


**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF STATE FINANCIAL ASSISTANCE**

2020 W. El Camino Avenue, Suite 670  
Sacramento, CA 95833  
(916) 263-2771  
[www.hcd.ca.gov](http://www.hcd.ca.gov)



October 20, 2022

**MEMORANDUM FOR:** Tier 1 and Tier 2 California Housing Accelerator Awardees

**FROM:** Jennifer Seeger, Deputy Director  
Division of State Financial Assistance 

**SUBJECT:** **California Housing Accelerator  
Limited Accelerator Project Gap Funding Solicitation**

The California Department of Housing and Community Development (Department or HCD) is announcing, as a limited supplemental solicitation to the Tier 1 and Tier 2 solicitations, the availability of approximately \$45 million in supplemental funding for the purposes of supporting previously awarded Tier 1 and Tier 2 California Housing Accelerator projects which have not yet closed on their construction loan and which cannot proceed due to funding gaps resulting from increased costs post Accelerator award.

This solicitation incorporates by reference the requirements, standards, and rules (i.e. "guidelines") as set forth in the prior Tier 1 and Tier 2 Accelerator Project Solicitations as if set forth herein in full. The Department's authority for setting forth such matters is set forth in HSC section 50672.3, which states, "In order to expedite the development of qualified rental housing developments that are ready to proceed to construction except for obtaining tax credit or bond allocations from the California Tax Credit Allocation Committee and the California Debt Limit Allocation Committee, the Department may adopt guidelines to administer this chapter. Guidelines adopted pursuant to this chapter shall not be subject to the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code)." This solicitation does not set forth new guidelines, but its offering of funds is circumscribed to Tier 1 and Tier 2 California Housing Accelerator projects that must have both not yet closed on their construction loan and cannot proceed due to funding gaps resulting from increased costs post Accelerator award.

### **Background**

A substantial share of the funding for HCD projects has traditionally been provided by equity raised from the sale of low-income housing tax credits, especially 4% tax credits. Due to various factors, these tax credits are now in short supply, which has delayed a number of shovel-ready projects with HCD awards. The purpose of the California Housing Accelerator is to enable these projects to quickly begin construction.

Given the unprecedented supply chain issues and inflationary pressures resulting, in part, from the worldwide coronavirus pandemic, several projects originally awarded under the Department's Tier 1 Project Solicitation dated October 5, 2021, as amended on May 5, 2022, and the Tier 2 Project Solicitation dated February 28, 2022, as amended on August 31, 2022, have subsequently identified funding gaps due to interest rate increases as well as construction material and labor costs. This project solicitation will provide supplemental funding for projects which have not been able to proceed with construction loan closing due funding gaps and which demonstrate reasonable development costs of comparable projects in the local area.

Funding available under this Limited Supplemental Accelerator Project Gap Funding Solicitation (this "Project Solicitation") is derived from a combination of the Coronavirus State Fiscal Recovery Fund (CSFRF), established by the federal American Rescue Plan Act of 2021 (ARPA) (Public Law 117-2), and the state General Fund. Funds have been allocated to this program through the 2021-22 and 2022-23 California State budget and have been made available for the purposes of funding Tier 1 and Tier 2 awarded projects. Activities funded through CSFRF must comport with federal requirements and California Health and Safety Code section 50672.

## **I. Eligibility**

Eligibility under this Project Solicitation is limited to previously awarded Accelerator projects. A list of the Accelerator-awarded projects is available on the program's [website](#). **Please note that only projects which have not closed their construction financing as of the date of the release of this Accelerator Project Gap Funding Solicitation will be eligible to apply.**

Applicants must adhere to all funding requirements detailed in the original Project Solicitation and Guidelines, as amended by Senate Bill 197, Chapter 70, Sections 14, 15, and 16, and must include all funding sources and funding amounts as represented in the final project report with the exception that additional funding sources or increased funding amounts may be included to demonstrate subsequent efforts to secure additional resources to bridge a funding gap.

If awarded supplemental funds, the applicant must forgo its prior Accelerator funding award, and replace it with the new Accelerator award. An award resulting from the application under this Accelerator Project Gap Funding Solicitation will include any original Accelerator-awarded amount plus funds awarded as supplemental gap funding under this Limited Accelerator Project Gap Funding Solicitation. The original Standard Agreement will be disencumbered and a new Standard Agreement in the amount of the new award under this Solicitation will be executed. Applicants will have 180 days from the date of the award made under this Solicitation to commence construction as defined in the Tier 1 or Tier 2 Project Solicitations.

California Housing Accelerator funds are not intended to supplant local public agency funds. Accordingly, any local agency resources shown as committed in the original Accelerator application must be included in the financing proposed in the current Project Gap Funding Solicitation application at the same or higher level of funding as previously identified. This includes sites provided at below market-rate cost as well as all project funds. Similarly, California Housing Accelerator funds are not intended to supplant Performing Debt. The amount and terms of Performing Debt shown in the original California Housing Accelerator application must generally remain the same or be higher and more restrictive than the amount and terms shown in previous HCD applications unless there are extenuating circumstances that are clearly explained in writing by the Applicant and agreed to in writing by HCD. Requests for reducing Performing Debt or the term of the Performing Debt will be reviewed on a case-by-case basis and are not a guaranteed approval.

## **II. Application Submittal and Award Timeframes**

Eligible applicants with Tier 1 awards must submit an application to the Department by no later than 4:00 p.m. on October 31, 2022.

Eligible applicants with Tier 2 awards must submit an application to the Department by no later than 4:00 p.m. on November 14, 2022.

Applications will be available for download on the Accelerator website and must be submitted electronically via email to [accelerator@hcd.ca.gov](mailto:accelerator@hcd.ca.gov) on the forms provided by HCD. Personal deliveries will not be accepted. No facsimiles, late submittals, incomplete applications, application revisions, courier deliveries, or walk-in application packages will be accepted.

All applications must include all relevant documentation not included in the original Accelerator application, including documentation of new or revised enforceable funding commitments, updated Resolutions authorizing the new/higher application amount, etc.

### **Award and Construction Milestone Timeline**

- Project Solicitation and Applications Release: October 20, 2022
- Application Due Date – Tier 1 awardees: October 31, 2022, 4 p.m.
- Application Due Date – Tier 2 awardees: November 14, 2022, 4 p.m.
- Resolutions Due: 30 days from application due date
- Award Announcement: Mid- to late-November 2022
- Commencement of Construction: No later than 180 days from the supplemental award letter date (no extensions will be provided)

**Please note that applicants will be allowed an additional 30 days from the application due date to submit their new Resolutions.** New Resolutions must meet the requirements outlined in the Tier 1 or Tier 2 Project Solicitation, as applicable, and must reflect the total amount of Accelerator funds requested (i.e., original award amount + gap funding request).

**III. Maximum Award Amount**

An Applicant may receive a new award of funds up to 109% of the original Accelerator award. This adjustment factor is based on the annualized rate of construction-related inflation per the California Construction Cost Index (CCCI) published by the California Department of General Services, during the period of September 2021 – September 2022.

**IV. Application Evaluation Process and Ranking Criteria**

Requests for Limited Accelerator Project Gap funding will be limited to Tier I and Tier 2 awarded projects which have not yet closed on their construction loan and which, meet all threshold requirements as outlined in the Tier 1 Project Solicitation & Guidelines dated October 5, 2021, as amended on May 5, 2022, or the Tier 2 Project Solicitation & Guidelines dated February 28, 2022, as amended on August 31, 2022.

Supplemental gap funds will be awarded based on a competitive rating and ranking of applications as defined below. Applications will be funded in resulting rank order until all available funds are exhausted. However, in the final ranking first priority will be given to Tier 1-awarded projects. Any funds remaining after all eligible applications requesting gap funding have been awarded, may be used to fund any remaining unfunded projects submitted under the Tier 2 Project Solicitation.

A maximum total of 25 points will be available, based on these 3 scoring categories:

a. Developer Fee Deferral – 5 points maximum

Points will be awarded to projects based on the percentage of Developer Fee from sources which the Sponsor agrees to defer to be paid from operating cash flow.

% Deferred	Points
<=20%	0
>20%, <=40%	2
>40%, <= 60%	4
>60% and above	5

Note: The percentage of fee deferral included in the application will become part of the project’s new standard agreement and may not be changed due to unexpected cost savings which the project may realize prior to permanent loan conversion.

b. Funding Gap per Restricted Unit – 10 points maximum

A maximum of 10 points will be based on the project's current gap per restricted unit. The project with the lowest per-unit funding gap will receive 10 points. All other projects will receive points calculated using the following formula, rounded to 2 decimal points.

Note: The Department will calculate this scoring factor for all applications.

$$\frac{\text{Lowest Per Unit Gap}}{\text{Applicant's Per Unit Gap}} \times 10$$

c. Acquisition of New Financing

A maximum of 10 points will be based on the project's documented new non-HCD permanent financing acquired since the date of funding gap discovery, as a % of the funding gap as represented below.

Projects will receive points calculated using the following formula, rounded to 2 decimal points:

$$\frac{\text{Applicant's New Non-HCD Funding}}{\text{Current Funding Gap}} \times 10$$

For example, if the current funding gap is \$2,200,000 but since the application was submitted for the Accelerator, the sponsor has secured \$1,700,000 from a non-HCD funding source, the calculation would be as follows:

$$\frac{1,700,000}{2,200,000} \times 10 = 7.72 \text{ points}$$

If more non-HCD funds have been secured than what the remaining gap is for which supplemental funds are being requested, the application will receive the maximum 10 points in this category. Please note that the additional non-HCD funds should only be represented in the numerator of the calculation above.

The denominator will be the actual amount of funding being requested under this Accelerator Project Gap Funding Solicitation.

**V. Appeals**

**a. Basis of appeals**

- i. Applicants may appeal the Department's written determination that an application is incomplete, has failed threshold review, or has otherwise been determined to provide an insufficient basis for an award.
- ii. No Applicant shall have the right to appeal a decision of the Department relating to another Applicant's application (e.g., eligibility, award).

- iii. The appeal process provided herein applies solely to decisions of the Department made pursuant to this Accelerator Project Gap Funding Solicitation.

**b. Appeal process and deadlines**

- i. **Process.** To file an appeal, Applicants must submit to the Department a written appeal, which sets forth all relevant facts, arguments, and evidence in support of the appeal. Appeals are to be submitted to the Department at [accelerator@hcd.ca.gov](mailto:accelerator@hcd.ca.gov).
- ii. **Filing Deadline.** Appeals must be received by the Department no later than five (5) business days from the date of the Department's written determination regarding the subject application.

**VI. Questions and Technical Assistance**

If you have any questions, please email [accelerator@hcd.ca.gov](mailto:accelerator@hcd.ca.gov)

**VII. Conflicts**

In the event of any conflict between the terms of the original Tier 1 or Tier 2 Project Solicitation & Guidelines and this Accelerator Project Gap Funding Solicitation, and applicable state or federal law, the terms of the applicable state or federal law shall control. By submitting a California Housing Accelerator application to the Department, Applicants acknowledge that they have read and obtained legal advice regarding this Solicitation and all applicable state and federal laws, and that they fully understand the requirements thereof.

**VIII. Definitions**

See Tier 1 Project Solicitation & Guidelines dated October 5, 2021, as amended on May 5, 2022, or the Tier 2 Project Solicitation & Guidelines dated February 28, 2022, as amended on August 31, 2022, for a list of defined terms applicable to this Accelerator Project Gap Funding Solicitation.