

California State Assembly



Agenda

Assembly Budget Subcommittee No. 7 on Accountability and Oversight

Assemblymember Avelino Valencia, Chair

Monday, March 11, 2024

10:00 A.M. – 1021 O Street, Room 1100

Oversight of Housing Unit Barriers and Investments

I. Welcome and Opening Remarks

- Assemblymember Valencia, Chair
- Members of the Committee

II. Evaluating State Housing Programs and Production Data

- Ginni Bella Navarre, Deputy Legislative Analyst, Legislative Analyst's Office
- Zachary Olmstead, Chief Deputy Director, Department of Housing and Community Development
- Marina Wiant, Executive Director, California Tax Credit Allocation Committee
- Linda Mandolini, President & CEO, Eden Housing
- Laura Archuleta, President & CEO, Jamboree Housing
- Jeff Schroeder, Senior Vice President, Ponderosa Homes

III. Member Questions and Comments

IV. Adjournment

Issue 1: Oversight of Housing Unit Barriers and Investments

The Legislative Analyst’s Office, with the assistance of the Housing Community Development Department and the California Tax Credit Allocation Committee, will provide an overview of major affordable housing programs and units produced over the past five years with state’s funding investments.

Additionally, all panelists will explore successes and challenges to building affordable housing units in California, strategies to consider to improve the funding programs and policy processes, and discuss how housing data should inform future housing investments.

Background

Addressing the state’s housing affordability crisis remains a top priority for the Legislature. According to HCD’s Statewide Housing Plan, “California must plan for more than 2.5 million homes over the next eight-year cycle, and no less than one million of those homes must meet the needs of lower-income households.”

To help meet the affordable housing needs, the state has enacted new policies including streamlining policies and accountability reforms to ensure that housing gets built and not just planned. The Legislature has passed numerous bills to streamlining line housing, shorten the entitlement timeline, and incentivize affordable housing in market rate developments in an effort to pull all the policy levers at its disposal to increase housing at all income levels. On the funding side, since 2019-2020, the state has invested over \$18.5 billion (\$4.2 billion General Fund) and other funds including bond and federal funds to address the state’s housing crisis. (The \$18.5 billion figure does not include the \$1.2 billion that the Governor’s budget proposes to cut.) These combined approaches have worked together to build units in the state, with the funding accounting for one piece of the puzzle and policy reforms helping to spur additional units to reach the statewide housing goal.

California is at a critical juncture for housing investment as the state faces a budget deficit. Funding from the 2018 bonds are now depleted, the Governor’s budget does not include additional General Fund investment nor an additional \$500 million for the Low Income Housing Tax Credit for budget year 2024-25, and instead proposes about \$1.2 billion in prior years cuts to housing programs.

General Fund and other fund investments

Over the past five years, the state has been able to provide additional investments to spur housing through the General and Other Funds. These investments are outlined in the table below with the yellow highlights representing the proposed reductions included in the Governor’s January Budget.

2019-2020 Through 2023-24 Housing Funding – Appropriated amounts reflect the Governor’s 2024-25 Budget Proposal (Dollars in millions)

Program	2019-20		2020-21		2021-22		2022-23		2023-24		Five-Year Total
	GF	OF	GF	OF	GF	OF	GF	OF	GF	OF	
Department of Housing and Community Development											
Permanent Local Housing Allocation Program		\$210.40		\$327.00		\$359.90		\$180.40		\$192.50	\$1,270.20
Housing Investment Program		\$15.00		\$23.36		\$25.71		\$12.80		\$13.75	\$90.62
Mixed Income Loan Program (transfer to CalHFA)		\$47.50		\$73.80		\$81.20		\$40.70		\$16.60	\$259.80
Farmworker Housing Program					\$50.00		\$50.00			\$28.00	\$128.00
Infill Infrastructure Grant Program	\$300.00				\$250.00		\$200.00		\$25.00		\$775.00
Infill Infrastructure Grant Program - Catalytic							\$150.00		\$250.00		\$400.00
CalHome							\$147.50		\$0.00		\$147.50
Veterans Housing and Homelessness Prevention							\$50.00		\$0.00		\$50.00
Affordable Housing and Sustainable Communities Program		\$394.00		\$509.00		\$865.00		\$569.00		\$857.00	\$3,194.00
Portfolio Reinvestment Program					\$300.00		\$50.00		\$100.00		\$450.00
Excess Sites - Local Government Matching Grants Program					\$45.00		\$25.00		\$75.00		\$145.00
Accelerator						\$1,750.00	\$250.00				\$2,000.00
Community Development Block Grant Program		\$32.10		\$32.40		\$29.90		\$31.80		\$31.10	\$157.30
Community Development Block Grant Program - Disaster Recovery		\$124.00		\$1,143.70				\$64.90		\$231.20	\$1,563.80
HOME Investment Partnerships Program		\$43.40		\$43.00		\$42.60		\$47.20		\$48.10	\$224.30
National Housing Trust Fund		\$29.40		\$50.80		\$126.60		\$132.00		\$62.20	\$401.00
Multifamily Housing Program		\$277.30		\$277.30		\$277.30	\$100.00	\$277.30	\$75.00	\$318.30	\$1,602.50
Manufactured Housing Opportunity & Revitalization Program					\$30.00		\$25.00		\$75.00		\$130.00
Regional Early Action Planning Grants	\$250.00				\$300.00						\$550.00
Golden State Acquisition Fund					\$50.00						\$50.00
Foreclosure Intervention Housing Preservation Program					\$155.00				\$83.00		\$238.00
No Place Like Home		\$800.00		\$400.00		\$400.00		\$400.00			\$2,000.00
Transitional Housing Program					\$5.00						\$5.00
Housing Navigators					\$13.20						\$13.20
Office of Migrant Services					\$35.60		\$5.60		\$6.00		\$47.20
California Housing Finance Agency											
Single Family Down Payment Assistance/Homeowner buyer Assistance					\$100.00						\$100.00
California Mortgage Relief Program						\$1,000.00					\$1,000.00
National Mortgage Settlement				\$300.00							\$300.00
Dream for All							\$500.00		\$20.00		\$520.00
Accessory Dwelling Unit					\$81.00		\$25.00				\$106.00
Mixed Income Loan Program	\$200.00	\$47.50	\$50.00	\$73.80	\$45.00	\$81.20		\$40.70		\$16.60	\$554.80
	\$750.00	\$2,020.60	\$50.00	\$3,254.16	\$1,159.80	\$5,339.41	\$1,578.10	\$1,796.80	\$709.00	\$1,815.35	\$18,473.22
Reflects Amount After 2024 Governor's Budget Proposed Solutions											

Other Agencies that Administer Housing Programs.

HCD and CalHFA are not the only agencies that administer the state’s housing programs. The California Tax Credit Allocation Committee (CTCAC) and the California Debt Limit Allocation Committee (CDLAC) housed under the State Treasurer’s Office administer the state’s housing tax credits.

AB 101 (Chapter 159, Statutes of 2019) provided beginning in 2020, an annual allocation of \$500 million additional state tax credits for 4% state credit for New Construction (NC). For 2021 and later, up to \$500 million in additional state tax credits are subject to the annual Budget Act or appropriation bill. CalHFA can access up to \$200 million of the credits for the Mixed-Income Housing Program (MIP). From 2020 through 2024, the State Budget has included an annual

appropriation of \$500 million for the additional state tax credit. The Governor’s 2024-25 budget is the first budget to not include the additional tax credit funding.

The table below reflects the amount of LIHTC authorized from 2020-2024 with a note that the General Fund impact would accrue over future years.

California Tax Credit Allocation Committee						
	2020	2021	2022	2023	2024	
Continuous State Low Income Housing Tax Credit Allocation	\$101.75	\$104.13	\$111.46	\$118.65	\$122.63	\$558.62
Enhanced State Low Income Housing Tax Credit Allocation	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$2,500.00

*Dollars in Millions

Significant Policies.

1. AB 434 (Chapter 192, Statutes of 2020) created efficiencies by consolidating the funding application for multiple programs at HCD. Since its enactment, the Super Notice of Funding Availability (Super NOFA) has released two Multifamily Finance Super NOFAs. The Super NOFA includes following programs: Multifamily Housing Program, Infill Infrastructure Grant Program of 2019, Joe Serna, Jr. Farmworker Housing Grant Program and Veterans Housing and Homelessness Prevention Program.

It is important to note that the Super NOFA does not cover all the housing programs, which are included in the table on Page 3.

2. Proposition 1 is a statewide ballot measure to issue \$6.4 billion in bonds to overhaul California’s mental health care system. Proposition 1 funds supportive housing for people experiencing homelessness with severe behavioral health issues. Behavioral health treatment and residential settings are available for people with mental health challenges who need temporary housing to stabilize. Proposition 1 was slated for the March 5, 2024, ballot and as of this writing was too close to call.
3. Currently, AB 1657 (Wicks) is moving through the Legislature. This bill would enact the Affordable Housing Bond Act of 2024, which authorizes the sale of \$10 billion in general obligation bonds. If enacted, the bill directs proceeds of bonds for the following purposes:
 - \$5.25 billion deposited in the Housing Rehabilitation Loan Fund to be used for the Multifamily Housing Program (MHP).
 - \$1.75 billion to be deposited in the Housing Rehabilitation Loan Fund to be used for supportive housing administered through the MHP program.

- \$1.5 billion to be appropriated by the Legislature to preserve or rehabilitate existing subsidized or unsubsidized rental housing through the following programs: the Portfolio Reinvestment Program, the Energy Efficiency Low-Income Weatherization Program, and a program to be created by the Legislature and administered by HCD that funds acquisition and rehabilitation of unrestricted housing units and attaches long-term affordability restrictions to the units.
- \$1 billion to be appropriated by the Legislature to provide homeownership opportunities through the CalHOME Program, which provide grants to local public agencies and non-profit developers to assist individuals and households through deferred-payment loans; and the My Home down payment assistance program administered by CalHFA.
- \$500 million to be appropriated by the Legislature for the Joe Serna, Jr. Farmworker Housing (Serna) Program and a dedicated program to be created by the Legislature, administered by HCD, and designed for, and in consultation with, tribes to finance housing and housing-related activities that will enable tribes to rebuild and reconstitute their communities.

Governor’s Budget Proposed Budget Cuts

The Governor’s budget proposes a variety of cuts to housing programs in the prior year and current budget year. These proposed cuts will be discussed by Subcommittee 5 on Tuesday, April 9th. However, for reference, below find the proposed cuts:

- Regional Early Action Planning Grants 2.0 (REAP 2.0) – A reversion of \$300 of the \$600 million GF allocated in 2021-22.
- Multifamily Housing Program (MHP) – Proposes to revert \$250 million of the \$325 million GF in the 2023 Budget Act, leaving \$75 million.
- Foreclosure Intervention Housing Preservation Program –Proposes a reduction of \$247.5 million GF over the next three years beginning in 2024-25 through 2026-27. Proposes to keep \$82.5 million in 2023-24.
- Infill Infrastructure Grant (IIG) Program – Proposes to revert \$200 million of the \$225 million allocated as part of the 2023 Budget Act, leaving \$25 million in 2023-24.
- CalHOME Program- Proposes to revert \$152.5 million GF; with a reduction of \$102.5 million from 2022-23 and \$50 million from 2023-24

- Veteran Housing and Homelessness Prevention Program – proposes to revert \$50 million of \$50 million GF from the 2023 Budget Act.
- Housing Navigators – proposes a reduction of \$13.7 million
- Low Income Housing Tax Credit – additional \$500 million not included. There is a little more than \$120 million that is included for LIHTC, but this budget does not make the additional \$500 million investment in the tax credits.

Staff Comments

The Subcommittee may wish to consider asking the following questions:

- What are the challenges facing developers for affordable housing projects? Are the challenges at the state or local levels?
- For developers, can you briefly describe the process for funding your project? What takes the longest? Do you have recommendations to improve the process?
- What is the typical amount of state subsidy for an affordable project? Does an applicant get this amount of funding from one program or various programs?
- There are a number of state agencies that administer housing programs. How do TCAC, CalHFA, and HCD work together?
- For all panelists, how is the Super NOFA process working? Is there room for improvement?
- For HCD, for the programs that fall outside of the Super NOFA, how are those programs timed to help projects get maximum funding?
- For CTAC, similar to other tax credit program requirements, can you please describe the economic benefits from the low income housing tax credit?
- What are some of the advocacy efforts happening on the federal level to improve the low income housing tax credit to fully utilize the credit? Additionally, how much funding does the state need to invest to ensure that we are maximizing the federal tax credit?
- Does HCD and TCAC coordinate resources when allocating tax credits and bond or general fund dollars? The Middle Income Program – has a streamlined approach for its

programs in the tax credit, has this approach been considered for HCD funded programs? What are the advantages and disadvantages?

- Traditionally, the state has invested in projects such as creating new units – with limited resources, should there be some consideration between funding new projects and preserving the affordable housing stock we have worked to build?

Staff Recommendation: This item is presented for information only.