

REVISED AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER ADRIN NAZARIAN, CHAIR****TUESDAY, MARCH 8, 2016
1:30 P.M. - STATE CAPITOL ROOM 447**

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
2240	DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT	
ISSUE 1	OVERVIEW OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND CALIFORNIA FINANCING AGENCY BUDGETS	2
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ITEMS TO BE HEARD

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The mission of the Department of Housing and Community Development (HCD) is to preserve and expand safe and affordable housing opportunities and promote strong communities. The Department administers housing finance, economic development, and community development programs; develops housing policy and advocates for an adequate housing supply; and develops building codes and regulates manufactured homes and mobilehome parks. Additionally, HCD provides technical and financial assistance to local agencies to support housing development.

The mission of the California Housing Finance Agency (CalHFA) is to create and finance progressive housing solutions so that more Californians have a place to call home. The agency is financially self-supporting, setting loan interest rates slightly above its costs and charging fees to cover investments related to bond proceeds. In 2013, pursuant to the Governor's Reorganization Plan No. 2 of 2012, CalHFA is displayed, within HCD's budget and reports to the Business, Consumer Services and Housing Agency.

Fund Source (thousands)	2014-15 Actual	2015-16 Projected	2016-17 Proposed	BY to CY Change	% Change
General Fund – HCD	\$108,710	\$19,196	\$9,758	\$(9,438)	(49.2%)
All Other HCD Funds	483,840	318,229	323,165	4,936	1.5%
CalHFA Funds	39,106	43,287	43,050	(237)	(0.5%)
Total Expenditure	\$631,656	\$380,712	\$375,973	(4,739)	(1.2%)
HCD Positions	500.5	555.1	542.1	(13)	(2.3%)
CalHFA Positions	262.1	285.8	284.3	(1.5)	(0.5%)
Total Positions	762.6	840.9	826.4	(14.5)	(2.9%)

ISSUE 1: OVERVIEW OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND CALIFORNIA HOUSING FINANCE AGENCY

- Ben Metcalf, Director, Department of Housing and Community Development
- Lisa Bates, Assistant Deputy Director, Department of Housing and Community Development
- Tia Boatman Patterson, Executive Director, California Housing Finance Agency (CalHFA)

BACKGROUND**Housing and Community Development Budget Details:**

HCD's budget is driven by the following major revenue sources:

- Affordable Housing Sustainable Communities
- Proposition 46 and Proposition 1C
- Proposition 41 Veterans Program
- Multifamily housing funds
- Loan Repayments
- Federal funds

The description below describes each funding source, which often limit the allowable uses of the funding at HCD.

Affordable Housing Sustainable Communities Program. This program funds land-use, housing, transportation, and land preservation projects to support infill and compact development that reduces greenhouse gas (GHG) emissions. The projects facilitate the reduction of GHGs by improving mobility options and accessibility to affordable housing, employment centers, and key destinations via low-carbon transportation options resulting in fewer vehicle miles traveled.

In 2015-16 HCD received \$440 million from the Strategic Growth Council (SGC), with \$320 million released in January 2016. An additional \$440 million should be available through a proposed Spring Finance Letter in 2016-17.

Proposition 46 and 1C. Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002, approved a total of \$2.1 billion in bond authority, and Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006, approved a total of \$2.85 billion in bond authority by purposes of providing funding for housing projects.

All bond funds from these two programs will have been awarded by the end of 2015-16, with the exception of the \$34.5 million for the Housing-related parks program and \$20 million for the Infill Infrastructure Grant Program scheduled in 2016-17. Below is an historical chart of expenditures for both propositions; the charts show how much funding was invested to each program when the statewide bond funding investment was \$2 – 3 billion.

Historical Chart of Expenditures for Proposition 46 (Dollars in Thousands)							
Fund	Program Name	Bond Authority	Expenditures				Remaining Balance *
			Prior Years	2014-15	2015-16	2016-17	
0813	CalHFA Programs	\$300,418	\$291,486	-	-	-	\$8,932
0813	CalHome	\$147,009	\$124,674	\$10,966	\$1,587	\$183	\$9,599
6038	Building Equity and Growth in Neighborhoods**	\$48,256	\$45,872	\$144	\$134	\$120	\$1,986
0813	California Self-Help Housing Program	\$9,735	\$9,735	-	-	-	-
0929	Multifamily Housing Program	\$811,992	\$744,165	\$307	\$222	\$134	\$67,164
0929	Governor's Homeless Initiative	\$37,633	\$35,389	\$1,047	-	-	\$1,197
0929	Student Housing / Downtown Rebound Program	\$12,456	\$12,456	-	-	-	-
0929	Non-Residential Space for Support Services	\$19,456	\$19,456	-	-	-	-
0929	Local Housing Trust Fund Matching Grants	\$25,000	\$24,219	-	-	-	\$781
6039	Preservation Interim Repositioning Program	\$145	\$145	-	-	-	-
0929	Supportive Housing Program	\$187,900	\$181,909	-	-	-	\$5,991
0927	Joe Serna, Jr. Farmworker Housing Program	\$179,132	\$147,676	\$520	\$514	\$547	\$29,875
0927	Migrant Health Services /Health Housing Set-Aside	\$20,868	\$20,256	-	-	-	\$612
0929	Code Enforcement Grant Program	\$5,000	\$4,870	-	-	-	\$130
3006	Jobs-Housing Balance / Workforce Housing Reward **	\$100,000	\$98,239	-	-	-	\$1,761
0985	Emergency Housing Assistance - Capital Development	\$195,000	\$180,501	\$2,472	\$808	\$480	\$10,739
	TOTAL	\$2,100,000	\$1,941,048	\$15,456	\$3,256	\$1,464	\$138,767

Footnotes:

* The remaining balance represents the amount set-aside for long-term administration, statewide costs, and the default prevention reserves for programs with outstanding loan balances.

** These appropriations are subject to legislative approval; remaining programs are continuously appropriated.

Historical Chart of Expenditures for Proposition 1C (Dollars in Thousands)							
Fund	Program Name	Bond Authority	Expenditures				Remaining Balance*
			Prior Years	2014-15	2015-16	2016-17	
0813	CalHome	\$348,011	\$297,816	\$34,593	\$5,964	\$749	\$8,889
0813	California Self-Help Housing Program	\$10,000	\$9,797	-	-	-	\$203
6038	Building Equity in Neighborhoods Program**	\$66,989	\$59,708	\$326	\$231	\$186	\$6,538
6038	CalHFA Programs (CHDAP/RDLP)	\$200,000	\$199,908	-	-	-	\$92
6068	Affordable Housing Innovation Program	\$70,000	\$60,369	\$8,398	\$371	\$162	\$700
0929	Multifamily Housing Program – General	\$412,470	\$389,264	\$911	\$14,774	\$558	\$6,963
0929	Multifamily Housing Program – Supportive	\$204,942	\$184,341	-	-	-	\$20,601
0929	Multifamily Housing Program - Homeless youth	\$12,530	\$12,500	-	-	-	\$30
0927	Joe Serna, Jr. Farmworker Housing Program	\$135,000	\$88,476	\$2,459	\$6,549	\$850	\$36,666
0985	Emergency Housing Assistance Capital Development	\$40,058	\$34,075	\$1,213	\$1,637	\$1,105	\$2,028
6069	Infill Incentive Grant Program**	\$790,000	\$705,899	\$43,451	\$1,864	\$21,328	\$17,458
6069	CalReUSE Remediation Program	\$60,000	\$59,800	-	-	-	\$200
9736	Transit Oriented Development**	\$300,000	\$268,432	\$17,057	\$879	\$613	\$13,019
6071	Housing-Related Parks Program	\$200,000	\$49,613	\$83,288	\$30,905	\$35,414	\$780
	TOTAL	\$2,850,000	\$2,419,998	\$191,696	\$63,174	\$60,965	\$114,167

* The remaining balance represents the amount set-aside for long-term administration, statewide costs, and the default prevention reserves for programs with outstanding loan balances.

** These appropriations are subject to legislative approval; remaining programs are continuously appropriated.

Proposition 41 – Veterans’ Program. In June 2014, voters passed Proposition 41, the Veterans Housing and Homeless Prevention Bond Act, which redirected \$600 million from Proposition 12 bond authority to fund multifamily housing for veterans. In 2014-15 HCD was authorized 10 positions to administer the program and released its first NOFA in mid-February 2015. A total of 32 applications were received, requesting approximately \$125 million. In June 2015, HCD, CalVet and CalHFA awarded \$63 million to 17 projects. The projects will have 1,221 units, 566 of which will be Veteran Housing and Homeless Prevention Program. Seventy-five million is authorized for 2016-17.

The geographic distribution of the first round of funding is below:

Area	Funding Targets	Awards	Total Projects	Funding Awarded (rounded)
Bay Area	14%	8%	1	\$5.3 M
Los Angeles County	31%	43%	8	\$18.4 M
Orange County / Inland Empire	8%	29%	4	\$27.3 M
San Diego County	7%	2%	1	1.0 M
Other Areas	16%	18%	3	11.2 M
Total			17	\$63.2 M

One-time Multifamily Housing Program Funding. As part of the 2014-15 Budget Act, HCD received \$100 million in General Fund from the Assembly Infrastructure Plan for the Multifamily General and Supportive Housing Program. The NOFA for the Supportive Housing component was released October 2014, of which all of \$47.5 million was awarded. A NOFA for the Multifamily General Program was released June 2015 to award the remaining \$47.5 million in 2016-17. The Multifamily Housing Program received \$47.5 million for a total of 712 units and the Multifamily Housing Program – Supportive Housing received \$51.5 million for a total of 828 units.

Below is the geographic distribution of projects for the \$100 Million.

Projects by Region	Award Amount	Total Units
Funded Northern California	\$35,965,391	579
Funded Central California	\$7,830,000	150
Funded Southern California	\$55,197,949	811
Total	\$98,993,340	1,540

Loan Repayment Program. HCD estimates \$1.9 million in loan repayments in 2016-17.

Federal Programs. Outside of Proposition 46 and 1C bond funding, HCD's major source of funding is the Federal government. Setting aside federal stimulus augmentations in 2009-10 and 2010-11, HCD's federal funding has declined steeply. Over the past 10 years, combined expenditures of the three major federal programs have dropped by about 38 percent.

STAFF COMMENT

The last significant investment in housing came in 2006 with the approval of the housing bond with the largest investments going to the Multifamily housing program and the Infill Incentive Grants. The past few years have shown the investment for housing coming from non-direct sources of funding including the Veterans Housing and Homeless Bond, funding from cap and trade and one time investment from the General Fund.

ISSUE 2: DISCUSSION ON AFFORDABLE HOUSING IN CALIFORNIA

- Brian Uhler, Legislative Analyst's Office
- Matt Schwartz, California Housing Partnership Corporation

BACKGROUND

On February 9, 2016, the Legislative Analyst's Office released *Perspectives on Helping Low-Income Californians Afford Housing*, which provided evidence that facilitating more private housing development in the state's coastal urban communities would help make housing more affordable for low-income Californians. The LAO contends that the existing affordable housing programs assist only a small proportion of low-income Californians. Most low-income California receive little or no assistance. The LAO states that the expanding programs would be challenging and expensive; and that it might be better to focus resources on more specialized housing needs. Finally the report encourages additional private housing construction that can help low-income Californians who do not receive assistance.

The full report can be found at: <http://lao.ca.gov/Publications/Report/3345>

STAFF COMMENT

The challenge of providing a reliable funding source continues for housing infrastructure, especially the availability of affordable housing. The end of redevelopment eliminated \$1 billion in funding for affordable housing, and to date, the only new housing revenue source is a small restrictive pot of funding within cap and trade. Recent actions by the Legislature have infused one-time monies into existing housing programs that have proven successful in the past.

There remains the question of whether affordable housing is a local or statewide issue. Investing funding in small communities versus large communities will have varying results. The Assembly will have to determine what blend of local and statewide funding solutions will make the most significant impact.