

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

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MEMORANDUM FOR: Entitlement and Non-Entitlement (Formula) and Non-Entitlement (Competitive) Jurisdictions receiving Permanent Local Housing Allocation (PLHA) Funding

FROM: Shannon Nardinelli, Branch Chief *SN*
State Grants Management
Division of State Financial Assistance

SUBJECT: Updated PLHA Disbursement Parameters for Jurisdictions

ADMINISTRATIVE NOTICE NO. 2024-01

This Administrative Notice establishes a formal written notification of guidelines and policies that affect the operation of the California Department of Housing and Community Development's ("HCD" or "Department") Permanent Local Housing Allocation Funding program. This format is used to identify, clarify, and record policy guidelines.

This Policy Memo ("Memo") sets forth and establishes the Department's State Grants Management Branch ("SGM") PLHA Disbursement Parameter Policy ("Disbursement Policy") applicable to all jurisdictions receiving Permanent Local Housing Allocation Funding ("PLHA"). This Memo implements clarifying policy changes noted under Exhibit B(4)(C) of the executed Standard Agreement for jurisdictions receiving PLHA funds.

This Memo takes effect as of July 1, 2024 and amends any active and future program guidelines and Notices of Funding Availability. After July 1, 2024, HCD will require a minimum disbursement threshold for all Requests for Funds (RFF) for all PLHA funding transactions completed by SGM.

Background

In 2017, Governor Brown signed the [Building Homes and Jobs Act](#) (SB 2) which established a \$75 recording fee on all real estate documents. The revenue collected from these fees are deposited into the Building Homes and Jobs Trust Fund, which supports programs aimed at addressing the state's housing shortage, high housing costs, and to increase the supply of affordable homes in California. The Department of Housing and Community Development receives 70% of the collected recording fees to be distributed through the Permanent Local Housing Allocation (PLHA) funding process for locally administered affordable housing. The remaining 30% of fees are administered through other State Programs with 15% going to mixed-income multifamily rental housing, 10% to farmworker housing, and 5% to production incentive programs. As the number of real estate transactions will vary from year to year, the revenue collected will fluctuate.

There are two types of assistance under PLHA:

1. Formula grants to entitlement and non-entitlement jurisdictions based on the formula prescribed under federal law for the Community Development Block Grant (CDBG).
2. Competitive grants to non-entitlement jurisdictions. Funding amounts will vary based on annual revenues to the Building Homes and Jobs Trust Fund.

For both Formula and Competitive allocations, the [Notice of Funding Availability \(NOFA\)](#) outlines the current application and disbursement requirements. There is a 58-month deadline for the disbursement of funds and jurisdictions must submit a separate application for each calendar year of allocation. Section 201(c) of the PLHA Program Guidelines prohibits an Applicant from applying for more than three years of funding in one year.

Allocation Year	Application Deadline (Expiring Funds)	5-Year Plan Amendment Deadline	Disbursement Request Deadline
Round 2 (2020)	February 2024	June 30, 2024	April 30, 2025
Round 3 (2021)	February 2025	June 30, 2025	April 30, 2026
Round 4 (2022)	February 2026	June 30, 2026	April 30, 2027
Round 5 (2023)	February 2027	June 30, 2027	April 30, 2028

Section 300(e) prohibits more than a certain amount of funds to remain uncommitted. If that amount is exceeded, the jurisdiction will be unable to receive any future allocations.

Updated PLHA disbursement parameters:

The PLHA program is designed to allow for a full advancement of program funds. The contractor for each jurisdiction may request a disbursement of 100% of the total awarded PLHA funds, after execution of the Standard Agreement. Smaller disbursements of less than 100% may be made, however, Exhibit B(4)(C) of the executed Standard Agreement, states the contractor shall make a good faith effort to minimize the number of disbursement requests by anticipating and requesting funds in advance. Request for Funds (RFF) are processed by the State Grants Management (SGM) Branch of HCD.

Effective July 1, 2024, SGM is establishing a minimum distribution threshold when submitting an RFF for a qualifying eligible activity or multiple eligible activities in the PLHA program. The minimum threshold for submitting an RFF will be the lesser of:

- 25% of the total contracted award amount as noted in the Standard Agreement per allocation year,
- The entire activity amount per approved activity per allocation year, or
- The remaining balance per allocation year.
- Additionally, RFFs for administrative need must be accompanied by an eligible activity and will no longer be approved on a standalone basis.

Example:

A Standard Agreement has been executed for \$2.5 million from the 2023 PLHA Allocation and the allocation is designated to go to the following 3 eligible activities.

- (40%) \$1 million - Activity 1 - The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low-, very low-, low-, or moderate-income households, including necessary operating subsidies.
- (35%) \$875,000 - Activity 6 - Assisting persons who are experiencing or at risk of homelessness, including, but not limited to, providing rapid rehousing, rental assistance, supportive/case management services that allow people to obtain and retain housing, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.
- (20%) \$500,000 - Activity 7 – Accessibility modifications in lower-income owner-occupied housing.
- (5%) \$125,000 is reserved for administrative costs.

After July 1, 2024, the minimum disbursement threshold for an RFF for this Standard Agreement would be \$625,000 if the advancement is for any combination of Activities 1, 6, and 7 (25% of the total contracted award), or the full amount of \$500,000 to be used for just Activity 7. Administrative costs must be included in an RFF that includes funding for an eligible activity.

Disbursement Examples:

Example A:

In September 2024, the Contractor submits an RFF for the full 2023 allocation amount of \$2.5 million. Per PLHA Program guidelines, the Contractor may receive 100% of the funds for the allocation year. No other RFFs are requested for this contract year.

Example B:

In August of 2024, the Contractor submits an RFF for \$500,000 to fund eligible Activity 7. This RFF would meet the updated threshold requirements since it is the entire activity amount. The contractor may submit future RFFs for the remaining balance of \$2 million.

Example C:

In August of 2024, the Contractor submitted an RFF for \$500,000 for the 2023 allocation for the full amount of Activity 7, which was approved. The remaining balance of the allocation is \$2 million. In March of 2025, the Contractor submits another RFF for \$500,000 for Activity 6. However, SGM would be unable to process that request as the request does not meet the threshold requirement of the lesser of 25% of the total contracted award amount (\$625,000) as noted in the Standard Agreement per allocation year, an entire activity amount per allocation year (\$1 million or \$875,000), or the remaining balance per allocation year (\$2 million). The minimum RFF that would be approved is 25% of the total award amount which is \$625,000.

Example D:

In August of 2024, the Contractor submitted an RFF for \$500,000 for the 2023 allocation for the full amount of Activity 7, which was approved. In March of 2025, the Contractor submitted an RFF for the 2023 allocation in the amount of \$625,000, which was approved. In September of 2025, the Contractor submitted an RFF for the 2023 allocation in the amount of \$1 million. The remaining balance of the 2023 allocation is now \$375,000. The next RFF that is submitted by the Contractor for this allocation year will need to be for the full amount of the remaining balance since it is lower than the 25% threshold of the total award.

Compliance and Monitoring:

Per Exhibit D of the Standard Amendment, the Contractor agrees that the Department or its designee shall have the right to review, obtain, and copy all records and supporting documentation pertaining to performance of the Standard Agreement. The Contractor agrees to provide the Department or its designee, with any relevant information requested. The State Grants Management branch monitors the progress through accurate annual reporting that is due each July 31st for contracts with executed Standard Agreements. All applicants should fully review the PLHA Program Guidelines for full requirements. HCD reserves the right to abate funds at or before the end of the term of the Standard Agreement if the awarded PLHA funds are not being used for the eligible activities noted in the Standard Agreement.

All PLHA funds unawarded by the contract year application deadline will revert to the Housing Rehabilitation Loan Fund. This Fund was established to be used for the Multifamily Housing Program (Chapter 6.7 commencing with Section 50675) pursuant to Health and Safety Code Section 50470 (b)((2)(B)(ii)(VI) to be made available through a future Multifamily Housing Program Notice of Funding Availability.

Any questions regarding this Policy Memo or the updated threshold requirements should be sent to PLHASGM@hcd.ca.gov.