined in an appendix to the NOFA. Further restrictions on eligible activities may be defined in the relevant NOFA and MOD.
	Describe all of the criteria that will be	The 2026 NOFA offers only OTC applications for

	used to select applications and the relative importance of these criteria.	eligible activities. The total number of applications allowed per jurisdiction shall not exceed one (1). Application criteria will focus on need, readiness, capacity, and past performance. Grantees who have not been awarded recently will be prioritized. On July 21, 2026, t~~T~~he CDBG Guidelines ~~are in the process of being~~ were updated to apply the “50 Percent Rule” to Over-the-Counter applications to reward fast spenders and ensure that grantees who have not spent down their existing awards continue to focus on expenditures rather than applying for new awards before they are ready. Specific details about the criteria and their relative importance will be published in the 2026 NOFA which will be located here: Community Development Block Grant Program (CDBG) | California Department of Housing and Community Development Future special allocations of CDBG funding may have different criteria than those above, which are for the standard CDBG program. Future special allocations of CDBG funding may reflect specific goals or priorities requiring a federal response, e.g., pandemic or economic recession. Applications for such allocations may be in addition to other applications submitted, will be independently evaluated, and won’t be included in the per-jurisdiction grant award maximums. Unallocated or uncommitted current or prior year CDBG funds can be used in the following circumstances: • To increase awarded allocations to grantees that demonstrate fast spending and need additional resources. • To meet unforeseen emergency needs, including but not limited to activities qualifying under the Urgent Need National Objective. • For other eligible activities for which applications were submitted to the state that allow funds to be spent by regulatory deadlines. Funding awarded in these circumstances won’t require issuance of a separate NOFA but may have a supplementary application that will be

		reviewed expeditiously to meet needs.
	If only summary criteria were described, how can potential applicants access application manuals or other state publications describe the application criteria? (CDBG only)	Generally, for HCD CDBG NOFAs, the specific scoring breakdowns and threshold criteria for all application types are included in the Appendices of the NOFA. The NOFA and appendices will be made available on HCD's CDBG webpage at [Community Development Block Grant Program (CDBG) | California Department of Housing and Community Development]() However, additional resources may also be made available within HCD's grants management system.
	Describe how resources will be allocated among funding categories.	Pursuant to the state's CDBG program guidelines, funding allocations are based on demand once state administration funding amounts and state and federal set-aside amounts have been accounted for. Locally generated PI is a key resource for meeting community needs and under federal regulations must be spent before formula allocations are spent to ensure timely expenditure; any PI not obligated in an eligible activity by June 30, 2026, may be subject to recapture. This will not include PI receipts received after January 1, 2026, but will include all PI receipts received prior to January 1, 2026. Locally generated Program Income (PI) is not currently allowed to be used for public services or planning activities, and grantees may not include PI in planning or public services budgets submitted under the 2026 NOFA. Public service activities will not be funded under the 2026 MOD but will be funded in future years and will not exceed 15 percent of the CDBG annual expenditures, pursuant to federal regulation. Planning activities will not be funded under the 2026 MOD but will be funded in future years and will not exceed 10 percent of the CDBG annual expenditures, pursuant to federal regulation.
	Describe the threshold factors and grant size limits.	Applicants must meet the state and federal CDBG regulation threshold requirements at the time of application submittal. These threshold requirements will be detailed in the 2026 NOFA

		and in the application. Grant size limits: Under the CDBG 2026 NOFA, the maximum total grant award for all activities combined per jurisdiction shall not exceed $5,000,000. The limit per project application shall not exceed $5,000,000. These maximums do not include PI. Jurisdictions that commit PI to an activity may exceed the maximum grant award total, including PI. PI may be used for PI-only applications or in OTC Applications except that PI may not be used for public services or planning activities. Per jurisdiction application and award amount limits do not include Colonia and Native American set-asides. Exceptions for applications approved outside of the NOFA process to meet urgent need and to respond to unforeseen emergencies or events as determined by HCD will not be subject to these application or award amount limitations.
	What are the outcome measures expected as a result of the method of distribution?	With the FY26 awarded funds, CDBG expects to assist eligible households and persons with housing costs and support eligible communities with needed services, while improving and creating economic opportunities. The specific goals and goal outcome indicators associated with CDBG funded activities are: Increase supply of affordable housing and preservation of existing affordable housing (Goal Outcome Indicators: Rental Units Rehabilitated) Maintain or improve public facilities and infrastructure (Goal Outcome Indicators: Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit; Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit)
3	**State Program Name:**	**CDBG non-federally recognized Native American Communities or Tribes**
	Funding Sources:	**CDBG**
	Describe the state program addressed by the Method of	The state sets aside at least 1.25 percent of the total amount of funds to be used for eligible activities benefiting non-federally recognized

	Distribution.	Native American communities or Tribes. The state CDBG program uses a NOFA application process in which eligible cities and counties apply for funding awards for a variety of programs and projects intended to align with the goals and priorities identified in the 2025-2029 Con Plan, as outlined in the AP-25 Allocation Priorities. These cities and counties are eligible to apply on behalf of non-federally recognized Native American communities or Tribes.
	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	The criteria for the non-federally recognized Tribe's set-aside applications are the same as the criteria for the state CDBG applications. ~~Grantees who have not been awarded recently will be prioritized.~~ For specific details about the criteria, view the NOFA, available here: Community Development Block Grant Program (CDBG) | California Department of Housing and Community Development
	If only summary criteria were described, how can potential applicants access application manuals or other state publications be describing the application criteria? (CDBG only)	Applicants will have access to the NOFA: Community Development Block Grant Program (CDBG) | California Department of Housing and Community Development and a link to a unique online application form. For details on the application process, please see the CDBG OTC MOD. Only cities and counties applying on behalf of a non-federally recognized Tribe are eligible for the non-federally recognized Tribal set-aside through the state CDBG program.
	Describe how resources will be allocated among funding categories.	Pursuant to state statute, at least 1.25 percent of the total amount of funds shall be used for eligible activities benefiting non-federally recognized Native American communities or Tribes. The set-aside is allocated from the CDBG annual allocation and may be used to support any CDBG eligible activity permitted under the relevant NOFA and MOD. Applicants applying for this set-aside shall be eligible to apply for housing, public facilities, infrastructure projects, as well as housing programs, economic development programs, public services and planning, unlike applications under the OTC MOD, which will only be eligible to apply for housing, public facility and infrastructure projects.

	Describe the threshold factors and grant size limits.	Applications must be submitted by an eligible jurisdiction. Applications submitted under this section will be independently evaluated. Applications for these allocations are not included in the per-jurisdiction application and/or grant award maximums. All applications must meet federal and state thresholds and overlays to be eligible for funding. Please see the CDBG NOFA for the CDBG threshold and overlays. The Tribal set-aside is subject to the same thresholds and overlays as the other set-asides and allocations in the state CDBG program. **Grant size limits**: The following grant limits apply to the Tribal set-aside only: The FY26 NOFA maximum application limit for Tribal funding will be no less than 1.25 percent of the CDBG allocation. Tribal applications may apply for the full amount of set-aside for any eligible activities. If a Tribal applicant wishes to apply for more than the set-aside, the applicant should apply under the OTC funding for evaluation along with all other applicants.
	What are the outcome measures expected as a result of the method of distribution?	With the FY26 Tribal set-aside, CDBG expects to assist eligible households and persons with housing costs and support eligible communities with needed housing, public facilities, and infrastructure projects and services, while improving economic opportunities. The specific goals and goal outcome indicators associated with CDBG activities are: Increase supply of affordable housing and preservation of existing affordable housing (Goal Outcome Indicators: Homeowner Housing Added; Rental Units Rehabilitated); Homeowner Housing Rehabilitated) Improve access to housing (Goal Outcome Indicators: Direct Financial Assistance to Homebuyers) Maintain or improve public facilities and infrastructure (Goal Outcome Indicators: Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit; Public Facility or Infrastructure Activities for

		Low/Moderate Income Housing Benefit) Maintain or improve access to public services (Goal Outcome Indicators: Public Service Activities other than Low/Moderate Income Housing Benefit; Public Service Activities for Low/Moderate Income Housing Benefit) Economic Development (Goal Outcome Indicators: Jobs Created/Retained, Businesses Assisted)
4	**State Program Name:**	**Emergency Solutions Grants Program (ESG) Allocation**
	Funding Sources:	**ESG**
	Describe the state program addressed by the Method of Distribution.	As authorized by Subtitle B of Title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371-11378) and the federal Homeless Emergency and Rapid Transition to Housing Act (HEARTH) Act, 100 percent of ESG-funded activities must address homelessness. The ESG program aims to do the following: • Align with local systems' federal ESG and HEARTH goals. • Invest in impactful activities based on key performance goals and outcomes. • Improve the geographic distribution of funded activities. • Maintain continuity of funded activities and create a streamlined delivery mechanism. Pursuant to current state guidelines, eligible applicants are local governments and nonprofit corporations. Federal ESG funding will continue to be directed towards non-entitlement areas throughout the state; however, under the program, funding can be used in entitlement areas. HCD's ESG program is currently distributed in accordance with the Emergency Solutions Grants Program State Guidelines. The amount of funds available to Continuum of Care (CoC) Service Areas will be based on the amount of ESG funds available in any given year using the following formula allocation factors, with the most recent data available.

		(1) The Point-in-Time count published by HUD, which includes both sheltered and unsheltered homeless persons prorated to reflect the total population of the ESG non-entitlement areas within each CoC Service Area, as published by the Census Bureau. (2) The number of extremely low-income renter households within the ESG non-entitlement areas of each CoC Service Area that are paying more than 50 percent of their income for rent using HUD's Comprehensive Housing Affordability Strategy dataset. (3) The number of persons below the federal poverty line within the ESG non-entitlement areas of each CoC Service Area divided by the total population within the ESG non-entitlement areas of each CoC Service Area. This factor will be double-weighted. Data for these factors will be obtained from the Census Bureau. (4) Notwithstanding subsections (1) through (3) above, HCD may occasionally adjust the weighting of these factors and sources of information to reflect changes in the availability of data sources and to use the best information available. Any changes to the factors or weighing of the formula will be proposed in the Annual Action Plan. Special allocations made under the ESG Program, such as ESG-RUSH funding, may be awarded to existing subrecipients in good standing with HCD. ESG-RUSH funding is geographically restricted for use within disaster declared areas. Therefore, Section 200 of the State Guidelines, which describes the Allocation Formula does not apply to ESG-RUSH. esg-final-guidelines.pdf
	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Applications will be evaluated using criteria set in state guidelines at Article 2, § 206. An Eligible Applicant/organization means a Private Nonprofit Organization or a Unit of General Purpose Local Government that provides or contracts with Private Nonprofit Organizations to provide Eligible Activities, 24 CFR 576.2. The Applicant shall meet the following requirements when its application is submitted:

		• The Applicant must show to the satisfaction of the Department that it is in compliance with the Single Audit requirements of 2 CFR 200.50. • The Applicant must be in good standing with the Department, as defined in the NOFA, and in compliance with all applicable law; and • Applicants must provide a Certificate of Good Standing from the California Secretary of State's office and a copy of their most recent filed Internal Revenue Service Form 990. Applicant Selection • The Continuum of Care may select up to two Eligible Applicants to apply for funding in any given year. The selection process used by the Continuum of Care must include, at a minimum, the following: o In making this selection, the Continuum of Care shall use a process which is fair, open and avoids conflicts of interest in project selection, implementation, and administration of funds o Incorporate reasonable performance standards as set forth in the AAP based on HUD requirements and guidance. If the Applicant has not implemented the proposed activity or similar activity within the past three years, the Continuum of Care shall work with the funded Applicant to ensure it meets reasonable performance standards specified in the AAP in the contract year o The Applicant and/or Service Provider must develop complete policies and procedures that meet HUD's, HCD's, and the CoC's requirements. The CoC must review and approve the policies and procedures before the Contractors and/or Service Provider can begin administering any ESG Eligible Activity.

		- Comply with federal regulations and the state Guidelines. HCD reserves the right to approve Applicants the Continuum of Care has recommended. If HCD does not approve an Applicant, HCD must communicate to the Continuum of Care the reason for the denial in writing within 15 business days from the closing date of the application period. Criteria for denial of an Applicant: - Applicants are not in good standing with HCD - Applicant has unresolved findings with HCD, HUD or a Single Audit - Applicants have not met Expenditure Milestones in the prior two Annual Funding Cycles; or - Applicant has an outstanding financial obligation to HCD and is not meeting repayment terms, if applicable. Selection criteria are not applicable for ESG RUSH funding directly awarded to existing ESG subrecipients in the declared disaster area, however HCD will review the prior performance of existing subrecipients prior to making an award recommendation. Future special allocations of ESG funding may have different criteria than those above, which are for the standard ESG program. Future special allocations of ESG funding may reflect specific goals or priorities requiring a federal response, e.g., pandemic, natural disaster or economic recession. Applications for such allocations may be in addition to other applications submitted and will be independently evaluated. Unallocated or uncommitted current or prior year ESG funds can be used in the following circumstances: - To increase awarded allocations to grantees that demonstrate fast spending and need additional resources. - To meet unforeseen emergency needs, as defined by HCD..

		• For other eligible activities for which applications were submitted to the state that allow funds to be spent by regulatory deadlines. Funding awarded in these circumstances won't require issuance of a separate NOFA but may have a supplementary application that will be reviewed expeditiously to meet needs.
	Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG ONLY)	• A NOFA will be issued every third Annual Funding Cycle. This means that each NOFA and subsequent awards will be encumbered and evidenced by a multiple year Standard Agreement, where Applicants may apply for more funds in the third year. • Funding will be based on the actual amount of ESG funds made available to HCD through a grant agreement from HUD in any given year using the formula allocation set forth in Section 200 of these Guidelines. • The Department reserves the right to issue one or more NOFAs as needed, and to subsequently amend, supplement, or rescind any such NOFA in its discretion. • The Department will notify all eligible Applicants of the anticipated level of funding for the program in the AAP and will provide them with a schedule of filing applications as indicated in the NOFA. • The NOFA will specify, among other things, the amount of funds available, eligible components and activities, the time frame for submittal of applications, the application requirements pursuant to Section 203 of the state Guidelines, formula allocation and/or performance outcomes pursuant to the AAP, the matching contribution requirements pursuant to Section 209 of the state Guidelines, any prohibitions of use of funds, the availability of administrative funds, and the general terms and conditions of funding allocations. • Applications must be received by the closing date and time identified in the NOFA. In order to comply with any set-aside or special

		allocation established by HUD or the Department, the Department may do one or more of the following: ○ Issue a special NOFA. ○ Specify in each NOFA the reservation of a portion of the funds for various set-asides or special allocations. ○ Specify in each NOFA any waivers to requirements granted by HUD or the Department in connection with the funds. ○ Deadline for filing of applications to be reviewed and approved by the Department, timeframes for review and funding of all applications. ○ General terms and conditions of funding allocations set forth in 24 CFR 91.320. 14 • For funding years when a NOFA is not issued, a new application will not be required. The Department will notify the Contractor with active contracts in good standing: ○ Their annual funding allocation amount ○ Request a Budget Revision ○ Request a signed certification from the Authorized Signor identified in the Resolution of any changes, ○ Issue an award letter ○ Amend the Standard Agreement to reflect the adjusted funding. In addition, HCD will provide special allocations, such as ESG-RUSH funding, disencumbered funds, or expired funds being awarded under a remediation plan, as direct awards to existing subrecipients who are in good standing in their existing ESG award.
	Describe how resources will be allocated among funding categories.	Use ESG funds, including special allocations, for five program components: Street Outreach, Emergency Shelter, Homelessness Prevention, Rapid Rehousing, and Homeless Management Information System (HMIS), as well as Administrative Activities. Eligible Activities that may be funded under each component are set forth in 24 C.F.R. § 576.101 through 24 C.F.R. §

		576.107. • A minimum of 40 percent of all Contractor's awarded contract/budget must include the Rapid Rehousing component. • Homelessness Prevention will be limited to no more than 10 percent of any awarded contract/budget and will not be awarded as a standalone activity. • ESG Shelter Operations funds may be used for maintenance activities that do not materially add to the value of the building/property; do not appreciably prolong the useful life of the building/property; and do not adapt the building/property to new uses. Examples of maintenance activities could include activities such as replacing a few shingles on a leaky roof; patching leaking pipes or plumbing; replacing a broken window; fixing a crack in a sidewalk; and filling potholes in a parking lot. Please note, the requirements of the Build America, Buy America Act (BABA) may apply to minor repairs. • Rental assistance payments provided as part of an RRH or HP activity under 24 C.F.R. § 576.106 cannot exceed HUD's Fair Market Rent (FMR) as provided under 24 C.F.R. Part 888 unless a waiver is granted by HUD and must comply with HUD's standard for rent reasonableness as established under 24 C.F.R. § 982.507. ○ HUD approved a waiver of ~~2025~~ FMR for HCD's FY24 funding. HCD has ~~started to notify awarded applicants~~ notified its subrecipients that the waiver was granted. It is HCD's intent to utilize this waiver each year if there continues to be a distinct difference between FMR and average rents in California's Continuum of Care service areas. Eligible Administrative Activities are set forth in 24 C.F.R. § 576.108. The Department will share one

		percent (1 percent) of federal funds for all those awarded for direct administrative costs.
	Describe the threshold factors and grant size limits.	An application must meet the following threshold requirements to be eligible for funding: • Applicant must follow instructions in both the ESG Program Guidelines, the NOFA, and the online application. Failure to follow instructions will result in disqualification. • The ESG application and all required attachments must be submitted to the Department through the eCivis Portal located at https://portal.ecivis.com/#/login. Applications must include all required information to be submitted. • The application must be completed and received by the deadline specified in the NOFA. • The Applicant is eligible as described in the ESG Program Guidelines and the NOFA. • Proposed Activities are eligible pursuant to the ESG Program Guidelines and the NOFA. • For any application proposing an ES Activity as set forth in 24 C.F.R. § 576.408, Applicants must have adequate and documented site control (as defined in the ESG Program Guidelines). • The application must include a completed Authorizing Resolution (AR) on an acceptable Department-approved resolution template and approved by the Applicant's governing board as described in Section V of the NOFA. Failure to provide this complete Authorizing Resolution on an acceptable Department-approved resolution template by the application due date will result in the immediate disqualification of the application. • All Applicants must demonstrate to the satisfaction of the Department that it is following the financial management

		requirements of 2 C.F.R. Part 200. If applicable, the Applicant must provide the Department with its most recent single audit (as submitted to the State Controller's Office), as well as the most recent year's Form 990. If the Applicant has any open single audit findings and does not have a plan or an agreement to remediate those findings, the Applicant will be deemed ineligible for funding through the state ESG program until the findings are resolved or a remediation plan or agreement is established. • Pursuant to 24 C.F.R. § 576.201, Applicants must have identified dollar-for-dollar match for the federal ESG funding with funds from other public or private sources. • Pursuant to the NOFA, Applicants must submit written Policies and Procedures (P&Ps) at the time of application submission. An application may be deemed ineligible if the application does not meet the threshold requirements, if the application is incomplete, or if the Department cannot determine compliance with the threshold requirements.
	What are the outcome measures expected as a result of the method of distribution?	The specific goal and Goal Outcome Indicators associated with ESG activities in the Strategic Plan are to prevent and address homelessness (Goal Outcome Indicators: Rapid Re-housing; Tenant-Based Rental Assistance/Rapid Rehousing; Homeless Person/ Overnight Shelter).

5	State Program Name:	HOME Investment Partnerships Program (HOME) Competitive
	Funding Sources:	**HOME**
	Describe the state program addressed by the Method of Distribution.	HCD's HOME program partners with rural cities, counties, Community Housing Development Organizations (CHDOs), developers and Native American Entities to improve the lives of low- and moderate-income families through the creation and expansion of affordable housing options and opportunities. ~~Types of HOME activities vary by applicant type. Developers, cities, counties, CHDOs, and Native American Entities may apply for development of multifamily housing, rental new construction and/or rehabilitation, with or without acquisition. CHDOs and federally recognized Native American Entities, as developers, may apply for First-Time Homebuyer (FTHB) projects. Cities, counties, CHDOs, and federally recognized Native American Entities may apply for Infill New Construction (INC) programs. Cities, counties, and federally recognized Native American Entities may apply for all types of HOME program activities.~~ ~~As described in the respective Methods of Distribution (MOD), the state HOME program directs 20 percent of the funding allocation to Tribal Entities and has a 15 percent set-aside for CHDOs. For all activities, the state HOME regulations require that a minimum of 50 percent of funds awarded are for projects and programs located in rural census tracts.~~ HCD will choose the most appropriate MOD or MODs to distribute funds for a variety of programs and projects intended to align with the goals and priorities identified in the 2025-2029 Con Plan, as outlined in the AP-25 Allocation Priorities for every funding cycle. ~~One MOD used for the state HOME program is a Notice of Funding Availability (NOFA) competitive application process or similar alternate process as part of~~ HCD divides its HOME allocation between multifamily rental activities and program activities. Funding for HOME multifamily rental activities may be awarded through a joint funding application with other state and federal housing funding sources. The State of California, through its Housing Development Finance Committee (HDFC), issues a single Notice of Funding Availability (NOFA) competitive application or alternative processes, for multifamily new construction and rehabilitation projects. This is a joint funding application with state-funded programs and/or tax credits/bonds. Developers, cities, counties, ~~CHDOs~~ and Native American Entities are eligible to apply under the terms set forth in the competitive NOFA or alternate process.

		Funding for program activities is subject to HOME Guidelines, which are currently undergoing public comment and will be adopted in advance of the 2026 Notice of Funding availability. ~~Funding for program activities including First Time Homebuyer (FTHB), Owner-Occupied Rehabilitation (OOR), and Tenant Based Rental Assistance (TBRA), and Single-Family Development activities, may be awarded by HCD to State Recipients, Subrecipients, CHDOs and Native American Entities (NAEs) via a competitive NOFA.~~ ~~Project and program~~ Priorities and/or limitations for special needs populations, including persons with mobility, sensory, mental health, and intellectual disabilities, may be approved by HCD, consistent with federal and state regulations and laws, as well as for households experiencing homelessness, chronic homelessness, or at risk of homelessness, as defined by 24 CFR 91.5. In addition, tribal projects and programs with Indian Housing Block Grant funding (IHBG) may provide preference or limit occupancy to tribal members in accordance with IHBG rules and HOME regulations at 24 CFR 92.253(d)(3)(i). Note: In a federally-, state-, or locally declared emergency, the state may utilize an alternate MOD for uncommitted funds and Program Income (PI) on hand to serve impacted areas. Following adoption, grantees with currently open awards that were subject to state regulations may opt in to adhere to the newly applicable HDFC Guidelines (for multi-family rental activities) or HOME guidelines (for program activities) via modification or amendment of the Standard Agreement. ~~Should the state decide to waive, suspend, or eliminate the state HOME regulations, new program guidelines would be adopted and used to set the MOD.~~
	Describe all the criteria that will be used to select applications and the relative importance of these criteria.	~~Below is a summary of the HOME scoring criteria to be used when funds are awarded competitively through a NOFA or similar alternate application process such as joint federal-state funding applications. For additional information, see section 8212 of the state HOME regulations at https://www.hcd.ca.gov/grants-funding/active-funding/home/docs/State-HOME-Regulations-eff-1-1-2017-FINAL.docx. HCD is currently developing HOME Program Guidelines intended to replace the State HOME Program Regulations, which may modify the application requirements and selection criteria described in this section. Beginning on the effective date of the new HOME Program Guidelines, HCD will apply the application requirements and selection criteria set forth in the Guidelines and the applicable NOFA or alternate application process in effect at the time applications are solicited and awards are made.~~

		~~Scoring Factors:~~ ~~1) Housing element compliance, as applicable. Information regarding housing element compliance can be found on the HCD public website at the following link: https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/housing-element-review-and-compliance-report~~ ~~2) Direct HOME allocation declined.~~ ~~3) Rural activities.~~ ~~4) State objectives.~~ ~~5) Applications that provide deeper affordability.~~ ~~6) Applications that demonstrate expeditious or efficient use of HOME funds.~~ ~~7) Applications that can be funded in a manner which promotes capacity building and continuity of housing activities.~~ ~~8) Applications that serve special needs populations, including the needs of persons with mobility, sensory, mental health, and intellectual disabilities, as permitted under federal and state laws, and HOME requirements.~~ ~~9) Applications that serve victims of locally, state, or federally declared disasters.~~ ~~10) Applications that address special housing needs.~~ ~~11) Activities that complement other state or federal programs or policy objectives.~~ ~~12) Applications that address homelessness.~~ ~~13) Applications that provide access to resources.~~ ~~Further information and guidance on the specific state objective factors utilized will be in the NOFA or alternate application process.~~ ~~Additional scoring factors for program activities applications include:~~ ~~1) Applicant capacity: Examines past performance on HOME contracts, as well as experience with other activities. Performance points may be deducted for failure to submit required reports in a timely manner and failure to cooperate with monitoring or contractual requirements identified by HCD in the last five years.~~ ~~2) Community need: Examines data, such as availability of affordable housing stock, poverty rates, age of housing stock, housing overcrowding, and home sales prices compared to~~

		~~median incomes in the locality.~~ ~~3) Program feasibility: For FTHB programs, this factor examines the financial feasibility of the activity at proposed sales prices, income targets, and assistance levels. For Owner-Occupied Rehabilitation (OOR) programs, this factor examines feasibility as reflected through need by census data, such as overcrowding and age of housing stock. For Tenant-Based Rental Assistance (TBRA) programs, this factor examines feasibility as reflected through need by census data, such as renter overpayment for housing.~~ ~~Additional scoring factors for project applications include:~~ ~~1) Applicant capacity: Examines past performance on HOME contracts, as well as experience with other activities. Points may be deducted for any of the following:~~ ~~1a) Missing HOME performance deadlines in the last five years.~~ ~~1b) Failure to submit required reports in a timely manner.~~ ~~1c) Material misrepresentations of facts which jeopardize the HOME investment or put HCD at risk of a serious monitoring finding.~~ ~~1d) Failure to cooperate with monitoring requirements identified by HCD in the last five years.~~ ~~2) Community need: Examines data, such as availability of affordable housing stock, poverty rates, vacancy rates, age of housing stock, housing overcrowding, and home sales prices compared to median incomes in the locality.~~ ~~3) Project feasibility: Both rental and FTHB projects earn points based on the percentage of HOME-assisted units. Rental projects must demonstrate compliance with HCD's Uniform Multifamily Regulations (UMRs) and HOME requirements, unless UMR's are waived in the NOFA or alternate application process. FTHB projects must demonstrate the ability of the proposed project to meet HOME requirements, including demonstrating the adequacy of the proposed development budget, the market for the project, and the affordability of the project.~~ ~~4) Readiness: Examines the project development plan, as well as the status of local government approvals, design progress, and financing commitments.~~ A competitive NOFA awarding funds for multifamily activities will score applications in accordance with the HCD-approved HOME Program Multifamily Regulations, which are imbedded in the HDFC Regulations. Scoring criteria may include, but is not limited

to, one or more of the following:

- Affordability
- Housing Type
- Location and Amenities
- Applicant's level of readiness to proceed.
- Applicant's experience.
- Merits of the Project in meeting the state objectives in the Department's Consolidated Plan and Annual Action Plan.
- Community need.
- Geographic diversity.
- Past performance and monitoring findings.
- Poverty rates
- Other criteria that advance the goals of HOME.

If a competitive NOFA is issued for Program Activities, one or more of the following scoring criteria may be considered as will be detailed in the NOFA:

- Applicant's level of readiness to proceed.
- Applicant's experience.
- Merits of the Program Activity in meeting the state objectives in the Department's Consolidated Plan and Annual Action Plan.
- Community need.
- Geographic diversity.
- Past performance and monitoring findings.
- Poverty rates.
- Other criteria that advance the goals of HOME.

Future special allocations of HOME funding may have different criteria than those above, which are for the standard HOME program. Future special allocations of HOME funding may reflect specific goals or priorities intended to provide response to the reason for the special allocation such as a pandemic, economic recession, or other events requiring a federal response.

HOME Program Guidelines that will govern program activities and HDFC regulations that will govern multifamily rental activities are currently undergoing public comment. FY 2026 funds will be administered under these new sets of guidance.

~~Should the state decide to waive, suspend, or eliminate the state HOME regulations, new program guidelines would be adopted and used to set funding criteria.~~

To ensure HCD meets HUD's statutory commitment deadline and/or regulatory 8-year expenditure deadline and avoids having to return funds to HUD, HCD may choose to issue a special competitive NOFA that only takes applications from multifamily projects that have previous funding awards from HCD, HDFC,

		CalHFA, or other California agencies, but have not progressed to construction due to funding gaps. When HCD distributes funds to projects that were previously scored and awarded by HCD under a previous NOFA, HCD may use any combination of these additional criteria: • Priority may be given to projects where the additional funding award is sufficient to cover the gap in financing without the need for the applicant to seek additional funding sources. • Priority may be given to projects with the highest level of project readiness. • Priority may be given to projects with the oldest dated award letter. • Priority may be given to the project with the highest original scoring application, if applicable. • Priority may be given to the project that fulfills another goal or objective of HCD's.
	Describe how resources will be allocated among funding categories.	~~Pursuant to state HOME regulations, 40 percent of the annual allocation received from HUD will be used to support awards to program activities applications, consisting of First-Time Homebuyer Downpayment Assistance (FTHB), Owner-Occupied Rehabilitation (OOR), and/or Tenant-Based Rental Assistance (TBRA) activities); 5 percent will be available to fund FTHB projects applications, and 55 percent (exceeding the minimum 40 percent requirement in the state HOME regulations) of funds are typically available for rental project new construction or rehabilitation projects for an annual allocation. Additionally, 20 percent of the allocation will be used to fund applications submitted by Native American Entities as permitted under federal and state laws, and HOME requirements.~~ ~~Should the state decide to waive, suspend, or eliminate the state HOME regulations, new program Guidelines would first be adopted and used, to determine how resources are allocated among funding categories.~~ HOME Program Guidelines that will govern program activities and HDFC regulations that will govern multifamily rental activities are currently undergoing public comment. FY 2026 funds will be administered under these new sets of guidance. Should the pool of applicants not fully subscribe to funds for any target or set-aside, those funds will revert to the general pool of funds for HOME projects or programs.
	Describe the threshold factors	~~Pursuant to state HOME regulations 25 CCR section 8212, the~~

	and grant size limits.	~~following threshold criteria must be met to be considered for funding:~~ ~~1) Applications shall not be considered for funding unless the application is received within the timeframe specified in the NOFA or alternate application process , and demonstrates that all the following conditions exist:~~ ~~1a) the applicant is eligible, pursuant to Section 8204 and 8204.1.~~ ~~1b) the applicant proposes at least one eligible activity and the proposed uses for the HOME funds are eligible, pursuant to Section 8205 and 8210(c).~~ ~~1c) the application is complete, pursuant to Section 8211.~~ ~~2) The total amount of funds requested for both administration and activity-specific costs does not exceed the funding allocation limit, which is stated in the NOFA or alternate application process, and any allowed increase to this limit, pursuant to Section 8127.~~ ~~3) Applicants may be held out of competition due to performance problems with current HOME contracts, such as failure to submit required single audit documentation to the State Controller's Office, or unresolved audit findings.~~ ~~4) Applicants for program activity funds with one or more current state HOME program activities contracts must have expended at least 50 percent of the aggregate total of program funds originally awarded under these contracts to be eligible to apply for additional program activity funds.~~ ~~5) Applicants for projects that miss three project deadlines are currently ineligible to apply for funds in the next NOFA or alternate application process. However, HCD may waive this holdout penalty if the missed project deadline was clearly outside the control of all the following parties: the applicant, developer, owner, and managing general partner.~~ ~~6) If the applicant is a CHDO, this includes procedures ensuring the CHDO's effective project control of activities assisted with HOME funds, pursuant to 24 CFR Section 92.300(a)(1); and~~ ~~7) For applications proposing projects involving acquisition of rental housing, acquisition and rehabilitation of rental housing, rehabilitation of rental housing, construction of rental housing, or construction of housing for FTHB, the application demonstrates:~~ ~~7a) site control pursuant to Section 8303.~~ ~~7b) that there are no pending lawsuits that will prevent implementation of the project, as proposed.~~

~~8)~~

All applicants must meet the following threshold factors:

1. The Applicant must be an eligible Applicant type for all activities included in their application.
2. The Applicant must propose an eligible activity and use of funds that does not exceed any funding limits as described in the NOFA (and/or other Department-approved announcement of funding).
3. The application must be substantially complete.
4. The Applicant provides documentation to demonstrate sufficient experience and capacity to undertake, comply, and manage the eligible activities assisted with HOME Funds, by showing it has the resources to:
    a. Efficiently meet the operational needs of the activity.
    b. Maintain the Fiscal Integrity of the activity.
    c. Satisfy all legal requirements and obligations in connection with the activity.
    d. Provide evidence of experience to successfully undertake and complete the activity.
5. Awardees entering into a written agreement with the Department must have capacity and cannot be shell entities. They may contract out for administrative functions or apply with a co-applicant to meet capacity requirements established in the NOFA.
6. FTHB, OOR and Single-Family Development activities must include provisions to ensure the housing remain affordable and adheres to resale and recapture provisions through the period of affordability.
7. There must be no pending or threatened litigation that could affect implementation of the proposed activities.
8. The Applicant must have resolved or be in the process of resolving any audit finding(s) for prior Department or federally funded housing or community development programs to the satisfaction of the Department or federal agency by which the finding was made.
9. The Applicant and any member of its program team must not be on the list of debarred contractors at https://www.sam.gov/SAM/.
10. If the Applicant is a State Recipient, it must comply with the Single Audit submission requirements under 2 C.F.R. § 200, including the reporting requirements in 2 C.F.R. § 200.512. Applicants with audit findings may still be considered for funding if they have submitted all required audit reports on time and are actively in the process of resolving any outstanding findings. Applicants must provide documentation demonstrating that they are implementing a corrective action plan consistent with 2

		C.F.R. § 200.511, including the status of corrective actions taken to date and a timeline for full resolution. The Department will evaluate the nature and severity of any unresolved findings when determining award eligibility. Maximum grant size limit for ~~rental~~ projects and programs will be established in the NOFA, Project Solicitation, Public Notice, or alternate application process. A competitive NOFA or alternate application process that distributes funds to projects or programs with a previous HOME award may increase the maximum funding limits established by the NOFA under which the applicant originally applied. ~~Should the state decide to waive, suspend, or eliminate the state HOME regulations, new program guidelines would first be adopted and used to determine threshold factors.~~
	What are the outcome measures expected as a result of the method of distribution?	The specific goals and goal outcome indicators associated with the entire HOME program year in the Strategic Plan are: 1) Increase supply of affordable housing, preservation of existing housing (Goal Outcome Indicators: Households Assisted, Housing Units Added)
6	**State Program Name:**	**HOME Over The Counter (OTC)**
	Funding Sources:	**HOME**
	Describe the state program addressed by the Method of Distribution.	HCD's HOME program partners with rural and other cities and counties, Community Housing Development Organizations (CHDOs), developers, and Native American Entities to improve the lives of low- and moderate-income families through the creation and expansion of affordable housing options and opportunities. ~~Types of HOME activities vary by applicant type. Developers, cities, counties, CHDOs and Native American Entities may apply for development of multifamily housing rental new construction and/or rehabilitation, with or without acquisition. CHDOs, cities, counties and federally recognized Native American Entities may apply for First-Time Homebuyer (FTHB) projects and Infill New Construction (INC) programs. Cities, counties, and federally recognized Native American Entities may apply for all types of HOME activities.~~ ~~As described in the respective MODs, the state HOME program directs 20 percent of the funding allocation for Tribal Entities applicants and sets aside 15 percent of funding for CHDOs. For all programs, the state HOME regulations require that a minimum of 50 percent of funds go to activities located in rural census tracts.~~

		HCD will choose the most appropriate MOD or MODs to distribute funds for a variety of programs and projects intended to align with the goals and priorities identified in the 2025-2029 Con Plan, as outlined in the AP-25 Allocation Priorities for every funding cycle. Funding for program activities, including First Time Homebuyer (FTHB), Owner-Occupied Rehabilitation (OOR), Tenant Based Rental Assistance (TBRA), and Single-Family Development activities, may be awarded by HCD to State Recipients, Subrecipients, CHDOs and Native American Entities (NAEs) through an OTC process. HOME Funds for multifamily projects may be awarded directly via an OTC process to projects previously funded by HCD, HDFC, CalHFA, or other California agencies, and that need additional funds to move to construction. To distribute OTC funds, the state HOME program may use an OTC NOFA application process, a Project or Program Solicitation, Direct Funding or an alternate application process such as joint federal-state funding applications. Developers, cities, counties, CHDO's and Native American Entities are eligible to receive OTC funds. HCD may use these methods to award new projects or programs, or to provide additional funds to a project that was previously awarded funds from HCD and needs additional gap financing due to cost increases and lack of securing anticipated funding sources when originally applying, or to provide additional funding to programs with a previous HCD award that require additional funds to meet the objectives established by the Con Plan This is in part to ensure that HCD meets HUD's statutory commitment deadline and/or regulatory 8-year expenditure deadline and avoids having to return funds to HUD. Project and program priorities and/or limitations for special needs populations, including persons with mobility, sensory, mental health, and intellectual disabilities, may be approved by HCD consistent with federal and state laws and regulations, as well as for households experiencing homelessness, chronic homelessness, or at risk of homelessness, as defined by 24 CFR 91.5. In addition, tribal projects and programs with Indian Housing Block Grant funding (IHBG) may provide priority or limit occupancy to tribal members in accordance with IHBG rules and HOME regulations at 24 CFR 92.253(d)(3)(i). Note: In a federally-, state-, or locally declared emergency, the state may utilize an alternate method of distribution for funds not committed in response to a NOFA or alternate application process and utilize PI on hand to serve impacted areas. ~~Should the state decide to waive, suspend, or eliminate the state HOME regulations, new program guidelines would be adopted~~

		~~and used to set the MOD.~~ HOME Program Guidelines that will govern program activities and HDFC regulations that will govern multifamily rental activities are currently undergoing public comment. FY 2026 funds will be administered under these new sets of guidance. Following adoption, grantees with currently open awards that were subject to state regulations may opt in to adhere to the newly applicable HDFC Guidelines (for multi-family rental activities) or HOME guidelines (for program activities) via modification or amendment of the Standard Agreement.
	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Utilization of this MOD will be announced in the NOFA, Project or Program Solicitation, Public Notice or alternate application process. ~~Below is a summary of the HOME scoring criteria. For additional information, see section 8212 of the state HOME regulations at~~ ~~State-HOME-Regulations-eff-1-1-2017-FINAL.docx (live.com)~~ ~~Threshold Factors:~~ See threshold factors in the response to the question "Describe the threshold factors and grant size limits." Applicants who meet the threshold factors will generally be awarded on a first-come, first-serve basis until funds for the applicable target or set-aside are fully subscribed. HCD may alter the order by which applications received OTC are reviewed for Applicants requesting funds for an immediate need. HCD's decision to alter the order by which an application is reviewed will be in writing and be made part of the application file. ~~Scoring Factors:~~ ~~OTC applications will be awarded on a first-come, first-served basis once it is determined the applicants meet the threshold factors and any minimum score requirements (possibly subject to an AB 1010 waiver) for the type of activity.~~ ~~1) Housing element compliance, as applicable. Information regarding housing element compliance can be found on the HCD public website at the following link: https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/housing-element-review-and-compliance-report~~ ~~2) Direct HOME allocation declined~~ ~~3) Rural activities.~~ ~~4) State objectives.~~ ~~5) Applications that provide deeper affordability.~~

		~~6) Applications that demonstrate expeditious or efficient use of HOME funds.~~ ~~7) Applications that can be funded in a manner which promotes capacity building and continuity of housing activities.~~ ~~8) Applications that serve special needs populations, including the needs of persons with mobility, sensory, mental health, and intellectual disabilities, as permitted under federal and state laws and HOME requirements.~~ ~~9) Applications that serve victims of locally-, state-, or federally declared disasters.~~ ~~10) Applications that address special housing needs.~~ ~~11) Activities that complement other state or federal programs or policy objectives.~~ ~~12) Applications that address homelessness.~~ ~~13) Applications that provide access to resources.~~ ~~Further information and guidance on the specific state objective factors utilized will be included in the NOFA or alternate application process.~~ ~~Additional scoring factors for program activities applications include:~~ ~~1) Applicant capacity: Examines past performance on HOME contracts, as well as experience with other activities. Performance points may be deducted for failure to submit required reports in a timely manner and failure to cooperate with monitoring or contractual requirements identified by HCD in the last five years.~~ ~~2) Community need: Examines data, such as availability of affordable housing stock, poverty rates, age of housing stock, housing overcrowding, and home sales prices compared to median incomes in the locality.~~ ~~3) Program feasibility: For FTHB programs, this factor examines the financial feasibility of the activity at proposed sales prices, income targets, and assistance levels. For OOR programs, this factor examines feasibility as reflected through need by census data, such as overcrowding and age of housing stock. For TBRA programs, this factor examines feasibility as reflected through need by census data, such as renter overpayment for housing.~~ ~~Additional scoring factors for project applications are outlined in the state HOME regulations and include these categories:~~ ~~1) Applicant capacity: Examines past performance on HOME~~

		~~contracts, as well as experience with other activities. Points may be deducted for any of the following:~~ ~~1a) missing HOME performance deadlines in the last five years.~~ ~~1b) failure to submit required reports in a timely manner.~~ ~~1c) material misrepresentations of facts which jeopardize the HOME investment or put HCD at risk of a serious monitoring finding.~~ ~~1d) failure to cooperate with monitoring requirements identified by HCD in the last five years.~~ ~~2) Community need: Examines data, such as availability of affordable housing stock, poverty rates, vacancy rates, age of housing stock, housing overcrowding, and home sales prices compared to median incomes in the locality.~~ ~~3) Project feasibility: Both rental and FTHB projects earn points based on the percentage of HOME-assisted units. Rental projects must demonstrate compliance with HCD's UMRs and HOME requirements. FTHB projects must demonstrate the ability of the proposed project to meet HOME requirements, including demonstrating the adequacy of the proposed development budget, the market for the project, and the affordability of the project.~~ ~~4) Readiness: Examines the project development plan, as well as the status of local government approvals, design progress, and financing commitments.~~ Future special allocations of HOME funding may have different criteria than those above, which are for the standard HOME program. Future special allocations of HOME funding may reflect specific goals or priorities intended to provide response to the reason for the special allocation, such as a pandemic, economic recession, or other events requiring a federal response. ~~Should the state decide to waive, suspend, or eliminate the state HOME regulations, new program guidelines would be adopted and used to set funding criteria.~~ To ensure HCD meets HUD's statutory commitment deadline and/or regulatory 8-year expenditure deadline and avoids having to return funds to HUD, HCD may choose to only take applications from projects that have previous funding awards from HCD but have not progressed to construction due to funding gaps. When HCD distributes OTC funds to projects that were previously scored and awarded by HCD under a previous

		NOFA, HCD may award funds either on a first-come, first-serve basis, or use any combination of these additional criteria: • Priority may be given to projects where the additional funding award is sufficient to cover the gap in financing without the need for the applicant to seek additional funding sources. • Priority may be given to projects with the highest level of project readiness. • Priority may be given to projects with the oldest dated HOME award letter. • Priority may be given to the project with the highest originally scoring application, if applicable. • Priority may be given to the project that fulfills another goal or objective of HCD's. When HCD uses ~~Program Solicitation~~ an OTC method to distribute funds to programs with previous awards, criteria will be established in the NOFA, Program Solicitation, Public Notice, or alternate application process that prioritize the objectives established in the Con Plan.
	Describe how resources will be allocated among funding categories.	~~Pursuant to state HOME regulations, the minimum of 40 percent of the annual allocation received from HUD will be used to support awards to program activities applications, consisting of First-Time Homebuyer Downpayment Assistance (FTHB), Owner-Occupied Rehabilitation (OOR), and Tenant-Based Rental Assistance (TBRA) activities; 5 percent will be available to fund FTHB projects applications, and 55 percent (exceeding the minimum 40 percent requirement in the state HOME regulations) of funds will typically be available for rental project new construction or rehabilitation projects for an annual allocation. Additionally, 20 percent of the allocation will be used to fund applications submitted by Tribal Entities. Should the state decide to waive, suspend, or eliminate the state HOME regulations, new program Guidelines would first be adopted and used to determine how resources will be allocated among funding categories.~~ Up to 45 percent of the annual allocation received from HUD will be used for multifamily housing activities. 100 percent of multifamily new construction or rehabilitation projects that receive HOME funds must be located in rural census tracks. At least 15 percent of the annual allocation received from HUD will be used for Single-Family Development activities, which construct or rehabilitate single-family homes for sale to eligible homebuyers. These funds will be set aside for CHDOs. The remainder of the annual allocation received from HUD will be

		used for FTHB, OOR, TBRA and Single-Family Development Activities. A specific NOFA may include or exclude any of these as eligible activities based on current community needs, the goals of HOME, or subscription and expenditure rates of existing awards. These funds will be awarded to State Recipients, Subrecipients and NAEs. No less than 20 percent of the funds made available through a NOFA will be targeted for NAEs, and no less than 50 percent will be targeted for rural areas. Should the pool of applicants not fully subscribe to funds for any target or set-aside, those funds will revert to the general pool of funds for HOME projects or programs.
	Describe the threshold factors and grant size limits.	~~Pursuant to state HOME regulations 25 CCR section 8212, the following threshold criteria must be met to be considered for funding:~~ ~~1) Applications shall not be considered for funding unless the application is received within the timeframe specified in the NOFA or alternate application process, and demonstrates that all the following conditions exist:~~ ~~1a) the applicant is eligible, pursuant to Section 8204 and 8204.1.~~ ~~1b) the applicant proposes at least one eligible activity and the proposed uses for the HOME funds are eligible, pursuant to Section 8205 and 82 10(c).~~ ~~1c) the application is complete, pursuant to Section 8211.~~ ~~2) The total amount of funds requested for both administration and activity-specific costs does not exceed the funding allocation limit, which is stated in the NOFA or alternate application process, and any allowed increase to this limit, pursuant to Section 8217.~~ ~~3) Applicants may be held out from competition due to performance problems with current HOME contracts, such as failure to submit required single audit documentation to the State Controller's Office, or unresolved audit findings.~~ ~~4) Applicants for program activities funds with one or more current state HOME program activities contracts must have expended at least 50 percent of the aggregate total of program funds originally awarded under these contracts to be eligible to apply for additional program activity funds.~~ ~~5) Applicants for projects that miss three project deadlines are currently ineligible to apply for funds in the next NOFA or alternate application process. However, HCD may waive this~~

		~~holdout penalty if the missed project deadline was clearly outside the control of all the following parties: the applicant, developer, owner, and managing general partner.~~
		
		~~6) If the applicant is a CHDO, this includes procedures ensuring the CHDO's effective project control of activities assisted with HOME funds, pursuant to 24 CFR Section 92.300(a)(1); and~~
		
		~~7) For applications proposing projects involving acquisition of rental housing, acquisition and rehabilitation of rental housing, rehabilitation of rental housing, construction of rental housing, or construction of housing for first-time homebuyers, the application demonstrates:~~
		
		~~7a) site control pursuant to Section 8303.~~
		
		~~8) There are no pending lawsuits that will prevent implementation of the project, as proposed.~~
		
		~~9)~~
		
		All applicants must meet the following threshold factors:
		
		1. The Applicant must be an eligible Applicant type for all activities included in their application.
		2. The Applicant must propose an eligible activity and use of funds that does not exceed any funding limits as described in the NOFA (and/or other Department-approved announcement of funding).
		3. The application must be substantially complete.
		4. The Applicant provides documentation to demonstrate sufficient experience and capacity to undertake, comply, and manage the eligible activities assisted with HOME Funds, by showing it has the resources to:
		    a. Efficiently meet the operational needs of the activity.
		    b. Maintain the Fiscal Integrity of the activity.
		    c. Satisfy all legal requirements and obligations in connection with the activity.
		    d. Provide evidence of experience to successfully undertake and complete the activity.
		5. Awardees entering into a written agreement with the Department must have capacity and cannot be shell entities. They may contract out for administrative functions or apply with a co-applicant to meet capacity requirements established in the NOFA.
		6. FTHB, OOR and Single-Family Development activities must include provisions to ensure the housing remain affordable and adheres to resale and recapture provisions through the period of affordability.
		7. There must be no pending or threatened litigation that

		could affect implementation of the proposed activities. 8. The Applicant must have resolved or be in the process of resolving any audit finding(s) for prior Department or federally funded housing or community development programs to the satisfaction of the Department or federal agency by which the finding was made. 9. The Applicant and any member of its program team must not be on the list of debarred contractors at https://www.sam.gov/SAM/. 10. If the Applicant is a State Recipient, it must comply with the Single Audit submission requirements under 2 C.F.R. § 200, including the reporting requirements in 2 C.F.R. § 200.512. Applicants with audit findings may still be considered for funding if they have submitted all required audit reports on time and are actively in the process of resolving any outstanding findings. Applicants must provide documentation demonstrating that they are implementing a corrective action plan consistent with 2 C.F.R. § 200.511, including the status of corrective actions taken to date and a timeline for full resolution. The Department will evaluate the nature and severity of any unresolved findings when determining award eligibility. Maximum grant size limit for ~~rental~~ projects and programs will be established in the NOFA, Project Solicitation, Public Notice or alternate application process. An OTC NOFA or alternate application process Project or Program Solicitation, or Direct Funding award that distributes funds to projects and programs with a previous HOME award may increase the maximum funding limits established by the NOFA under which the applicant originally applied. ~~Should the state decide to waive, suspend, or eliminate the state HOME regulations, new program guidelines would first be adopted and used to determine threshold factors.~~
	What are the outcome measures expected as a result of the method of distribution?	The specific goals and goal outcome indicators associated with the entire HOME program year in the Strategic Plan are: • Increase supply of affordable housing, preservation of existing affordable housing, improve access to affordable housing (Goal Outcome Indicators: Rental Units Constructed; Homeowner Housing Added; Rental Units Rehabilitated; Homeowner Housing Rehabilitated; Direct Financial Assistance to Homebuyers; Tenant-Based Rental Assistance/Rapid Rehousing)

AP-35 Projects – (Optional)

Describe the reasons for allocation priorities and any obstacles to addressing underserved needs.

CDBG funding allocation priorities are based on state priorities, input from current grantees and grantee performance. In 2026, funds will be awarded over the counter for housing, infrastructure or public facilities projects.

The HOME Investment Partnerships Program (HOME) funding allocation priorities correspond to the needs assessment in the 2025-2029 Consolidated plan and are in response to feedback from program applicants.

The National Housing Trust Fund allocation priorities are to increase and preserve affordable housing for extremely low-income households, in accordance with program regulations and needs identified in the Consolidated Plan.

ESG allocation priorities are governed by the ESG guidelines. Funds are allocated to each CoC with a non-entitlement area on a needs-based formula. In future allocations, performance metrics will also be taken into account. Funding for Homelessness Prevention is limited to 10 percent~~. and shelter operations are limited to 40 percent of each grantee's award.~~

The large scale of California's socioeconomic and geographic diversity, it is imperative that HCD's State funding program prioritizes maximum flexibility to meet community needs. Some obstacles that communities face are a lack of resources for planning and predevelopment costs in addition to limited capacity to seek leveraged resources. HCD works to overcome these obstacles by offering a robust technical assistance program which includes online resources, webinars, Office Hours and shared best practices. Additionally, HCD works to connect communities with other resources available within the state.

For allocation priorities of the CDBG-Disaster Recovery (DR) program, please see HCD's webpage for that program's Action Plan: Action Plans and Federal Register Notices (FRNs) | California Department of Housing and Community Development.

AP-38 Project Summary

Project Summary Information

1	**Project Name**	**Increase Supply of Affordable Housing**
	Target Area	Statewide
	Goals Supported	Increase Supply of Affordable Housing
	Needs Addressed	Improved Access to Affordable Housing
	Funding	HOME: $25,728,421 HTF: ~~*$17,094,240~~ 22,863,763 ~~*Based on Actual Anticipated 2026 Allocation~~
	Description	Address the high cost of housing among extremely low-income, low-income, and moderate-income households by making available and preserving more affordable housing options.
	Target Date	6/30/2027
	Estimate the number and type of families that will benefit from the proposed activities	~~181~~ 186 families of extremely low-, low-, and moderate-income (133 HOME, ~~48~~ 53 HTF)
	Location Description	
	Planned Activities	Multifamily Rental and New Construction, Homeowner Housing Added
2	**Project Name**	**Preserve Existing Affordable Housing**
	Target Area	Statewide
	Goals Supported	Preserve Existing Affordable Housing
	Needs Addressed	Affordable Housing
	Funding	CDBG: $8,414,551 HOME: $7,544,424 HTF: $2,540,418 ~~1,899,360 *Anticipated 2026 Allocation~~
	Description	Increased Supply and Preservation of Affordable Housing
	Target Date	6/30/2027

	Estimate the number and type of families that will benefit from the proposed activities	140 ~~139~~ families of extremely low-, low-, and moderate-income (6~~5~~ HTF, 95 CDBG, 39 HOME)
	Location Description	
	Planned Activities	Rental units Rehabilitated, Homeowner Housing Rehabilitated
4	**Project Name**	**ESG26 California-Prevent Homelessness and Address Homelessness**
	Target Area	Statewide
	Goals Supported	Prevent Homelessness and Address Homelessness
	Needs Addressed	Address the Homelessness Crisis
	Funding	ESG: $~~12,636,979~~ 12,327,036 ESG-RUSH: $2,441,724 HOPWA: $10,586,274
	Description	Addressing the increasing number of individuals and families experiencing homelessness by aiding households currently experiencing homelessness and those at imminent risk of entering homelessness.
	Target Date	6/30/2027
	Estimate the number and type of families that will benefit from the proposed activities	Homeless Prevention Persons Assisted: 15 ~~149~~ ESG, 570 HOPWA, 0 ESG RUSH Rapid Rehousing: 2,160 ESG, 163 ESG RUSH TBRA: 30 HOPWA Homeless Person Overnight Shelter: 6,390 ~~12,780~~ ESG, 100 HOPWA HIV/AIDS Housing Operations: 7 HOPWA Public Service Activities other than Low/Mod Income Housing Benefit: 600 HOPWA
	Location Description	
	Planned Activities	Short-Term Rent, Mortgage, and Utility Assistance, Homelessness Prevention. Homeless person-overnight shelter, Street Outreach, emergency shelter, Transitional housing beds added, HIV Aids, Tenant-Based Rental Assistance, Transportation, Permanent Housing Placement, Housing Information Services, Case Management, Supportive Services, provide short-term disaster response assistance for the needs of persons who are

		experiencing homelessness or at-risk of homelessness residing in disaster areas.
8	**Project Name**	**State Operations**
	Target Area	Statewide
	Goals Supported	Increase Housing Affordability Preserve Existing Affordable Housing Improve Access to Affordable Housing Address and Prevent Homelessness Economic Development Maintain or Improve Public Facilities and Infrastructure Maintain or Improve Access to Public Services
	Needs Addressed	Increase Supply and Preservation of Affordable Housing Improved Access to Affordable Housing Homelessness Prevention and Assistance Neighborhood Stability Community-Based Public Services Increased Economic Development Opportunities
	Funding	CDBG: $803,220 HOME: $3,392,400 NHTF: ~~*$2,110,400 * Anticipated 2026 Allocation~~ $2,822,686
	Description	State Operations for the 2026 CDBG, HOME, and NHTF programs for the State of California. This will include program administration and providing technical assistance to grantees. For CDBG, there is no corresponding national objective for state operations, though these efforts support the successful completion of all other projects and activities.
	Target Date	6/30/2027
	Estimate the number and type of families that will benefit from the proposed activities	
	Location Description	
	Planned Activities	State Operations

Table 8 – Project Summary

AP-48 Method of Distribution for Colonias Set-Aside – 91.320(d)&(k)

Distribution Methods Table

1	**State Program Name:**	**CDBG Colonias Set-Aside**
	Funding Sources:	**CDBG**
	Describe the state program addressed by the Method of Distribution.	Section 916 of the National Affordable Housing Act of 1990 established allocations to support Colonias in addressing deficiencies in housing, access to potable water, and sewer improvements. HCD's CDBG guidelines allow for up to 10 percent of CDBG funding to be set aside for Colonia applications, which aligns with federal regulations. This allows for the CDBG program to be responsive in the event additional funding needs to be made available for the Colonias. Typically, the State of California has met the federal requirement for the Colonia allocation by setting aside 5 percent of CDBG funding for Colonia applications. The state plans to continue to use the 5 percent set-aside for Fiscal Year 2026-2027 (FY26).
	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	Applicants applying under the Colonias set-aside will be able to apply for housing programs and planning activities in addition to all other eligible matrix codes eligible under the CDBG OTC MOD. For additional criteria see the general CDBG OTC MOD.
	If only summary criteria were described, how can potential applicants access application manuals or other state publications describe the application criteria? (CDBG only)	Applicants will have access to a unique application form. For details on the other CDBG activities, please see the CDBG MOD. For FY26, only the Colonias in Imperial County are eligible for the Colonias set-aside through the state CDBG program.
	Describe how resources will be allocated among funding categories.	Pursuant to state CDBG guidelines, funding allocations are based on demand once state administration funding amounts and state and federal allocated amounts have been accounted for. The allocation for Colonias is determined based on a 5 percent set-aside for FY26. The Colonias set-aside is pulled from the community development funds and may be used for ~~programs and~~ projects that support housing, access to potable water, and sewer improvements This set-aside may not be used for public services activities. Applications for activities from the Colonias set-aside may be made in addition to applications for the general CDBG activities identified in the CDBG MOD.

	Describe the threshold factors and grant size limits.	All applications must meet federal and state thresholds and overlays to be eligible for funding. Please see the CDBG MOD for the CDBG threshold and overlays. The Colonia set-aside is subject to the same thresholds and overlays as the other set-asides and allocations in the state CDBG program. **Grant size limits**: The following grant limits apply to the Colonia set-aside only: The FY26 NOFA maximum application limit for Colonia funding will be 5 percent of the CDBG allocation. Colonia applicants may apply for the full amount of set-aside for any eligible activities.
	What are the outcome measures expected as a result of the method of distribution?	With the FY26 awarded funds, CDBG expects to support eligible communities with needed housing, public facilities, and infrastructure projects ~~assist eligible households and persons with housing costs and support eligible communities with needed services, while improving and creating economic opportunities~~. The specific goals and goal outcome indicators associated with CDBG Colonias activities are: Increase supply of affordable housing and preservation of existing affordable housing (Goal Outcome Indicators: Rental Units Constructed; Homeowner Housing Added; Rental Units Rehabilitated; Homeowner Housing Rehabilitated) Improve access to housing (Goal Outcome Indicators: Direct Financial Assistance to Homebuyers) Maintain or improve public facilities and infrastructure (Goal Outcome Indicators: Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit; Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit)

AP-50 Geographic Distribution – 91.320(f)

Description of the geographic areas of the state (including areas of low income and minority concentration) where assistance will be directed:

For most programs, assistance is made available to all regions of the state, subject to program eligibility rules. Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) funding is available to non-entitlement jurisdictions, which are smaller cities and counties including rural areas of the state, and on Native American Entity trust or restricted land. Native American Entities are not limited to using CDBG or HOME funding on Native American Entity trust or restricted land, but can implement projects or programs in any eligible jurisdiction. Emergency Solutions Grants (ESG), Housing Opportunities for Persons With AIDS (HOPWA), and National Housing Trust Fund (NHTF) program awards are made statewide. Changes in CDBG- and HOME-eligible jurisdictions may occur ~~annually~~ as necessary if jurisdictions join or withdraw from a CDBG Urban County Agreement or a HOME consortium ~~or it is necessary to change the list to further the goals for the respective program~~. See AP-30 for each program's current Method of Distribution (MOD) that sets forth allocation methods and applicant rating criteria that may directly or indirectly impact the geographic distribution of program funds.

HOME may expand its eligible jurisdictions list to include entitlement jurisdictions for the following reasons:

- HCD is jointly funding a project or program with a local participating jurisdiction;
- Housing stock availability in a region where a State Recipient, Subrecipient, or NAE is proving FTHB, TBRA or OOR makes it unfeasible to provide assistance exclusively in non-entitlement jurisdictions;
- An NAE applicant's proposed project is in an entitlement jurisdiction; and/or
- To meet the goals of the HOME program, it is otherwise necessary to expand the eligible jurisdictions list.

In each Notice of Funding Availability (NOFA), the California Department of Housing and Community Development (HCD) will consider different approaches to a strategic distribution of funds through geographic prioritization. These approaches may include rural set-asides, set-asides for Tribal communities, minimum allocations by geographic region and incentives for activities in areas providing access to opportunity. HCD will continue to focus on expanding its activities in Tribal communities through the relationship-building and technical assistance outreach described in AP-10 and other activities to develop funding relationships with Tribal Nations.

HOPWA: Pursuant to eligibility requirements for HOPWA formula awards, changes in eligible jurisdictions for HOPWA may occur if a Metropolitan Service Area (MSA) reaches more than 500,000 in population and has more than 2,000 persons living with HIV or AIDS annually. Entitlement MSAs annually receive approximately $36 million in HOPWA funds directly from HUD. State HOPWA currently funds non-EMSAs only unless there is a compelling reason to assume oversight of a particular MSA's funding for a limited time period.

Currently, the California Department of Public Health Office of Aids (CDPH/OA) funds 40 counties. On July 1, 2026, CDPH/OA will add Sonoma County (City of Santa Rosa) to its portfolio. HUD requested this change as the City of Santa Rosa is losing their entitlement designation.

Program Specific Requirements

AP-90 Program-Specific Requirements – 91.320(k) (1,2,3)

<u>**HOME Investment Partnerships Program (HOME)**</u>**:**

Program Income: The HOME Final Rule requires that uncommitted Program Income (PI), repaid funds, or recaptured funds (RF) received during the previous program year must be described in the Annual Action Plan (AAP). Pursuant to 24 CFR 91.320(k)(2)(i) for the HOME program, the state may choose to include PI funds that are expected to be received during the program year if the state plans to commit these funds during the program year. HCD is currently undergoing efforts at developing processes around HOME PI and RF receipting, programming, and expending. Once a HOME PI policy is established, a summary will be included here.

Preferences: At this point, the state does not plan to require subgrantees or subrecipients to limit the beneficiaries of HOME assistance or to give preferences to a particular segment of the low-income population for HOME assistance. However, subgrantees and subrecipients may establish a priority for households that live or work within the jurisdiction or with special needs in their projects or programs, in accordance with 24 CFR 92.209 and 24 CFR 92.253. In the future, the state may give priority to a particular segment of the low-income population in response to an unforeseen or emergency need in HOME-eligible communities.

Projects funded with HOME dollars may (but are not required to) limit occupancy or provide priority to certain populations. However, any limitation must not violate the nondiscrimination requirements in the HOME regulations at 24 CFR 92.350, and the applicant must have marketing requirements that apply in the context of tenant eligibility for the project.

In addition, tribal projects and programs with Indian Housing Block Grant funding (IHBG) may market in accordance with IHBG rules and HOME regulations at 24 CFR 92.253(d)(3)(i).

Use of HOME Funds for Homebuyer Assistance and Owner-Occupied Rehabilitation: The State of California intends to use HOME funds for homebuyer assistance and the rehabilitation of owner-occupied housing. For HOME homebuyer activities, the purchase price and/or after-rehabilitation value of the HOME-assisted property must qualify as modest housing and must not exceed the applicable HOME Homeownership Value Limit, consistent with 24 CFR 92.254(a)(2). HCD will use the HOME Homeownership Value Limits published by HUD (as periodically updated) and will apply the limits in effect at the time HOME funds are committed and/or the assisted home is acquired, as applicable. HCD will make current value limits available through

HCD program guidance, and compliance will be documented in the project file (e.g., appraisal and underwriting documentation). Where local market conditions demonstrate the HUD-published limits are insufficient, HCD may approve grantees' Value Limit waiver requests ~~request HUD approval~~ for temporary increases for specific areas, for those in compliance with 24 CFR section 92.254(a)(2)(iv). HCD will advise HUD via any applicable AAP and/or AAP amendment of each temporary waiver granted.

In accordance with the regulatory authority granted under 24 CFR § 92.254(a)(2)(iv) and the State Action Plan requirements at 24 CFR § 91.320(k)(2)(v), the State of California is implementing locally-determined 95 percent of median area purchase price limits for select state recipient jurisdictions due to unique local market conditions. This amendment updates the HOME Homeownership Value Limits for homebuyer assistance and owner-occupied rehabilitation programs.

Specifically, temporary HOME Homeownership Value Limit waivers for existing single-family dwellings have been approved by HCD, after consultation with and validation by its CPD Representative, in July 2026, as follows. These will be honored until the next HUD-issued HOME Value Limits are in effect, if higher, or else for two months beyond their effective date, to allow enough time for grantees to compile and submit new waiver requests:

1. City of Napa, CA (in Napa County): $878,750
2. City of Buena Park, CA (in Orange County): $892,050
3. City of Upland, CA (in San Bernardino County): $712,500, including condominiums

The specific state recipient cities, their revised local value ceilings, and the corresponding market survey data periods are used to calculate these values. These administrative value adjustments are implemented strictly to ensure project feasibility in high-cost areas and do not alter the underlying program eligibility criteria or target beneficiaries.

HOME Investment Partnerships Program (HOME) Reference 24 CFR 91.320(k)(2)

1. **A description of other forms of investment being used beyond those identified in Section 92.205 is as follows:**

   None. HOME funds are allocated in the form of grants and deferred payment loans.

2. **A description of the guidelines that will be used for resale or recapture of HOME funds when used for homebuyer activities as required in 92.254, is as follows:**

   HCD's HOME Program Resale and Recapture Policy was approved by HUD in July

2023.

Recaptured Loans: All HOME Recipients must impose a recapture restriction for FTHB Programs and OOR Programs. HOME Recipients may impose a recapture restriction for Single-Family Development activities. These restrictions must comply with HCD's HOME Program Resale and Recapture Policy, included as Appendix C of this Annual Action Plan.

The HOME Recipient may choose one or more of these recapture models:

1. HOME Recipient/Lender recaptures the entire Direct HOME Subsidy from the Net Proceeds after the Beneficiary has recovered their Beneficiary Investment.
2. HOME Recipient/Lender recaptures a prorated amount of the Direct HOME Subsidy from the Net Proceeds after the Beneficiary has recovered their Beneficiary Investment.
3. In cases where the Net Proceeds are insufficient to cover the entire recapture amount and Beneficiary Investment, whether the HOME Recipient is recapturing the entire Direct HOME Subsidy or a prorated amount of the Direct HOME Subsidy, then the HOME Recipient may recapture a share of the Net Proceeds proportional to the amount of investment made compared to the Beneficiary. This option is only available when, at the time of transfer of title, the Net Proceeds are insufficient to cover the entire recapture amount plus the Beneficiary Investment.

Pursuant to 24 CFR §92.254, when recapture is triggered by a sale (voluntary or involuntary) of the housing unit and there are no net proceeds or the net proceeds are insufficient to repay the HOME investment due, only the net proceeds can be recaptured, if any. Net proceeds are the sales price minus superior loan repayments (other than HOME funds) and any closing costs. The HOME Recipient must allow the original homebuyer to recoup their entire investment, including any down payment and cost of capital improvements, prior to recapturing funds, even if the net proceeds are insufficient to recapture the entire amount or prorated amount of Direct HOME Subsidy that is eligible for recapture. The homeowner is responsible for maintaining receipts to demonstrate that they made such capital improvements.

Resale: HOME Recipients carrying out Single-Family Development Activities have the option to impose a resale provision. If a single-family unit assisted with HOME Funds is sold without direct homebuyer assistance or a reduction in purchase price from fair market value to an affordable price, meaning there is no Direct HOME Subsidy to the homebuyer that can be recaptured, the HOME Recipient must enforce a resale provision. Resale provisions must ensure:

1. The property is sold to another eligible homebuyer;
2. The original homebuyer receives a fair return on investment; and
3. The property is sold at a price that is affordable to a reasonable range of

homebuyers with a household income that does not exceed 100 percent of the median family income of the area as determined by HUD with adjustments for smaller and larger families.

The resale provision must be enforceable for the entire period of affordability. It must require that the homebuyer notify the HOME Recipient of their intent to sell prior to listing the property so that the HOME Recipient can calculate a maximum purchase price.

The purchase price must ensure a Fair Return on Investment for the original homebuyer, except if the local housing market has declined and making a Fair Return on Investment impossible to collect. To calculate the fair return on investment, the HOME Recipient must measure the percentage change in median sales prices for the area over the period of ownership. This percentage change is multiplied by the Beneficiary Investment.

The purchase price must also ensure that the property is affordable to a reasonable range of low-income buyers. This range includes homebuyers with a household income at or below 100 percent of the area median income who can purchase a home subject to resale provisions with a front-end housing ratio of 35 percent or less.

The HOME Recipient must ensure that the new homebuyer is eligible according to the HOME Program Guidelines, the HOME Program Manual, and 24 CFR Section 92.

~~a) **Recaptured loans:** All local jurisdictions and the Community Housing Development Organizations (CHDOs) must follow the HOME Resale Recapture Policy, approved by HUD July 2023. They may select an approved recapture method described in the policy to recapture the HOME assistance provided to the homebuyer. The assistance provided to the homebuyer may include down-payment assistance, closing costs, and/or the difference between the appraised home sales price and the amount of the first mortgage for which the low-income homebuyer can qualify, plus closing costs. The home sales price cannot exceed the appraised value of the home. If HCD provides funds for homeowner new construction or rehabilitation and the total project costs exceed appraised value, the development subsidy is not subject to recapture.~~

~~Pursuant to 24 CFR §92.254, when recapture is triggered by a sale (voluntary or involuntary) of the housing unit and there are no net proceeds or the net proceeds areinsufficient to repay the HOME investment due, only the net proceeds can be recaptured, if any. Net proceeds are the sales price minus superior loan repayments (other than HOME funds) and any closing costs. HOME loans made under the recapture option may be assumed by subsequent~~

~~HOME-eligible purchasers.~~

~~For loans held by state recipients, the local jurisdiction may impose shared provisions on the appreciation in home value proportionate to the share of the HOME assistance provided, less the homeowner investment in the property. This would only apply if the sales price were sufficient to repay the HOME loan and the loan is not assumed by another HOME-eligible purchaser.~~

~~The captured appreciation may also be reduced, proportionate to the number of years during which the homebuyer has owned the home. The captured appreciation may also be subject to restrictions by other public lenders such as the United States Department of Agriculture (USDA) or the California Housing Finance Agency (CalHFA).~~

~~Applicants requesting funding for Owner-Occupied Rehabilitation (OOR), First-Time Homebuyer (FTHB) projects, and FTHB programs must submit documentation (i.e., promissory note, deed of trust, regulatory agreement, etc.) showing specific recapture provisions per HUD's recapture requirements, established in 24 CFR 92.254(a)(5)(ii). These documents will be sent to HUD for approval prior to awarding funds for these activities.~~

~~Typically, the appreciation is calculated as follows:~~

> ~~**Gross appreciation** is calculated by subtracting the original sales price from the current sales price or the current appraised value if the loan-accelerating event is other than the sale of the property.~~
>
> ~~**Net appreciation** is calculated by subtracting the seller's applicable closing costs, seller's cash contribution in the original purchase transaction, value of seller's time during construction, if applicable, and documented value of capital improvements from the gross appreciation amount.~~

~~The state recipient only claims repayment of the HOME principal and a portion of the net appreciation. That maximum portion of the net appreciation that is claimed by the state recipient is equal to the percentage of the value of the home financed by the HOME loan. That is, if the loan equals 20 percent of the initial value of the home, the state recipient claims a maximum of 20 percent of the net appreciation.~~

~~HCD will use the HOME Homeownership Value Limits published by HUD for the applicable area. If HCD intends to use a limit higher than HUD's published limit, HCD will only do so if it is supported by a 95 percent of median calculation under 24 CFR 92.254(a)(2) or through HUD-approved higher limits for specified areas/time periods. Current HUD-issued limits effective September 1, 2024, can be reviewed on the HCD website at State and Federal Income, Rent, and~~

~~Loan/Value Limits | California Department of Housing and Community Development.~~

3. **A description of the guidelines for resale or recapture that ensures the affordability of units acquired with HOME funds (see 24 CFR 92.254(a)(4)) are as follows:**

   HCD's HOME Program Resale and Recapture policy was initially approved by HUD in July 2023.

   Pursuant to the Resale and Recapture Policy, all HOME assistance loans and Single-Family Development activities require the use of allowable resale or recapture methods. All approved recapture methods limit recapture to net proceeds available. All approved resale methods ensure that each beneficiary receive a fair return on investment while the home is sold at a price that is affordable to a reasonable range of homebuyers with household incomes that do not exceed 100 percent AMI. Each beneficiary is required to sign a loan agreement that discusses key requirements, including the required period of affordability for the HOME assistance loan.

4. **Plans for using HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds along with a description of the refinancing guidelines required that will be used under 24 CFR 92.206(b), are as follows:**

   None. The state HOME program does not use its funds for refinancing existing debt.

Appendix C: HOME Resale and Recapture Policy

~~First-Time Homebuyer Program~~ Homeownership Activities

PURPOSE AND GOALS

To meet the needs of low- and moderate-income Californians, the State of California's Department of Housing and Community Development ("Department") as a Participating Jurisdiction ("PJ") has authorized state recipients, Subrecipients ~~(hereinafter known as the "grantee" or "Grantee")~~, Community Housing Development Organizations ("CHDOs"), and Developers (hereinafter referred to collectively as "HOME Recipients") to operate local HOME-funded ~~First-Time Homebuyer ("FTHB")~~ programs ~~and/or develop FTHB projects as eligible HOME activities for eligible areas~~ in accordance with the regulations from the U.S. Department of Housing and Urban Development ("HUD").

This policy is applicable to the following programs:

- First-Time Homebuyer (FTHB)
- Owner-Occupied Rehabilitation (OOR)
- Single-Family Development

These programs and projects are designed to assist grantees with meeting housing goals, including:

- Providing low-income households with the option to become homeowners;
- Assist low- and moderate-income homeowners maintain healthy and safe housing;
- Preserve the existing housing stock;
- Increasing affordable housing in California; and
- Facilitating increased housing options and availability within the state.

Eligible Applicants and Availability of programs ~~and projects~~ will be determined through the Department through the regular Notice of Funding Availability ("NOFA") process.

OVERVIEW

To achieve these goals and ensure that HOME program funds are expended in compliance with the HOME program's statutory and regulatory requirements, the Department's ~~FTHB~~HOME programs consist of several interrelated policies and documents that, together, make up the HOME FTHB Program. These include:

- ~~State of California HOME Program First-Time Homebuyer Policy;~~
- The HOME Program Manual

- ~~ ~~
- HOME FTHB Resale and Recapture Policy;
- ~~Fair Housing Policy – HOME~~
- ~~Section 3 Policy (where it is applicable to development projects);~~
- ~~State of California Loan Underwriting Guidelines;~~
- The State of California HOME Standard Agreement (between the Department and subrecipients/CHDOs/developers); and
- The HOME written Agreement (between ~~Lender~~ HOME Recipient and the beneficiary ~~Mortgagee~~);
- ~~State of California HOME Monitoring Policy and Procedures; and~~
- ~~State of California Loan Servicing Procedures.~~

This Resale and Recapture Policy is for the use of ~~Grantees~~ HOME recipients and program staff tasked with HOME oversight and with monitoring of HOME program activities. ~~FTHB loan portfolios, whether for FTHB loan programs or projects.~~ This Policy sets out requirements in the following areas:

1. Compliance with 24 Code of Federal Regulations (hereinafter "CFR") Part 92 and, specifically, 24 CFR Section 92.254 and 24 CFR Section 92.504;
2. Compliance with Period of Affordability Requirements;
3. Compliance with required Recapture provisions for FTHB OOR and Single-Family Development program activities ~~direct assistance programs~~;
4. Compliance with required Resale provisions for Single-Family Development activities;
5. Outlining allowable options for Grantees in program design and eligible recapture options for net proceeds; and
6. Outlining requirements for written agreements, loan documents, local program design and implementation, as well as for loan portfolio management.

BACKGROUND

HOME is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act (HOME statute), as amended. The federal HOME regulations found in 24 CFR Part 92 dictate how the funds are to be used and the federal policies that must be met to utilize the funding as established in the HOME statute. The State of California receives a formula grant from HUD, to be used to expand the supply of decent, safe, sanitary, and affordable housing available to low-income and very low-income California residents. Eligible HOME-funded activities include the acquisition, construction, or rehabilitation of rental or homeownership housing, homebuyer assistance, and tenant-based rental assistance.

Programs to assist homebuyers may include acquisition, acquisition with rehabilitation of existing housing, or new construction of single-family for-sale housing to individual ~~low-income~~ eligible homebuyers. HOME funds can be provided to the applicant for eligible costs and passed on to the homebuyer as ~~deferred payment~~ a loan~~s~~ or grant in a Single-Family Development Activity ~~First-Time Homebuyer (FTHB) program/project~~. Funds can ~~also~~ be used in ~~grantee~~ FTHB program activities as ~~direct deferred payment~~ loans or grants to reduce the amount of cash contribution an eligible household needs to acquire an eligible property, to reduce the principal of the primary mortgage, and to pay for any eligible cost, as outlined in the HOME Program Manual, that assists the homebuyer achieve an affordable monthly payment ~~within the grantee's jurisdiction~~.

~~Section 215 of the HOME statute (carried over in the federal HOME regulations) establishes specific requirements that~~ All HOME-assisted homebuyer or owner-occupied housing must ~~meet to~~ qualify as a HOME affordable housing activity. Specifically, all HOME-assisted ~~homebuyer~~ housing must meet the following:

- Be single-family, modest housing, as defined at 24 CFR Section 92.254(a)(2) as amended by the 21st Century ROAD to Housing Act.
- Have an initial purchase price or value after rehabilitation that does not exceed 110~~95~~ percent of the median purchase price for the area;
- Be acquired by and/or the principal residence of an owner whose family is eligible ~~qualifies as low-income~~ at the time of purchase or when the HOME assistance is received;
- Meet affordability requirements for a specific period as determined by the amount of assistance provided; and
- Be subject to either resale or recapture provisions.

~~The HOME statute states that~~ Resale provisions must limit subsequent purchase of the property to income-eligible families, provide the owner with a fair return on investment, including any improvements, and ensure that the housing will remain affordable to a reasonable range of ~~low-income~~ homebuyers with household incomes that do not exceed 100 percent AMI. The HOME statute also specifies that recapture provisions must recapture the HOME investment from available net proceeds in order to assist additional HOME-eligible families. The federal regulations require that the Department, when undertaking HOME-assisted ~~homebuyer~~ homeownership activities, including any programs ~~projects~~ funded with HOME Program Income (PI), to establish its own resale and recapture provisions policy, subject to review by the U.S. Department of Housing and Urban Development (HUD) prior to engaging in ~~FTHB~~ homeownership activities.

Specifically, 24 CFR Sections 92.254 and 92.504(c)(1)(x) require that these provisions be set out in a written agreement between the program and the homebuyer or homeowner (with the terms of the agreement being enforced via recorded deed restrictions and/or covenants running with the land). In conformance with the law, resale or recapture provisions are automatically triggered by any transfer of title, either voluntary or involuntary, during the established HOME Period of Affordability. The written resale and/or recapture provisions that the Department submits in its Annual Action Plan must clearly describe the terms of the resale and/or recapture provisions, the specific circumstances under which these provisions will be used (if more than one set of provisions is described), and how the state will enforce the provisions. HUD reviews and approves the provisions as part of the Consolidated Plan's Annual Action Plan process.

In accordance with these requirements, this document contains the State of California's HOME Program Resale and Recapture Policies for homeownership activities ~~First-Time Homebuyer Programs.~~

DEFINITIONS

Appreciation: means the financial gain on resale attributable solely to the home's increase in value over time, and not attributable to government assistance. Total actual appreciation may be less where a ~~FTHB~~ HOME ownership program allows a reduction based on an objective standard due to capital improvements made by the homeowner prior to sale.

Beneficiary: the person, household or family receiving the benefit of a HOME Program activity. Beneficiaries include homebuyers purchasing with FTHB assistance, homebuyers purchasing a unit of Single-Family Housing constructed with HOME assistance, and homeowners receiving OOR assistance.

Beneficiary Investment: the amount of upfront cash a Beneficiary invested at the time of purchase plus any capital improvements made to the property since the assistance was received.

For Beneficiaries of FTHB and Single-Family Development activities:

> **Beneficiary Investment = Cash Contribution to the Down Payment + Cost of Capital Improvements**

For Beneficiaries of OOR activities:

> **Beneficiary Investment = Cost of Capital Improvements paid for by the Beneficiary after HOME assistance was received.**

CHDO: In accordance with HOME regulations at 24 CFR Section 92.2, a Community Housing Development Organization (CHDO) is a private nonprofit, community-based organization organized under state or local laws that is not under the direction or control by individuals or entities seeking to derive profit or gain, is not a governmental entity or controlled by a governmental entity and where a sponsoring for-profit or governmental entity cannot appoint more than one-third of the membership of the CHDO's governing body and where those so appointed cannot appoint the remaining two-thirds of the board members. The officers and employees of the sponsoring entity may not be officers or employees of the CHDO. The CHDO must be free to contract for goods and services from vendors of its own choosing. The CHDO must have among its purposes the "provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in is charter, articles of incorporation, resolutions, or by-laws." For a full definition of requirements, see 24 CFR Sections 92.2(1) – (10).

Development: a site or sites together with any building (including a manufactured Housing unit) or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with HOME funds as a single undertaking under the HOME Program Single-Family Development program activity. The term Development includes all the activities associated with the site and building, whether that includes acquisition, rehabilitation, and/or new construction.

Direct HOME Subsidy: the amount of HOME assistance, including any program income, that enabled the homebuyer to buy the unit, or that was provided to an existing homeowner.

> For FTHB and Single-Family Development activities, the direct subsidy includes downpayment, closing costs, or other HOME assistance provided directly to the homebuyer. In addition, the Direct HOME Subsidy includes any assistance that reduced the purchase price from fair market value to an affordable price. If HOME funds are used for the cost of developing a property and the unit is sold below fair market value, the difference between the fair market value and the purchase price is considered directly attributable to the HOME subsidy.
>
> For OOR activities, the Direct HOME Subsidy is the same as the original loan or grant amount to the Homeowner.

Fair Return on Investment: the Beneficiary's total investment, including the down payment and capital improvements, multiplied by the percentage change in median sales prices for the area over the period of ownership.

> **Fair Return on Investment = Percent Change in Median Sales Prices X Beneficiary Investment**

HOME Recipient: an umbrella term herein to include State Recipients, Subrecipients, CHDOs, and Native American Entities (NAE's) that receive HOME funds from the Department to carry out a HOME-assisted program activity.

Lender: for purposes of this policy, Lender refers to either the state as the Participating Jurisdiction (PJ) when it makes a direct loan of HOME funds under this program, or to a ~~state recipient of the PJ~~HOME recipient who is receiving an award of HOME funds to operate a ~~First-Time Homebuyer~~ homeownership program ~~or project.~~

Net Proceeds: ~~are defined as~~ the sales price minus superior loan repayment (other than HOME funds) and any closing costs. Net proceed calculations are used to determine total amount of funds available for recapture of HOME funds as a result of sale.

Program Income: In accordance with 24 CFR Section 92.2, Program Income means gross income received by the ~~participating jurisdiction, state recipient, or a subrecipient~~ HOME recipient directly generated from the use of HOME funds or matching contributions. When Program Income is generated by housing that is only partially assisted with HOME funds or matching funds, the income shall be prorated to reflect the percentage of HOME funds used. For purposes of this Resale and Recapture Policy, Program Income includes, but is not limited to, the following:

1. Proceeds from the disposition by sale or long-term lease of real property acquired, rehabilitated, or constructed with HOME funds or matching contributions;
2. Payments of principal and interest on loans made using HOME funds or matching contributions;
3. Proceeds from the sale of loans made with HOME funds or matching contributions;
4. Interest earned on Program Income pending its disposition; and
5. Any other interest or return on the investment of HOME funds or matching contributions permitted under 24 CFR Section 92.205(b).

PJ: means Participating Jurisdiction (PJ) that has been so designated by HUD in accordance with 24 CFR Section 92.105. For purposes of this policy, the PJ is the State of California as the PJ for areas and jurisdictions not under another PJ.

~~**Project:** means a site or sites together with any building (including a manufactured housing unit) or buildings on the site that are to be assisted with HOME funds as a single undertaking under this program. The project includes all the activities associated with the site and buildings.~~

Reasonable Range of Homebuyers with a Household Income that does not Exceed 100 Percent AMI: This range includes homebuyers with a household income at or below

100 percent of the area median income who can purchase a home subject to resale provisions with a front-end housing ratio of 35 percent or less.

Recapture: Recaptured funds are HOME funds which are recouped by the PJ or ~~subrecipient~~ HOME recipient when a housing unit assisted by the HOME program does not continue to be the principal place of residence of the assisted homebuyer or homeowner for the full Period of Affordability as required by federal statute and the HOME Program Guidelines.

Resale: means that a HOME-assisted property is sold to another ~~low-income~~ eligible homebuyer who will use the property as their principal residence.

State recipient: In accordance with 24 CFR Section 92.201(b)(2), a state recipient is a unit of general local government designated by a state to receive HOME funds from a state (in this case, the State of California Department of Housing and Community Development as the PJ).

Subrecipient: means a public agency or nonprofit organization selected by the PJ to administer all or some of the PJ's HOME programs. ~~For purposes of this policy, it is to provide down payment assistance or to produce affordable housing.~~

PERIODS OF AFFORDABILITY

1. FTHB

The period of affordability for FTHB activities is based on the amount of the Direct HOME Subsidy provided to the Beneficiary, and, under 24 CFR 92.254[a][4], is as follows:

FTHB	
Minimum Period of Affordability (in years)	**Direct HOME Subsidy to Beneficiary**
5	Under $25,000
10	$25,000 to $50,000
15	Over $50,000

2. OOR

The period of affordability for OOR activities is based on the amount of the Direct HOME Subsidy provided to the Beneficiary, and, under Section 3.1 of the HOME Program Guidelines, is as follows:

OOR	
Minimum Period of Affordability (in years)	**Direct HOME Subsidy to Beneficiary**
2	Under $100,000
5	Over $100,000

3. Single-Family Development

The period of affordability for Single-Family Development activities is based on the amount of assistance provided per-unit by the Department to the HOME Recipient, and, under 24 CFR 92.254[a][4], is as follows:

Single Family Development	
Minimum Period of Affordability (in years)	**HOME Assistance Per-Unit**
5	Under $25,000
10	$25,000 to $50,000
15	Over $50,000

HOME ~~First-Time Homebuyer~~ Home Ownership Programs Resale and Recapture Policy

RESALE PROVISIONS

At this time and until further notice, resale provisions are not being utilized in FTHB or OOR program activities. ~~State HOME FTHB direct-assistance activities.~~ The state reserves the right to reconsider the use of resale provisions in the future during an overall program update and as a product of an inclusive planning process.

The state has chosen to use the recapture option in lieu of the resale for FTHB or OOR for the following reasons:

a) the ability for first-time homebuyers to create wealth over time; and
b) for ease of administration for both the state and the state's grantee.
c) Meet affordability requirements for a specific period as determined by the amount of assistance provided.

HOME Recipients carrying out Single-Family Development Activities have the option to impose a resale provision. If a single-family unit assisted with HOME Funds is sold without direct homebuyer assistance or a reduction in purchase price from fair market value to an affordable price, meaning there is no Direct HOME Subsidy to the homebuyer that can be recaptured, the HOME Recipient must enforce a resale provision. Resale provisions must ensure:

1. The property is sold to another eligible homebuyer;
2. The original homebuyer receives a fair return on investment; and
3. The property is sold at a price that is affordable to a reasonable range of homebuyers with a household income that does not exceed 100 percent of the median family income of the area as determined by HUD with adjustments for smaller and larger families.

The resale provision must be enforceable for the entire period of affordability. It must require that the homebuyer notify the HOME Recipient of their intent to sell prior to listing the property so that the HOME Recipient can calculate a maximum purchase price.

The purchase price must ensure a Fair Return on Investment for the original homebuyer, except if the local housing market has declined and making a Fair Return on Investment impossible to collect. To calculate the fair return on investment, the HOME Recipient must measure the percentage change in median sales prices for the area over the period of ownership. This percentage change is multiplied by the Beneficiary Investment.

Fair Return on Investment = Percent Change in Median Sales Prices X Beneficiary Investment

The purchase price must also ensure that the property is affordable to a reasonable range of low-income buyers. This range includes homebuyers with a household income at or below 100 percent of the area median income who can purchase a home subject to resale provisions with a front-end housing ratio of 35 percent or less.

The HOME Recipient must ensure that the new homebuyer is eligible according to the HOME Program Guidelines, the HOME Program Manual, and 24 CFR Section 92.

RECAPTURE PROVISIONS

To achieve community development goals, this Policy allows grantees to choose among a variety of Recapture options, as outlined below, to best meet the needs of their community.

Recapture Provisions (24 CFR 92.254[a][5][ii])

~~**1. Period of Affordability under Recapture Provisions (24 CFR 92.254[a][4])**~~

~~For HOME-assisted homebuyer units under the recapture option, the Period of Affordability is based upon the **_direct HOME subsidy_** provided to the homebuyer that enabled the homebuyer to purchase the unit. Any HOME Program Income used to provide direct assistance to the homebuyer is included when determining the Period of Affordability. The following table outlines the required minimum Period of Affordability:~~

~~**If the total HOME investment (resale) or direct subsidy (recapture) in the unit is:**~~	~~**The Period of Affordability is:**~~
~~Under $15,000~~	~~5 years~~
~~Between $15,000 and $40,000~~	~~10 years~~
~~Over $40,000~~	~~15 ears~~

1. HOME Recapture Provisions

HOME Recapture Provisions permit the original homebuyer or homeowner to sell the property to any willing buyer during the Period of Affordability and the Lender (either the state, or the subrecipient), can recapture all or a portion of the HOME assistance provided to the original homebuyer or homeowner. ~~There are two key concepts in the recapture requirements that must be understood to determine the full amount of HOME assistance subject to recapture and the correct Period of Affordability.~~

~~These concepts are:~~

~~1) *direct subsidy to the homebuyer,* and~~

~~2) *net proceeds*~~

In compliance with federal HOME requirements, the state's recapture approach requires that all or a portion of the *Direct HOME Subsidy* provided to the homebuyer or homeowner be recaptured from the *Net Proceeds* of the sale.

~~***a. Direct HOME Subsidy*** is the amount of HOME assistance, *including any Program Income*, that enabled the homebuyer to buy the home. The direct subsidy includes the down payment, closing costs, interest subsidies, or other HOME assistance provided directly to the homebuyer. In addition, direct subsidy includes any assistance that reduces the purchase price from fair market value to an affordable price. If HOME funds are used for the cost of developing a property and the unit is sold below fair market value, the difference between the fair market value and the purchase price is considered directly attributable to the HOME subsidy.~~

b. ~~***Net proceeds*** are defined as the sales price *minus* superior loan repayment (other than HOME funds) and any closing costs. Under no circumstances can the Lender recapture more than is available from the net proceeds of the sale.~~

c. ~~***Long-Term Affordability:*** Under recapture, there is no requirement that the original HOME-assisted homebuyer sell the unit to another low-income homebuyer. Instead, if the homebuyer transfers the property (either voluntarily or involuntarily) during the Period of Affordability, the state (or state grantee) recovers, from available net proceeds, all or a portion of the HOME assistance to the homebuyer.~~

NOTE: In accordance with 24 CFR 92.254(a)(5)(ii)(b)(5) ~~CPD Notice 12-03~~, recapture provisions cannot be used when a project receives only a development subsidy and is sold at fair market value, without providing any HOME assistance to the homebuyer. In this scenario, no additional funds would be provided by the state, resulting in no direct HOME subsidy to recapture from the homebuyer. Instead, resale provisions must be used.

~~Currently, the state does not provide HOME funds to homebuyer projects as development subsidies only; therefore, the need to use resale provisions is not applicable. If the state were to provide future HOME funds as development subsidies, it would amend this policy to include resale provisions in cases where a project would receive only a development subsidy and where the project is sold at fair market value.~~

2. Acceptable Recapture Models for the State of California's HOME Program

As outlined below, the state has adopted the following allowable recapture variations of the HOME Final Rule for HOME Recipients to utilize. Each HOME Recipient must incorporate either option a or b below within their approved local program policies. HOME Recipients may choose whether or not to incorporate option c. Acceptable Recapture models include:

a. HOME Recipient/Lender recaptures the entire Direct HOME Subsidy from the Net Proceeds after the Beneficiary has recovered their Beneficiary Investment.

   If the Net Proceeds are sufficient for both the Beneficiary to recover their investment and the amount of the Direct HOME Subsidy, then:

   Recapture Amount = Direct HOME Subsidy

   If the Net Proceeds are not sufficient for both the Beneficiary to recover their investment and the amount of the Direct HOME Subsidy, then:

   Recapture Amount = Net Proceeds – Beneficiary Investment *

   *If the HOME Recipient chooses to incorporate the model under subsection c below, then they may also use those formulas in this scenario.

b. HOME Recipient/Lender recaptures a prorated amount of the Direct HOME Subsidy from the Net Proceeds after the Beneficiary has recovered their Beneficiary Investment.

If the Net Proceeds are sufficient for both the Beneficiary to recover their investment and the amount of the Direct HOME Subsidy, then:

Recapture Amount = (Direct HOME Subsidy/Months of the Original Period of Affordability) X # of Full Months the Beneficiary has Occupied the Property After Receiving Assistance

If the Net Proceeds are not sufficient for both the Beneficiary to recover their investment and the amount of the Direct HOME Subsidy, then:

Recapture Amount = Net Proceeds – ((Direct HOME Subsidy/Months of the Original Period of Affordability) X # of Full Months the Beneficiary has Occupied the Property After Receiving Assistance) *

*If the HOME Recipient chooses to incorporate the model under subsection c below, then they may also use those formulas in this scenario.

c. In cases where the Net Proceeds are insufficient to cover the entire recapture amount and Beneficiary Investment, whether the HOME Recipient is recapturing the entire Direct HOME Subsidy or a prorated amount of the Direct HOME Subsidy, then the HOME Recipient may recapture a share of the Net Proceeds proportional to the amount of investment made compared to the Beneficiary.

This option is only available when, at the time of transfer of title, the Net Proceeds are insufficient to cover the entire recapture amount plus the Beneficiary Investment.

Recapture Amount = Net Proceeds X (Direct HOME Subsidy / Direct HOME Subsidy + Beneficiary Investment)

~~As outlined below, the state has adopted the following allowable recapture variations of the HOME Final Rule for grantees to utilize as described below. To conform to the state's program requirements, each grantee must incorporate their preferred variation within their approved program guidelines. The options presented address how the grantee, in conformance with HOME requirements, may share any appreciation in the value of HOME-assisted housing with the homebuyer, including:~~

~~a. Lender recaptures only the HOME direct subsidy provided at the time of purchase plus any interest due according to the terms of the HOME Promissory Note. (Recapture of entire direct subsidy described in "i");~~

~~b. Lender allows the homebuyer to recapture their cash contributions at the time of purchase prior to the Lender recapturing the HOME direct subsidy (Owner investment returned first described in “ii”);~~

~~c. Lender shares appreciation with the homebuyer (Shared net proceeds) described in “iii” below.~~

~~i. Recaptures Entire Direct HOME Subsidy Option~~

~~Lender recaptures the entire amount of the direct HOME subsidy provided to the homebuyer, plus any interest due according to the terms of the HOME Promissory Note, before the homebuyer receives a return. The recapture amount is limited to the net proceeds available from the sale. In cases where there is appreciation, (see definition of Appreciation), the homebuyer would retain any net proceeds in excess of the direct HOME assistance plus interest due recaptured. See Example below:~~

> ~~**Example:** A homebuyer receives $10,000 of HOME downpayment assistance to purchase a home. The direct HOME subsidy to the homebuyer is $10,000, which results in a five-year Period of Affordability. If the homebuyer sells the home after three years, the grantee or state would recapture, assuming that there are sufficient net proceeds, the entire $10,000 direct HOME subsidy plus any interest due according to the terms of the HOME Promissory Note. The homebuyer would receive any net proceeds in excess of that amount.~~

~~In some cases, such as in declining housing markets, net proceeds available at the time of sale may be insufficient to recapture the entire direct HOME subsidy plus interest due provided to the homebuyer. Since the HOME Final Rule limits recapture to available net proceeds, the Lender can recapture only what is available from net proceeds. In a scenario where recapture provisions state that it will recapture the entire direct HOME subsidy plus interest and there are insufficient net proceeds available at sale, the PJ is not required to repay the difference between the total direct HOME subsidy and the amount available for recapture from net proceeds back to HUD.~~

~~ii. Owner Initial Investment Returned First~~

~~In this approach, the homebuyer recovers their entire down payment before recapture is calculated. Once the net proceeds from the sale are determined the homeowner’s initial investment is then deducted from the remaining net proceeds available for recapture. The entire HOME subsidy plus interest is recaptured from the net proceeds. The homeowner retains the remaining net proceed Where net proceeds are insufficient~~

~~to repay all or any of the homeowner's initial investment, the homebuyer will not receive the full amount of their initial investment. They will receive only what net proceeds are available. The Lender may not be able to recapture the full amount due under the recapture agreements from the net proceeds available. In such circumstances, the PJ (or the subrecipient) is not responsible for repaying to the account that provided original assistance the difference between the amount of direct HOME subsidy due and the recaptured amount available from net proceeds.~~

> ~~**Example:** A homebuyer receives $5,000 in HOME downpayment assistance and provides $5,000 of his or her own funds for down payment. After purchasing the home, the homebuyer invests $2,000 for capital improvements to the property. Two years into the 5-year Period of Affordability, the homebuyer decides to sell the home. The PJ's recapture provisions allow the HOME-assisted homebuyer to recover, from net proceeds, his or her entire investment in the property before the PJ recaptures any HOME subsidy. The net proceeds from the sale total $10,000. The homebuyer recovers his or her $7,000 investment (down payment plus capital improvements) from the net proceeds of the sale. The PJ is able to recapture, from the remaining net proceeds, only $3,000 of its original $5,000 investment. The PJ is not responsible for repaying the $2,000 difference between the recapture amount due and what is available from net proceeds.~~

~~iii. Shared Net Proceeds~~

~~In this option, the HOME Final Rule states that if net proceeds are not sufficient to recapture the entire HOME investment or a reduced amount as described above or enable the homebuyer to recover the amount of the down payment and **any** investment in the form of capital improvements made by the homebuyer since purchase, the Lender may share the net proceeds. Homebuyer must have documented evidence of the costs of any capital improvements made in order to include those costs in the shared net proceeds calculation.~~

~~To calculate the amount of net proceeds (or shared appreciation) to be returned to the Lender:~~

- ~~Divide the direct HOME subsidy by the sum of the direct HOME subsidy and the homebuyer's investment, then without rounding the result,~~
- ~~Multiply by the net proceeds to calculate the amount of HOME investment to return to the Lender.~~

~~To calculate the amount of net proceeds (or shared appreciation) available to the homebuyer:~~

- ~~Divide the homebuyer’s investment by the sum of the direct HOME subsidy and the homebuyer’s investment, then, without out rounding the result,~~
- ~~Multiply by the net proceeds to calculate the amount of homebuyer investment to return to the homebuyer.~~

> ~~EXAMPLE: A homebuyer received $10,000 in HOME down payment assistance and provided $2,000 of her own funds for the down payment. She also invested another $3,000 on capital improvements to the property. She is selling the home after two years. The Lender , has structured its recapture policies to share the net proceeds between the HOME-assisted homebuyer and Lender. In this example, the net proceeds of the sale are $5,000. Using the two formulas set forth above, the amount of the net proceeds to be recaptured by the Lender is $3,333.~~
>
> ~~EXAMPLE: A homebuyer received $10,000 in HOME down payment assistance and provided $2,000 of her own funds for the down payment. She also invested another $3,000 on capital improvements to the property. She is selling the home after two years. The Lender , has structured its recapture policies to share the net proceeds between the HOME-assisted homebuyer and Lender. In this example, the net proceeds of the sale are $5,000. Using the two formulas set forth above, the amount of the net proceeds to be recaptured by the Lender is $3,333.~~
>
> ~~$10,000 X $5,000 = $3,333~~
>
> ~~($10,000 + $5,000)~~
>
> ~~The amount of the net proceeds to be recovered by the homebuyer is $1,667.~~
>
> ~~$5,000 X $5,000 = $1,667~~
>
> ~~($10,000 + $5,000)~~

4. Imposing Recapture Provisions

a. Requirements and Monitoring

The PJ is responsible for ensuring that homebuyers maintain the housing as their principal residence for the duration of the applicable Period of Affordability. The PJ requires that the HOME Recipient ~~state recipient/subrecipient~~, as the Lender, perform annual loan servicing on its portfolio and the PJ monitors for compliance.

If the home is sold during the Period of Affordability, the PJ must be notified of the sale. The Lender must notify the PJ to ensure that the applicable recapture or resale provisions are employed.

To ensure HOME-assisted units ~~homebuyers, or HOME-assisted projects~~, continue to qualify as eligible affordable housing for the duration of the Period of Affordability, the PJ and ~~subrecipient~~ HOME Recipient must have approved ~~FTHB~~ program ~~guidelines~~ policies, and comply with the HOME Program Manual, including procedures for monitoring its ~~FTHB~~ loan and grant portfolio. The PJ, as the responsible entity, monitors state recipients/subrecipients for compliance.

b. Written Agreements

Regardless of what recapture or resale variation options are used, a written HOME agreement, in addition to the HOME Promissory Note, recorded Deed of Trust, and any Rider, must be executed that accurately reflects the current recapture or resale provisions with the homebuyer before or at the time of sale, or with the homeowner before or at the time assistance is received. A clear, detailed written agreement ensures that all parties are aware of the specific HOME requirements applicable to the home (i.e., period or affordability, principal residency requirement, terms, and conditions of the recapture requirement) and helps the Lender (or the Department) enforce the requirements~~. Lenders are required to utilize the Department's approved HOME FTHB written agreement template to ensure the agreement meets the regulatory requirements.~~

i. The recapture and resale parameters are embedded in the state's Annual Action Plan. ~~In the future, if/when the state revises the recapture or resale provisions in its Annual Action Plan, the state must ensure that all FTHB approved written agreement templates are modified to reflect any changes.~~ The executed written agreements create legal obligations for the state.

NOTE 1: HOME FTHB activities entered into before changes to the Annual Action Plan will be governed by the terms of the previously executed agreements.

NOTE 2: The terms and conditions in the executed written agreement and recorded documents govern the deal. Therefore, if the state modifies its recapture or resale provisions in the Annual Action Plan but does not make similar changes to its written agreement, the resale or recapture provisions in the executed written agreement would prevail.

NOTE 3: The HOME written agreement must be a separate legal document from any loan instrument and must, at a minimum, comply with the requirements at 24 CFR Section 92.504(c)(5) of the HOME Final Rule. This includes compliance with Section 92.504(c)(1), which requires provisions in the written agreement between the state and the ~~subrecipient~~ HOME Recipient to comply with requirements established by the state; and with Section 92.504(c)(xi), which requires that before providing any funds, a ~~subrecipient~~ HOME Recipient must have an executed written agreement with the entity that meets the eligibility requirement of the program, whether that is a for-profit owner, developer, nonprofit owner/developer, sponsor, homebuyer, or contractor who will be providing services to the ~~subrecipient~~ HOME Recipient.

~~ii. If the state provides HOME funds to a CHDO or Developer to develop and sell affordable housing, the state must prepare and execute the agreement with the buyer or be a party to the agreement along with the entity it funded. In all instances, the state is responsible for ensuring that it can enforce the written agreement.~~

c. Enforcement Mechanism

The written agreement between the ~~homebuyer~~ Beneficiary and the ~~state recipient/subrecipient~~ HOME recipient (Lender), and/or the Department, as well as mortgage and lien documents which are typically used to impose the recapture or resale requirements in HOME-assisted ~~homebuyer projects under recapture provisions~~ homeownership programs, constitutes the HOME program's enforcement mechanisms. The purpose of these enforcement mechanisms is to ensure that the grantee, or the state, recaptures the Direct HOME Subsidy to the HOME-assisted homebuyer if the HOME-assisted property is sold, transferred, or used for an ineligible purpose.

d. Non-Compliance

Failure to comply with the state's recapture or resale requirements occurs when:

1) the original HOME-assisted ~~homebuyer~~ Beneficiary no longer occupies the unit as his or her principal residence (i.e., unit is rented or vacant), or

2) the home was sold during the Period of Affordability and the applicable recapture or resale provisions were not enforced.

If noncompliance occurs, the PJ or ~~subrecipient~~ HOME recipient, as the entity responsible for the day-to-day operations of its HOME program, must repay its HOME Investment Trust Fund with non-federal funds. How much of the original HOME investment must be repaid is dependent on the PJ or subrecipient's program design and use of funds (depending on whether the Lender is the PJ or the subrecipient).

In such cases of noncompliance under the recapture or resale provisions, the Lender (~~state or Grantee~~ HOME recipient) must repay to the HOME Investment Trust Fund in accordance with 24 CFR Section 92.503(b), any *outstanding HOME funds* invested in the housing. In such circumstances, the subrecipient would repay the state as the PJ, and the PJ would repay HUD. The state, as the PJ, is responsible to HUD for repayment of any HOME funds that would be due.

The amount subject to repayment is the total amount of HOME funds invested in the housing (i.e., any HOME development subsidy to the developer plus any HOME down payment or other assistance, e.g., closing costs provided to the homebuyer) minus any HOME funds already repaid (i.e., payment of principal on a HOME loan). Any interest paid on the loan is considered Program Income and cannot be counted against the outstanding HOME investment amount.

> EXAMPLE: A grantee provided a $20,000 HOME development subsidy as a grant to the developer, and the homebuyer received $5,000 in down payment assistance as a deferred loan. If the homebuyer rents the property in year 3, they would be in noncompliance with the HOME principal residency requirement. The state, or ~~grantee~~ HOME Recipient, would be required to repay the entire $25,000 HOME investment – i.e., the $20,000 development subsidy *plus* the balance on the homebuyer's $5,000 loan.

Note 1: Noncompliance with principal residency requirements by a ~~homebuyer~~ Beneficiary under a recapture provision is not a transfer. Consequently, the amount the Lender must repay is not subject to prorated or other reductions included in its recapture provisions.

Note 2: The Lender must repay the HOME investment in accordance with 24 CFR Section 92.503(b)(3) whether or not it is able to recover any portion of the HOME investment from the noncompliant ~~homebuyer~~ Beneficiary. Therefore, it is crucial for the state as the PJ, and for its ~~subrecipients~~ HOME Recipients, to have enforcement mechanisms in their written agreements and in their recordable instruments with ~~homebuyers~~ Beneficiaries to protect their investment and minimize risk in ~~HOME-assisted homebuyer projects in~~ the event of noncompliance by the ~~homebuyer~~ Beneficiary.

5. Foreclosure, Transfer in Lieu of Foreclosure, or Assignment to HUD

In HOME-assisted ~~homebuyer projects~~ homeownership programs, the affordability restrictions imposed by deed restrictions, covenants running with the land, or other similar mechanisms, may terminate upon foreclosure, transfer in lieu of foreclosure, or assignment of an FHA insured mortgage to HUD. The state or HOME Recipient may use purchase options, rights of first refusal, or other preemptive rights to purchase the housing before foreclosure to preserve affordability. However, in accordance with the CPD Notice issued January 2012 Section VII(d), the affordability restrictions must be revived according to the original terms if, during the original Period of Affordability, the owner of record before the termination event, obtains an ownership interest in the housing.

In addition, the termination of the affordability restrictions in the event of foreclosure, transfer in lieu of foreclosure, or assignment of an FHA insured mortgage to HUD, does not satisfy the requirement that the property remains qualified as affordable housing under 24 CFR Section 92.254 for the Period of Affordability. Consequently, the following rules apply to HOME-assisted homebuyer projects homeownership programs in the event of foreclosure, transfer in lieu of foreclosure, or assignment of an FHA insured mortgage to HUD.

1. **Resale:** ~~At this time, the resale option is not permitted with state HOME FTHB programs~~. Homebuyer or homeowner housing subject to a resale provision shall remain under a resale provision for the period of affordability.

2. **Recapture:** Homebuyer or homeowner housing with a recapture agreement is not subject to the affordability requirements after the state or HOME Recipient has recaptured the HOME funds in accordance with its written agreement. If the ownership of the housing is conveyed pursuant to a foreclosure or other involuntary sale, the state or grantee must attempt to recoup any net proceeds available through the foreclosure sale. Because all recapture provisions must be limited to net proceeds, the state or HOME Recipient's repayment obligation is limited to the amount of the Direct HOME Subsidy, if any, that it is able to recover.

7. Refinancing

~~The PJ as a direct lender, or a subrecipient operating a FTHB program, must have a state approved written policy included in their program guidelines regarding refinancing of senior debt when asked to subordinate its interest. A written refinancing policy should specify the conditions under which the grantee agrees to subordinate to new debt to protect its interests and the interests of the homebuyer, as well as how such requests will be processed.~~

~~Approved refinancing of senior debt will be limited by the state to circumstances in which the original homebuyer is securing more favorable terms that reduce monthly housing costs, or under appropriate circumstances, to take cash out for only items such as for immediate repairs to the property to correct identified health and safety violations.~~

~~Examples of circumstances where the homeowner would benefit from a refinance transaction:~~

~~i. Where the original homebuyer is securing better terms to reduce monthly housing costs, without cash out of the property;~~

~~ii. Where the original homebuyer can take cash out for pre-approved and necessary property repairs to correct health and safety violations when other forms of funding do not exist.~~

~~iii. In i and ii cited above, where the original note has been paid off and the FTHB note has moved to first position, the state will subordinate its Note to a new mortgage in first position where the homebuyer is using the proceeds for pre-approved property repairs and rehabilitation.~~

The State's refinancing policy must ensure that, when a HOME loan to a homeowner is subordinated under a refinanced loan, that the terms of the refinanced loan are reasonable. This refinancing policy is in the HOME Program Manual and must be followed by HOME Recipients.

8. Investment of Additional HOME Funds

The HOME Final Rule at 24 CFR Section 92.254(a)(9) provides the state, or the ~~grantee~~ HOME Recipient, with the flexibility to invest additional HOME funds in ~~homebuyer projects~~ homeownership programs to preserve affordability. As noted above, when faced with foreclosure, the state at its sole discretion and on a case-by-case basis, may use additional HOME funds to acquire the housing through a purchase option, right of first refusal, or other preemptive right to ensure affordability is preserved.

Rehabilitation: The state, or the grantee, may also use HOME funds to rehabilitate any housing acquired through foreclosure. If the state, or the grantee, charges such costs as eligible project costs in accordance with 24 CFR Section 92.206, the total amount of the original HOME investment, plus any additional HOME investment, cannot exceed the Per-Unit Subsidy Limit referenced in 24 CFR Section 92.250.

Acquisition, rehabilitation and holding costs: The state, or HOME Recipient, also has the option of charging acquisition, rehabilitation, and holding costs as a reasonable HOME administrative cost in accordance with 24 CFR Section 92.207 of the HOME Final Rule. If the state, or HOME Recipient, charges these costs as reasonable administrative expenses, the investment of additional HOME funds is not subject to the maximum per-unit subsidy limit, and the HOME Recipient can reimburse its administrative account, in whole or in part, once the housing is sold to a new eligible homebuyer.

Assistance to another eligible homebuyer post-Acquisition of foreclosed property: Additional HOME funds may also be used to provide assistance to another eligible homebuyer following either the state, or ~~grantee'~~ HOME Recipient's, *acquisition of a foreclosed HOME unit during the Period of Affordability*. If the state, or HOME Recipient, provides HOME assistance to another eligible homebuyer, the additional HOME investment must be treated as an amendment to the original program.

Extension of Period of Affordability: Consequently, the additional HOME investment may extend the original Period of Affordability. For example, if the original HOME investment was $10,000 and resulted in a five-year Period of Affordability, the addition of another $~~10,000~~15,000 to a subsequent homebuyer would extend the Period of Affordability to ten (10) years. As noted above, the original HOME investment plus any additional HOME investment cannot exceed the maximum per unit subsidy since the cost of assisting a subsequent homebuyer is a project-specific cost.

The state or HOME Recipient ~~the grantee~~ must have written policies and procedures to invest additional HOME funds in a previously assisted ~~project~~ program. These can be a separate policy or incorporated into the HOME Program Manual and/or the HOME Recipient's program policies ~~grantee's guidelines~~.

For Homeownership ~~Projects~~ Programs where the State is the Lender:

Acquisition and Holding Costs: In the event of potential default in a project where the state is the direct Lender, the state as PJ reserves the right to determine on a case-by-case basis whether to cure default and acquire the property. In such cases, the state will evaluate the public purpose and availability of funds in reaching its determination.

In accordance with 24 CFR 92.254(a)(9), the state, where sufficient uncommitted HOME funds are available and where it is in concert with federal HOME regulations, may invest additional HOME funds in a previously-assisted ~~project~~ program or single-family unit. The state, in its sole discretion, may also determine, where HOME funds cannot be used or are not available, or to look at other eligible funds for such purposes where it is in the public good to do so to preserve affordability. See below for additional information under Extension of Period of Affordability.

Rehabilitation: Where the state, as Lender, cures default, the state/PJ, in accordance with federal regulations, will use HOME administrative funds for holding costs. Where rehabilitation is needed to keep the property viable and affordable, the state will use HOME funds as eligible and available to effect required rehabilitation in accordance with HOME program standards. The state, in its sole discretion, reserves the right to use other funds it may have for rehabilitation where it is in the best interest of the state to carry out the public purpose of preserving affordability and viability of the product.

Assistance to Another Qualified Buyer Post Acquisition: The state will use additional HOME funds, as allowed by the regulation, to provide assistance to another eligible homebuyer following the state's acquisition *of a foreclosed unit during the Period of Affordability*. In the case where the state provides HOME assistance to another eligible homebuyer, the additional HOME investment will be treated as an amendment to the original project or program. In all cases, whether or not the investment results in an extension of the Period of Affordability (see immediately below), all such proposed additional HOME investment would be subject to the applicable HOME requirement NOT to exceed the applicable maximum per unit subsidy limits.

Extension of Period of Affordability: The state recognizes that, in such cases, the state shall extend the Period of Affordability where the amount of additional subsidy changes the Period of Affordability in accordance with the HOME requirements (see above, PERIOD OF AFFORDABILITY ~~Section B:~~ ~~**Period of Affordability under Recapture Provisions (24 CFR Section 92.254[a][4]**~~)~~.~~

ONGOING MONITORING

For HOME-assisted ~~homebuyer projects~~ homeownership programs under recapture or resale agreements, the HOME Recipient/Lender ~~(either the state for PJ CHDO Development Program, or the subrecipient),~~ must perform annual ongoing monitoring of the principal residency requirement during the Period of Affordability. Ultimately, it is the state's responsibility to ensure that the HOME-assisted housing qualifies as affordable housing under 24 CFR Section 92.254 during the Period of Affordability. The lender must annually monitor its ~~homebuyer~~ loan and grant portfolio for compliance with the following requirements regardless of whether or not the HOME assistance loan has been repaid: 1. The home is the current residence of the original borrower 2. Property taxes and insurance premiums are paid and current. For programs operated directly by the state, please refer to State of California Loan Servicing Procedures. For subrecipient monitoring, please refer to ~~State of California HOME FTHB Monitoring Policy and Procedure~~ the HOME Program Manual.