

CalHome Draft Guidelines
Statement of Reasons
June 6, 2019

This document describes the rationale behind significant proposed changes to the CalHome Program for funding authorized by Proposition 1 of 2018, and highlights topics on which the California Department of Housing and Community Development (Department) is particularly interested in receiving comments.

The proposed changes are reflected in the draft CalHome guidelines, available at www.hcd.ca.gov, with deviations from the regulations applicable to previous CalHome funding shown in strikethrough and underline format.

Article 1. General

Section 7715 – Purpose and Scope

Chapter 365, Statutes 2017 (SB 3) adopted by voters on November 6, 2018 (Proposition 1) provides additional funding and authority for CalHome Program. Health and Safety Code Section 54014 gave the Department authority to implement this program by utilizing guidelines. Pursuant to subdivision (b) of section 54014, those guidelines are to be exempted from the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. These guidelines apply only to funds made available through HSC Section 54006(g) and do not apply to funds made available to the CalHome Program authorized by Chapter 6 (commencing with Section 50650) prior to the adoption of HSC Section 54006(g).

Section 7716(a) – Definition of “Accessory Dwelling Units” or “ADUs”

This definition is added to make it clear that the statutory definition applies. ADUs can provide an opportunity to increase affordable housing in CA and provide more housing opportunities for low-income tenants. However, this change is subject to a pending trailer bill.

Section 7716(b) – Definition of “Activity Delivery Fees” or “ADFs”

This definition is added to provide clarity and add consistency with the Department’s single-family programs such as the Community Development Block Grant (CDBG) Program.

Section 7716(e) – Definition of “Annual Income”

This definition is added for consistency with the Department’s single-family programs such as CDBG and Home Investment Partnership Program (HOME).

Section 7716(j) – Definition of “Community Revitalization”

This definition is proposed for revision because reference to Redevelopment Agencies does not apply any longer. In 2012, Redevelopment Agencies were dissolved and were required to designate Successor Agencies to close out existing “enforceable obligations,” make payments on bond obligations, and dispose of assets not legally committed.

In addition, a reference to a federally defined Qualified Census Tract (QCT) is removed from the definition. There is a large overlap with opportunity zones, which are more likely to see revitalization due to the tax benefits. A QCT by itself has no larger revitalization strategy.

Section 7716(o) – Definition of “Eligible Households”

This definition is expanded to reflect a pending budget trailer bill, which would amend statute to assist households at or below moderate income (120 percent AMI) in areas affected by disasters. This change is subject to a pending trailer bill.

Section 7716(x) – Definition of “Junior Accessory Dwelling Units” or “JADUs”

This definition is added to make it clear that the statutory definition applies. This change is subject to a pending trailer bill.

Section 7716(y) – Definition of “Loan”

This definition is added to make it clear that the statutory definition applies.

Section 7716(cc) – Definition of “Lower- and “Low-Income Households”

This definition is added to make it clear that the statutory definition applies.

Section 7716(ff) – Definition of “Mobilehome Park”

This definition is added to make it clear that the statutory definition applies.

Section 7716(gg) – Definition of “Moderate-Income Household”

This definition is added to make it clear that the statutory definition applies. This change is subject to a pending trailer bill.

Section 7716(qq) – Definition of “Owner-Occupied Rehabilitation Program”

The Department is proposing to clearly define Owner Occupied Rehabilitation for consistency with other program activities. Unlike some activities (i.e. Mortgage Assistance, Self-Help Technical Assistance, Shared Housing, and Homeownership

Development Project), Owner Occupied Rehabilitation has not been clearly defined in the definitions section.

Section 7716(rr) – Definition of “Program Income” or “PI”

To provide consistency with the Department’s other single-family programs - CDBG and HOME, the Department is proposing to recognize the terminology and provide a definition of PI.

Section 7716(uu) – Definition of “Rehabilitation”

The definition provides a reference to resiliency planning, which aligns with state objective criteria and the Department’s goal to address disaster resiliency planning. In addition, the definition is expanded to include repairs and improvements to an ADU or a JADU necessary to correct any condition causing the unit to be substandard. This change is subject to a pending trailer bill.

Section 7716(fff) – Definition of “Very Low-Income Household”

This definition is added to make it clear that the statutory definition applies.

Article 2. General Program Requirements

Section 7717(a) – General Applicant Eligibility Requirements, Geographic Restrictions

The current CalHome regulations contain strict general applicant experience and activity-specific experience requirements that make it difficult for the inexperienced entities to gain activity-specific experience. It has been reported in the past that some counties were unable to apply for CalHome funding, as they lacked any prior experience with grant management and did not have an option to hire a nonprofit located in the same county.

To help inexperienced counties qualify for CalHome funds, the Department is proposing to allow localities to hire the nonprofits or for profit consultants located and/or registered in other counties, and to remove the requirement that nonprofits are eligible to apply for an award only if they have developed a project or operated a program within the county they intend to serve (i.e. allow nonprofits to use experience acquired anywhere in California).

Section 7717(b) – General Applicant Eligibility Requirements, Stability and Capacity

To address emergent circumstances such as natural disaster or economic dislocation, the Department is proposing to enable flexibility to Section 7717(b)(5) to alter or waive state-required threshold criteria set forth in this section as needed to help qualify areas affected by disasters.

Section 7717(c) – General Applicant Eligibility Requirements, Reporting Requirements

To incentivize Recipients to submit past due reports and gain insight into Recipient activities, the Department is proposing to add a Reporting Requirements Subsection as a threshold in the General Applicant Eligibility Requirements Section. The Department requires that Recipients submit all outstanding reports from previous CalHOME grants by the application date. Failure to submit the reports by the application date will make the Applicant ineligible for a CalHOME award.

Section 7718(a)(2) – Eligible Activities

To ensure compliance of rehabilitation related activities with local building standards, the Department proposes adding additional language to the list of eligible activities.

Section 7718(a)(5) – Eligible Activities

To increase affordable housing in CA and provide more housing opportunities for low-income tenants, the Department proposes to incorporate a pending budget trailer bill, which will allow CalHome to fund the construction, repair, reconstruction, or rehabilitation of ADUs and JADUs. This change is subject to a pending trailer bill.

Section 7718(b) – Eligible Activities

The section is expanded to incorporate the proposed ADU-related activities. See Section 7718(a)(5).

Section 7720 – Eligible Households

See Section 7716(o).

Section 7720(a) – Calculating Income Eligibility

To provide consistency across the Department's single-family programs, and to be able to apply the same income calculation approach across all single-family programs to determine income eligibility, the Department proposes to refer to Chapter three of the Income Calculation and Determination Guide for Federal Programs.

Section 7720(b) – Calculating Income Eligibility

See Sections 7716(o) and 7720(a).

Article 3. Homeowner/Homebuyer Loan Requirements

Section 7726(f) – Homeowner/Homebuyer Loan Terms, Resale Restrictions

To ascertain the rule on local resale restrictions in the current CalHome regulations, the Department is proposing to clarify that, in any loan transaction where there is no other public subsidy or public resale restriction, the Borrower cannot be restricted from selling the home at its fair market value at any time.

Article 4. Mortgage Assistance Programs

Section 7729 – Eligible Costs

The section is expanded to incorporate the proposed ADU related activities. See Section 7718(a)(5). This change is subject to a pending trailer bill.

Article 7. Shared Housing Programs

Section 7739 – Eligibility Requirements

To help Applicants qualify for the Shared Housing activity of the CalHome Program, the Department is proposing to allow Applicants to use experience administering the shared housing program outside CalHome context.

Article 8. ADU Programs

Sections 7742-7745

A pending budget trailer bill will allow CalHome to fund the construction, repair, reconstruction, or rehabilitation of ADUs and JADUs. This change is subject to a pending trailer bill.

Article 10. Application Procedures

Section 7753(b) – Application Process, Direct Funding Awards

To address emergent circumstances such as natural disaster or economic dislocation, the Department is proposing to enable flexibility to Section 7749(b) to implement measures to directly fund awards to designated Local Program types or project types, including programs and projects located in a geographic area subject to a presidential declaration of disaster, a gubernatorial proclamation of a “state of emergency”, or a “local emergency”.

Section 7755(b) – Application Process

To simplify rating criteria and align with other Department programs, the Department is proposing to redefine point structure.

Section 7755(b)(4) – Selection Criterion, Community Revitalization

To address emergent circumstances such as natural disaster or economic dislocation, and incentivize climate adaptation and resiliency efforts, the Department is proposing to add language to Section 7751(b)(4) to help qualify areas that are developing rehabilitation programs, and are not located within a federal Promise Zone, a Choice Neighborhood Initiative Area, an Opportunity Zone, or a designated redevelopment area under the jurisdiction of a local redevelopment successor agency.

Section 7755(b)(5)(C) – Selection Criterion, Volunteer Labor, Self-Help Labor or Youth Construction Skills Training Program

To focus the CalHome Program more on production and give production activities an advantage in the competition, the Department is adding the additional subsection 7751(b)(C), that the project or program will include at least 10 percent of ADUs or JADUs. This change is subject to a pending trailer bill.

Article 11. Program Operations

Section 7759 – Performance Goals

To enable flexibility in the current CalHome Regulations, when it comes to excusable or unforeseeable project delays, and to allow recipients affected by unavoidable delays to finish otherwise worthy projects, the Department is proposing to allow for greater flexibility in the administration of local program activities, homeownership development projects, and the administration of technical assistance.