



Multifamily Housing Using CDBG-DR Funding and LIHTC

Tuesday, March 17, 2026



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Session Goal

- Goal: Provide an overview of LIHT and its relationship with CDBG-DR funds and the strategies for leveraging points of CBDG-DR funding

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Agenda

- Overview of the LIHTC funding and CDBG-DR coordination
- Strategies for coordination
 - Timing and Alignment
 - Scaling to LIHTC pipeline
 - Flexibility of CDBG-DR LIHTC Programs
 - Method of Distribution/ CDBG-DR structure challenges
- Best practices/take aways

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LIHTC and CDBG-DR Overview

LIHTC

- Est. 1986 and is the primary federal incentive for developing affordable rental housing, providing a dollar-for-dollar tax reduction for private investors.
- The federal government issues tax credits to state and territorial governments.
- State housing agencies then award the credits to private developers of affordable rental housing projects through a competitive process. Developers generally sell the credits to private investors to obtain funding.
- Incentives come in 4% and 9% incentives

CDBG-DR

- CDBG-DR funds are aimed at rebuilding communities by focusing on LMI households, with a requirement that the housing remains affordable for a long period
- CDBG-DR funds are used to fill the financial gaps in LIHTC projects, which are often caused by the high costs of building resilient, sustainable, and energy-efficient, or green, housing.
- While LIHTC provides equity through tax credits, CDBG-DR offers flexible funds for, among other things, development and infrastructure.

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Strategies for Alignment of CDBG-DR funds and LIHTC

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Timing and Alignment

- **Sync CDBG-DR NOFAs and award timelines with LIHTC allocation cycles**
 - Write policies that align with LIHTC requirements and timeline maximize leveraging opportunities
 - Protect CDBG- DR expenditure deadlines by establishing maximum number of LIHTC rounds / timeframe awardees have to secure LIHTC credits
- **Spotlight: HCD CDBG-DR 20 Multifamily Housing Program (MHP)**
 - Aimed to align DR20 with TCAC's (California Tax Credit Allocation Committee) LIHTC awards and encourage leveraging funds
 - Timed CDBG-DR NOFAs and applications to avoid overlap with LIHTC application period
 - Allowed 3 TCAC rounds (18 mos) to secure credits before award expiration and reallocation

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Scaling and Calibration with LIHTC Pipeline

- **LIHTC pipelines are shaped by:**
 - Qualified Allocation Plans (QAP) priorities
 - Geographic competition,
 - Rural versus urban dynamics
 - Local and national market conditions
 - 9% and 4% projects operate under different competition levels and timelines
- **CA LIHTC Pipeline**
 - Extremely competitive
 - CA's 9% credits are highly oversubscribed
 - Awards hinge on narrow tiebreaker scoring margins and evolving state priorities
- **Spotlight: HCD CDBG-DR20 MHP**
 - HCD incorporated current state housing priorities that reflect the QAP into Program Design to encourage alignment with TCAC
- **Best Practices**
 - Actively monitor and assess pipeline competitiveness and capacity
 - Assess how many DR-assisted projects can realistically secure credits
 - Size and structure awards based on strength and depth of existing LIHTC pipeline

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Flexibility: Design Adaptable Policies

- **CDBG-DR is significantly more flexible than LIHTC**
 - TCAC regulations are governed by 18-month rule making process.
 - Use CDBG-DR flexibility to align program policies with tax credit requirements
 - Design CDBG-DR program policies with built-in discretion
 - Avoid hard-coding standards that conflict with LIHTC
- **Spotlight: HCD CDBG-DR 20 MHP**
 - Structured rent and income limits to align with LIHTC and other State housing finance programs
 - Policies and Procedures aligned with TCAC and other State housing finance programs on key underwriting criteria
 - Debt coverage ratio
 - Developer fee
 - Feasibility metrics

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Method of Distribution: CA CDBG-DR MHP Designs

HCD DR MHP MoD by Disaster Allocation

CDBG-DR 2017 & 2018 MHP

- State to Subrecipient
- State policies set eligibility and compliance
- Subrecipients established project selection and scoring within state policy guardrails
- Capacity challenges at the local subrecipient level

CDBG-DR 2020 MHP

- State administrated direct to a developer process
- DR20 required fully-formed competitive scoring criteria and tiebreakers in the AP
- Scoring criteria were replicated verbatim in MHP NOFA and P&Ps, limiting flexibility
- Any scoring change required a substantial amendment
- (~90-day process and significant LOE)

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Best Practices

Best Practice: Measure Twice, Cut Once

- ✓ Do not rush scoring criteria if program launch is not imminent
- ✓ Use the FRN to determine appropriate level of detail for MoD and scoring in the AP
- ✓ Recognize the amendment burden: detailed but incorrect Action Plan language can delay program adjustments by 90+ days
- ✓ Use placeholder language in the initial Action Plan
- ✓ Align policies with LIHTC and other major multifamily financing sources in your jurisdiction
- ✓ Build flexibility into policy design
- ✓ Finalize scoring criteria when ready, and then:
- ✓ Complete the substantial amendment process

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Q&A

Presenter Name
HCD Program(s)
Contact Info

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