

Feb. 25, 2026

Subject: **Affordable Housing and Sustainable Communities (AHSC) Program Round 9 Guidelines Amendment**

Reporting Period: February 2026

Staff Lead: Lisette Anzoategui, AHSC Senior Program Manager

Recommended Action

The California Strategic Growth Council (SGC) adopts an amendment to the Affordable Housing and Sustainable Communities (AHSC) Round 9 Guidelines to ensure that covenant requirements apply only to Housing-Related Infrastructure (HRI) Capital Projects, consistent with prior AHSC rounds.

Summary

Staff propose amending Section 114 (c)(3) of the AHSC Round 9 Guidelines to clarify that a recorded covenant is required only upon the award of HRI Capital Project grant funds, rather than upon the award of all AHSC grant components HRI, Sustainable Transportation Infrastructure (STI), and Program Costs (PGM) grant funds. This amendment would align Round 9 with previous AHSC rounds and longstanding program practice regarding when covenants are required.

Background

Under AHSC Round 8, the Guidelines expressly state that only HRI Capital Projects trigger a recorded covenant. There is no language in Round 8 indicating that STI or PGM grants require a covenant.

In AHSC Round 9, new language was introduced in Section 114(c) stating that HRI, STI and PGM grants require one or more agreements, including a covenant. Section 114(c)(3) further states that upon the award of AHSC Program grant funds, the California Department of Housing & Community Development (HCD) shall enter into a covenant with the real property owner. This language unintentionally expanded the covenant requirement to all grant components, diverging from prior rounds and program intent.

Rationale for Change

- **Consistency with Prior AHSC Rounds**
Previous AHSC rounds, including Round 8, limited covenant requirements to HRI Capital Projects. Expanding covenants to STI and PGM grants in Round 9 represents a departure from established program structure and practice.
- **Legal Interpretation from HCD**
The Department of Housing and Community Development's Legal Affairs Division (LAD) reviewed the Round 9 language and determined that **Section 114(c)(3) controls**



covenant requirements. Although other sections of the Guidelines reference covenants in connection with HRI Capital Projects (e.g., Section 106(b)(4)), LAD advised that the explicit language in Section 114(c)(3) legally requires correction to avoid over-application of covenants.

- **Need for Legal and Programmatic Clarity**

While HCD can continue executing Standard Agreements under Round 9 due to existing boilerplate language that allows incorporation of guideline amendments. **The Guidelines themselves must accurately reflect legal authority and program intent.** Amending the Guidelines reduces ambiguity, strengthens legal defensibility, and ensures consistent interpretation going forward.

- **No Impact to Existing or In-Process Projects**

This amendment is clarifying and corrective in nature only. Existing projects and projects currently in process under Round 9 will not be impacted, as Standard Agreement language provides sufficient flexibility. The change is prospective and does not alter funding awards, scoring, or eligibility.

Impact

The proposed amendment does not change program funding, scoring criteria, applicant eligibility, or award decisions. It solely clarifies the applicability of recorded covenants under Round 9.

Next Steps

AHSC staff recommend approval of the proposed amendment to the AHSC Round 9 Guidelines to clarify that recorded covenant requirements apply only to HRI Capital Project grant awards.

Should the Council approve staff's recommendation, Section 114(c)(3) of the Round 9 guidelines will be amended through addition of the following underlined text:

"Covenant: Upon the award of AHSC Program HRI Capital Project grant funds, the HCD shall also enter into a Covenant with the real property owner ("Owner" shall include all successors, assigns and transferees of any or all of the owner's interest in the Affordable Housing Developments (AHD) and the property on which it is located), which shall ensure construction and continued operation of the AHD(s), in consideration for the AHSC Program grant.

The Covenant shall be executed and recorded on the fee title of any AHD(s) assisted by AHSC Program HRI Capital Project funds before any disbursement of funds no later than construction closing.

Rental AHD(s) supported by the AHSC Program HRI Capital Project grant shall be subject to a recorded Covenant ensuring affordability for duration of at least 55 years, recorded on the fee interest of the real property on which the Rental AHD is to be located."

Council Recommendation

Should the Council agree with staff's recommendation, the following motion language is suggested:

"I move that the Council pass the consent calendar."

Attachments

Attachment A: AHSC Round 9 Amended Guidelines

