MidPen HOUSING
Building Communities. Changing Lives.

April 8, 2026

The Honorable Governor Gavin Newsom
1021 O St., Suite 9000
Sacramento, CA 95814
The Honorable Melissa Hurtado

Chair, Senate Budget Subcommittee No. 4
1020 N St., Suite 502
Sacramento, CA 95814

The Honorable Sharon Quirk-Silva
Chair, Assembly Budget Subcommittee No. 5
1020 N Street, Suite 357
Sacramento, CA 95814

RE: Housing Trailer Bill Proposal

Dear Governor Newsom, Chair Hurtado, and Chair Quirk-Silva,

Thank you for your leadership and support for affordable housing at this critical moment for California. We write to you to share our perspective on the proposed budget trailer bill language related to resource allocations between the California Tax Credit Allocation Committee (TCAC), California Debt Limit Allocation Committee (CDLAC), and the California Housing and Homelessness Agency's (CHHA) Housing Development Finance Committee (HDFC).

MidPen Housing is one of the nation's leading nonprofit developers, owners, and managers of high-quality, affordable housing and onsite resident services. Since MidPen was founded in 1970, we have developed 140 communities and over 10,400 homes for low-income families, seniors and those with supportive housing needs throughout Northern California.

As a participant in the AB 519 work group, we have appreciated the State's commitment to including nonprofit affordable housing developers in a robust and open process, and we look forward continuing to engage in discussions about how to improve the overall funding allocation system to produce affordable housing more quickly and efficiently. Our comments are as follows:

1. Qualified Residential Rental Project (QRRP) Allocation and Housing Development Finance Committee (HDFC) Set-Aside. We strongly support the proposal to reserve at least 50% of tax-exempt bonds for projects awarded by the HDFC, as it furthers the goal of creating a one-stop shop and ensuring that projects are fully funded when they apply for funding from the state's affordable housing programs. This will help resolve a key inefficiency in the current affordable housing finance system in which projects that receive funding from the Department of Housing and Community Development (HCD) face costly delays as they struggle to compete for tax credits and bonds with TCAC and CDLAC.

2. Reallocation of Unused HDFC Bonds. The proposal requires that any remaining bonds that are not allocated under the HDFC set-aside by November 1st be reallocated by CDLAC for other purposes. HDFC should be able to determine their need for bonds much earlier in the year, as CalHFA does currently, so we recommend modifying the timeline for the reallocation of bonds that are not allocated by HDFC to August 1 so that any remaining bonds can be made available for the final funding round of the year.

3. Enhanced State Tax Credits and 9% Federal Credits We recommend that half of enhanced state tax credits be reserved for HDFC-funded projects and that the State maintain a pathway for HDFC-funded projects to obtain 9% tax credits. These resources play a critical role in furthering the State's pipeline of high-public benefit projects. In 2025, 41% of 9% credits and 37% of enhanced state credits went to HCD-funded projects. Without access to these resources, we risk losing out on production relative to what the State has historically produced. For the HDFC one-stop-shop concept to work, projects need to have access to sufficient enhanced state credits and 9% credits. However, <u>we understand this is best done through regulation rather than through statute</u>.

The structure of the 9% program lends itself well to HDFC-funded projects given the alignment in public policy priorities between 9% pools and set-asides and State programs. For example, small projects in rural locations where local funds are insufficient to fill the gap currently have a pathway in the 9% Rural set-aside. A MidPen project in the City of Sonoma currently under construction received awards from the State's Infill Infrastructure Grant Program (IIG) and Joe Serna, Jr. Farmworker Housing Grant Program (Serna) and was always structured as a 9% instead of 4% project due to the size, location, and target population of the project.

Similarly, enhanced state credits are a critical resource to State-funded projects because they are attractive to equity investors and do not add to financing costs associated with the 0.42% HCD debt service fee. For example, a MidPen project in San José received an Affordable Housing and Sustainable Communities (AHSC) award late last year and is poised to successfully compete for bonds and 4% tax credits. Had the gap been filled with State sources instead of enhanced state credits, the project would not have been able to attract the same equity pricing and would have incurred additional financing costs, making it overall more costly and less competitive in the system.

MidPen HOUSING
Building Communities. Changing Lives.

4. Multifamily Housing Program. We support the proposed changes to the Multifamily Housing Program, which change the loan requirements for rehabilitation projects and remove the requirement that the department establish per-unit and per-project loan limits. We look forward to learning more about the state's interest in designating the Multifamily Housing Program as the state's primary omnibus affordable housing subsidy program. This is a great opportunity for the Administration, the Legislature, and stakeholders to review and evaluate the requirements attached to MHP and other affordable rental housing programs.

5. Monitoring Fee. We believe this is a good opportunity for the Legislature and Administration to statutorily reduce the 0.42% monitoring fee attached to various HCD programs. Where possible, monitoring should be reduced to a single agency and oversight limited to necessary and reasonable requirements. Not only is the State collecting the .42% required payment above the line, HCD is taking residual receipts below the line. In general, the .42% fee is too high for most projects at this point and should be revisited. Fees can easily exceed $75,000 per project, which is excessive, especially for small projects. Not only does this exceed what is needed for monitoring, the .42% limits project potential to leverage additional debt, in many cases creating a financing gap.

6. CDLAC Set-Asides Lastly, it is important that projects not pursuing HDFC funding, such as those with local funds, still have a viable pathway through CDLAC. We recommend that the CDLAC regulations retain the existing Homeless and Extremely-Low Income/Very-Low Income (ELI/VLI) set-asides to ensure that deeply-targeted projects with local funding (and no state funding) have a path to success. If this critical path to success for locally-funded projects closes, there will be a disincentive for local governments to invest in affordable housing, increasing pressure on limited state funds.

California is a pivotal moment for affordable housing that presents an opportunity to transform our financing system in a way that produces more homes faster, more cheaply, and more efficiently. We appreciate your consideration of our comments and look forward to continued dialogue. Please feel free to contact Nevada V. Merriman, Vice President of Policy & Advocacy, at 650-477-6195 or nmerriman@midpen-housing.org.

Best Regards,

Matthew O. Franklin
President and CEO

CC: Nevada V. Merriman, Vice President of Policy & Advocacy, MidPen Housing