

California State Assembly



Agenda

Assembly Budget Subcommittee No. 5 on State Administration

Assemblymember Sharon Quirk-Silva, Chair

Tuesday, April 14, 2026

1:30 P.M. – State Capitol, Room 447

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Items To Be Heard

0515 Business and Consumer Services Agency
0516 California Housing and Homelessness Agency

Issue 1: Governor’s Reorganization Plan Codification Trailer Bill Language

The Governor’s budget proposes trailer bill language to codify the Governor’s Reorganization Plan (GRP 2025), which dissolved the Business, Consumer Services, and Housing Agency (BCSH), created two stand-alone cabinet-level agencies: California Housing and Homelessness Agency (CHHA) and Business and Consumer Services Agency (BCSA), and also created two new entities: the California Interagency Council on Homelessness (Cal ICH) and the Housing Development and Finance Committee (HDFC).

Background

Last year, GRP 2025 went through the statutorily required reorganization process, including review by the Little Hoover Committee and the Legislature. The Legislature had until July 4, 2025, to consider the Governor’s proposal. Since neither house rejected the proposal, the plan went into effect on July 5, 2025.

Although the GRP 2025 is effective law, it must be codified via a bill (Government Code 12081) to reflect these changes in statute. If the reorganization plan is not codified, it does not invalidate the changes in the GRP, but poses a risk of future conflicting statutes, bills amending outdated law, and general confusion.



Trailer Bill Language

The Governor’s TBL proposes the following:

- Codify the GRP and its authorities in statutes as described by Government Code 12081.
- Reduce confusion and prevent statutory misalignment and drafting errors.
- Clarify existing organizational structures, particularly when the two agencies become operational on July 1, 2026.

2025-26 Budget Resources

The 2025-26 budget provided the following resources for the reorganization.

	<u>Funding</u>						<u>Positions</u>			
	2025-26		2026-27		2027-28 & Ongoing		2025-26		2026-27 & Ongoing	
	Existing	New	Existing	New	Existing	New	Existing	New	Existing	New
BCSA*	\$ 3,044	\$ 456	\$ 3,044	\$ 456	\$ 3,044	\$ 456	15		15	
CHHA	1,692	3,727	1,692	3,963	1,692	3,813	11	1.5	11	6
Cal ICH	13,720	-	11,654	-	11,654	-	45		45	
HDFC	-	322	1,552	2,253	1,552	2,253		1	9	6
<i>(Total New GF)</i>		<i>(4,049)</i>		<i>(6,216)</i>		<i>(6,066)</i>				
Totals	18,456	4,505	17,942	6,672	17,942	6,522	71	2.5	80	12
Total Combined (Existing + New)		22,961		24,614		24,464				

*Special Funds and Reimbursements

Panel

- Tomiquia Moss, Secretary, Business, Consumer Services and Housing Agency (BCSH)
- Gustavo Velesquez, Director, Department of Housing and Community Development (HCD)
- Tony Sertich, Director, California Housing Finance Agency (CalHFA)
- Amy Manasero, Deputy Secretary of Fiscal Policy and Administration, BCSH
- Meagan Tokunaga Block, Assistant Program Budget Manager, Department of Finance (DOF)
- Isabel Fairclough, Finance Budget Analyst, DOF
- Paul Steenhausen, Principal Fiscal & Policy Analyst, Legislative Analyst’s Office (LAO)

LAO Comments

Recommend Approval. We recommend the Legislature approve the proposal to transfer positions and resources from HCD to HDFC, which is consistent the purpose of the reorganization.

Staff Comments

The Subcommittee may wish to ask the following:

1. Can you provide a status update on the reorganization?
2. Are there any additional costs for the reorganization?
3. The Governor's budget does not propose any new General Fund for housing programs. How does the new Housing and Homeless agency move forward without any new funding?

Staff Recommendation: Hold Open.

2250 Housing Development and Finance Committee

Issue 2: California Housing and Homelessness Agency Development Proposals Trailer Bill Language

The Governor's budget proposes trailer bill language to do the following:

1. Require California Debt Limit Allocation Committee (CDLAC), through January 1, 2037, to dedicate at least 90 percent of the total private activity bonds each year for affordable rental housing.
2. Create a special set-aside of the federal 4 percent tax credits exclusively for projects receiving Housing Development Finance Committee (HDFC) gap funding. Under the proposal, CDLAC and Tax Credit Allocation Committee (TCAC) would retain control of the allocation of private activity bonds and tax credits, respectively, but the allocation would be ministerial decisions.

Background

The current processes for accessing financing for affordable multifamily housing—including state subsidies, tax-exempt bond financing, and federal and state tax credits—requires multiple competitive applications that often have differing scoring priorities and timelines. Bonds and tax credits are a critical resource for most affordable housing projects, but before applying for them, projects must secure all other funding, often comprised of multiple other public sources. This increases uncertainty, lengthens development timelines, and adds costs and risk for affordable housing projects.

Recent Efforts to Change the State's Affordable Housing System.

To address this problem, the state has made the following efforts:

1. **California Housing and Finance Agency (CalHFA's) MIP.** The Mixed-Income Program (MIP) provides low-interest loans to developers for new rental housing development. MIP receives about \$30 million annually from the state. MIP derives its funding from SB 2 (Atkins, 2017). AB 101 (Committee on Budget, 2019) requires TCAC to set aside up to \$200 million of the enhanced state tax credits to pair with projects receiving a MIP award. Additionally, CDLAC (through regulations) has a practice of setting aside private activity bonds for MIP awards (to allow for pairing with 4 percent tax credits).
2. **SuperNOFA.** Alignment of state subsidy programs, which resulted in the Multifamily Finance Super Notice of Funding Availability (Super NOFA) at the Department of Housing and Community Development (HCD).

3. **AB 519 Workgroup.** Creation of the AB 519 (Schiavo, 2023) Workgroup to decrease fragmentation convened by HCD, the California Housing Finance Agency, the California Debt Limit Allocation Committee, and California Tax Credit Allocation Committee. The AB 519 workgroup is working to achieve a coordinated application review process that allows for a single award covering multiple funding sources so that projects are streamlined from award to construction. The initial report is due to the Legislature by July 2026.
4. **2025 GRP.** The 2025 GRP reorganized the Business, Consumer Services, and Housing Agency through a statutorily defined executive branch reorganization process. The primary stated intent of the reorganization was to (1) have an agency focused on housing and homelessness and (2) create a “one-stop shop” for developers seeking state funding for affordable housing. HDFC will be charged with centralizing administration of various affordable housing programs currently administered at separate departments.

Current Process to Allocate Bonds and Tax Credits at State Treasurer’s Office

Tax Credits. There are two types of federal low-income housing tax credits (LIHTC) housed at the State Treasurer’s Office. Federal LIHTC are the foundation of the capital stack for virtually all affordable rental housing projects. Developers receiving a LIHTC award generally sell the tax credits to private investors. (Typically, the investor pays somewhat less for the tax credit than the tax credit’s “face value,” such as 80 cents or 90 cents for every \$1 in tax credit benefits they receive.) Developers use the resulting equity they receive from the sale of the tax credits to finance their affordable housing projects. Once the housing project is placed in service (made available to tenants), investors can claim the tax credits over a ten-year period to reduce their taxes. There are “9 percent” tax credits and “4 percent” tax credits, with the 9 percent tax credits generally providing more than double the equity for a developer’s project than a 4 percent tax credit. As a result, 9 percent tax credits tend to be used to support construction of developments serving larger shares of very-low and extremely low-income households.

Private Activity Bonds. Currently, CDLAC decides on the share of private activity bonds to go to affordable housing. The federal government specifies allowable uses of private activity bonds. Each state may decide to use them for housing or non-housing purposes. Non-housing can include industrial development projects, waste treatment, and certain other types of private projects. CDLAC engages in an annual process to gauge demand for private activity bonds. CDLAC does so by surveying developers each fall on the projects they have in the pipeline and their intent to seek private activity bonds in the following year. CDLAC uses this “demand survey” to help set the amount of private activity bonds to make available by region and for certain other project pools. Then, each January (the beginning of the new round), CDLAC board members formally vote on how much in private activity bonds to designate for affordable housing and other allowable purposes of the bonds.

H.R. 1. Expands Significantly the Availability of Federal Tax Credits. H.R. 1, which was passed by Congress and signed by the President in July 2025, permanently increases the size of the 9 percent tax credit program by 12 percent. For California, this means about \$150 million more in 9 percent tax credit authority per year. More importantly, H.R. 1 has the effect of up to doubling the availability of 4 percent tax credits per year—potentially by up to \$4 billion annually. This is because under H.R. 1, developers will only need half of the private activity bonds they previously needed to access the 4 percent tax credits (25 percent versus 50 percent of financing). The amount of private activity bonds does not change under H.R. 1, but the effect is that they are stretched up to twice as far—thus increasing the amount of tax credits.

Trailer Bill Language

- Establish a permanent floor of private activity bond capacity for affordable multifamily housing.
- Dedicate a share of tax-exempt bonds for HDFC-funded projects at 50 percent of the above floor for affordable multifamily housing overall.
- Make statutory changes to enable program alignment and flexibility in the Multifamily Housing Program and the rental component of the Joe Serna, Jr. Farmworker Housing Grant Program.

California Housing and Homelessness Agency (CHHA) Program Summary

Programs Moving to Housing Development and Finance Committee (HDFC)

Multifamily Super NOFA programs:

- Multifamily Housing Program (MHP)
- Joe Serna, Jr. Farmworker Housing Grant Program (FWHG)
- Infill Infrastructure Grant Program (IIG)
- Veterans Housing and Homelessness Prevention Program (VHHP)
- Transit-Oriented Development Housing Program (TOD)
- Housing for a Healthy California

Affordable Housing Sustainable Communities - Housing Component*

Mixed Income Program (MIP) - Subsidy Component

HDFC to Coordinate with:

CA Tax Credit Allocation Committee (CTCAC) and CA Debt Limit Allocation Committee (CDLAC)**

Developer-facing components of other HCD multifamily programs (e.g. PLHA Competitive, HOME, NHTF)

Programs Staying with Housing and Community Development (HCD)

Government-to-Government Grants (e.g. PLHA, HHAP, Homekey+)
 Federal Programs, including HOME, CDBG, NHTF
 Tribal Housing Programs
 Homeownership Programs, including CalHOME and Serna Single Family
 Policy, Planning, Accountability
 Fair Housing
 Codes and Standards

Programs Staying with CA Housing Finance Agency (CalHFA)

MIP - Permanent Loan Component
 Permanent Loan Programs (Tax-Exempt and Taxable)
 Conduit Issuer Program
 Bond Recycling Program
 Downpayment Assistance Programs (MyHome, Dream for All)
 Mortgage Relief Programs (CalAssist)
 Homebuyer Loan Programs (FHA, CalPLUS, VA, UDSA)

Panel

- Christian Mun, Deputy Secretary for Housing Finance, BCSH
- Megan Kirkeby, Chief Deputy, HCD
- Meagan Tokunaga Block, Assistant Program Budget Manager, DOF
- Blair Huxman, Finance Budget Analyst, DOF
- Paul Steenhausen, Principal Fiscal & Policy Analyst, LAO

LAO Comments

Approve the Designation of Private Activity Bonds for Affordable Housing. We recommend the Legislature approve the proposal to set in statute a 90 percent floor (with the administration’s language that provides CDLAC some flexibility in given years) for private activity bonds designated for affordable rental housing.

Reject Minimum Statutory Set-Aside Requirement; Direct HDFC and TCAC to Prioritize Federal 9 Percent and State Tax Credits for HDFC-Awarded Projects. To avoid situations in which too much is set-aside in a given year, we recommend the Legislature approve the concept of a set-aside for HDFC-awarded projects but remove the proposed language about the minimum having to be at least 50 percent. Instead, the amount should be determined through the above-mentioned process envisioned by the administration. (Alternatively, the Legislature could choose to specify a minimum set-aside but allow CDLAC to reallocate unused private activity bonds to the general pool earlier in the year—that is, before November 1.) In estimating

the need for tax credits in the special set-aside pool, we also recommend the Legislature direct HDFC and TCAC to prioritize awarding 9 percent federal tax credits and state tax credits to HDFC-funded projects targeting the lowest-income residents. Finally, we recommend that HDFC, CDLAC, and TCAC report to the Legislature each year on where they landed in this process of deciding on allocations for the private activity bonds and each of the tax credit programs.

Add a Reporting Requirement. We recommend the Legislature require HDFC to report periodically to the Legislature on the outcomes of the streamlined funding system. To do so, the administration could compare like-projects under the old funding system to new ones to identify (1) changes in the total time developers take to assemble funding for their projects and begin construction and (2) the estimated savings to developers. Having a study would allow the Legislature to assess the extent to which the streamlining efforts are having the desired effect.

Staff Comments

According to the Administration, the establishment of HDFC and the implementation of this proposal aims to reduce the timeline for securing funding for projects. This approach accelerates the timeline for breaking ground on construction by ensuring projects are fully funded.

Creating a clearer, more predictable path for projects to access subsidies, bonds, and tax credits has long been a priority for developers, local jurisdictions, and other housing partners. This proposal accelerates the construction and preservation of affordable housing by establishing a permanent bond cap set-aside and eliminating the need for HDFC-funded projects to compete in a subsequent, competitive bond and tax credit allocation process.

By shifting from a fragmented, incremental process to a single application with fully funded awards—providing greater certainty to projects applying for state housing resources—this proposal implements the goals of the GRP 2025 and AB 519 to reduce administrative burden, cost, and time. The proposed trailer bill language makes progress towards a streamlined, “one-stop shop” multifamily housing finance system that enables projects to focus on delivering housing rather than navigating multiple state application and funding processes.

The Subcommittee may wish to ask the following about the proposal:

1. Why have state funded projects not competed well for the bonds and tax credits at CDLAC and TCAC?
2. How does moving 50 percent for HDFC fit into a one-shop stop for affordable housing projects?

3. Trailer bill language included in AB 158 (2025) included intent language that the executive committee be required to make recommendations to the Legislature regarding improvements the Department of Housing and Community Development may make to optimize loan administration. Can you please explain what steps have been taken to comply with AB 158.
4. How did the Administration decide on a 50-50 split of federal bonds and tax credits between HDFC and CDLAC/TCAC? Is it possible for HDFC to utilize the full 50 percent of the bonds each year?
5. CDLAC currently has a process that solicits the demand capacity at the beginning of the year, has HCD ever participated? Why wouldn't the demand capacity process work for HDFC?
6. The trailer bill states that CDLAC would reserve at least 50 percent of the bond capacity set aside for affordable housing for HDFC to allocate? Would the ability to issue bonds remain at CDLAC? How will HDFC communicate with CDLAC about who will receive the allocations? Would both CDLAC and HDFC provide oversight of the allocations?
7. How long will it take for the state to have data on whether the 50-50 split is appropriate? Under this proposal, when and how will that split be revisited? The process at CDLAC and TCAC is assessed on an annual basis, which provides some flexibility. Why is having the base amount set in statute important for HDFC?
8. Is there a process for unspent portion of the bond allocation to be moved from either HDFC to CDLAC or vice versa? When would this occur?
9. The Governor's budget does not propose any new funding for housing in the budget? How does this new approach work with no additional funding in the out years?
10. What kinds of HCD projects do you anticipate going through the HDFC and at what affordability levels?
11. Explain what happens to locally funded projects (needing only tax credits and no HDFC funding) under this new structure?
12. What happens to the state enhanced tax credits under this new system. Since 2019-2020, the state has invested an additional \$500 million in enhanced tax credits, the proposal is silent on these tax credits, does that mean an additional investment would remain at CTAC?

13. What role do the enhanced state tax credits have in this new system?

14. Can you please discuss how you envision the timelines for tax credits and bonds to work?
How will CDLAC, TCAC and HDFC awards work together?

15. How does asset management and monitoring work under this system?

Staff Recommendation: Hold Open.

Issue 3: Affordable Housing and Sustainable Communities Trailer Bill Language and Transfer of Resources

This proposal includes trailer bill language to amend the existing language of the Affordable Housing and Sustainable Communities (AHSC) Program to separate administrative responsibilities between two distinct categories: up to \$560 million Greenhouse Gas Reduction Fund (GGRF) for the AHSC Housing Allocation administered by the Housing Development and Finance Committee (HDFC), and up to \$240 million GGRF for the AHSC Sustainable Communities Allocation, to be administered by Strategic Growth Council.

Additionally, this proposal would transfer 14.0 positions and \$1,491,000 General Fund from the Department of Housing and Community Development to support the transition of Multifamily Affordable Housing Programs and the Affordable Housing and Sustainable Communities Program, effective July 1, 2026, under the 2025 Governor's Reorganization Plan.

Background

Governor's Proposal. The Governor's budget includes a proposal for HDFC to administer the affordable housing component of AHSC, with SGC to administer the sustainable communities component. Beginning in 2026-27, developers would no longer be required to submit an application for projects that integrate both aspects (affordable housing and transportation). Rather, they could choose to pursue a project that just builds affordable housing, for example, or just transportation infrastructure. Some areas and neighborhoods of the state, for example, might be in need of affordable housing but do not necessarily need transportation upgrades (or vice versa).

The Governor proposes to provide the affordable housing program under HDFC with 70 percent of total AHSC funding, with sustainable communities receiving 30 percent. This is consistent with past breakouts of funding for the two components of AHSC.

The Governor's proposal also transfers 14.0 positions to HDFC as follows:

- 6.0 positions and associated \$1,491,000 General Fund resources from HCD to support the transition team and HDFC's capacity to develop and implement program design for the oversight of multifamily housing programs.
- 8.0 positions that work on the AHSC Program at HCD to HDFC to lead the program design and planning work necessary to implement the AHSC Program modernization. The associated funding for these positions does not require transfer from HCD, as these positions are currently funded by Greenhouse Gas Reduction Fund via Executive Order transfers between SGC and HCD.

Strategic Growth Council (SGC). AHSC is funded on an ongoing basis by GGRF, with revenues derived from cap-and-invest (previously known as cap-and-trade) auction proceeds. The program is statutorily required to receive 20 percent of auction revenue, with at least half of AHSC funding for affordable housing. The purpose of AHSC is to fund projects that reduce greenhouse gases by supporting high-density, energy-efficient developments and encouraging transit and “active transportation” (such as cycling). The affordable housing component of AHSC provides a low-interest loan similar to HCD’s and CalHFA’s programs; the “sustainable communities” component consists primarily of a grant for transportation adjacent to the housing that is built (such as for bus shelters and bike-path upgrades). Currently, applicants submit a single application with a project proposal that must integrate housing with transportation. Each funded project can receive up to a \$35 million award for affordable housing and up to \$15 million for transportation (sustainable communities). AHSC is administered by SGC, which develops the guidelines for the program. HCD currently performs a number of programmatic functions for AHSC, including preparing the notice of funding availability, assisting SGC staff with the review and scoring of applications, and disbursing the award monies to recipients.

Panel

- Christian Mun, Deputy Secretary for Housing Finance, BCSH
- Megan Kirkeby, Chief Deputy, HCD
- Meagan Tokunaga Block, Assistant Program Budget Manager, DOF
- Blair Huxman, Finance Budget Analyst, DOF
- Paul Steenhausen, Principal Fiscal & Policy Analyst, LAO

LAO Comments

Approve Proposal, With Two Modifications. First, we recommend the Legislature direct the administration to retain an option for developers to submit a single application for an integrated housing-transportation project (rather than requiring them to split up their project into a proposal for HDFC and a separate proposal for SGC). Under this approach, a joint committee of HDFC and SGC staff could review and decide on integrated project proposals. Second, we recommend the Legislature require the administration to report back at the end of the 2026-27 award cycle on demand for (1) affordable housing and (2) sustainable communities—including the number of applications received for each type, funding requested, and qualified applications denied due to insufficient funding. The Legislature could use the data to help decide whether to modify the funding amounts provided for the two components.

Staff Comments

Currently, HCD handles the programmatic side of AHSC, so moving the program to the new HDFC is consistent with the current practice of the work done historically by HCD.

Staff notes that to streamline the AHSC program, it would be useful for Sub. 4 to explore whether it makes sense to move the remaining parts of the AHSC program out of SGC and align it with CalSTA to also streamline the transportation components.

The Subcommittee may wish to ask the following:

1. How will the program continue to prioritize climate goals when it is moved to AHSC?
2. The trailer bill language removes the requirement for 50 percent of the funds go to Disadvantaged Communities (DACs) can you explain the reasoning for that change?
3. When will HDFC begin working on the regulations for the implementation of the AHSC program? When does HDFC anticipate awarding the first round of AHSC dollars?

Staff Recommendation: Hold Open

2240 Department of Housing and Community Development**Issue 4: Codes and Standards Fee Adjustment Trailer Bill Language**

The Governor's budget includes trailer bill language to allow the Department of Housing and Community Development (HCD) to make administrative fee adjustments, consistent with California Consumer Price Index (CPI), starting July 1, 2026, and each year thereafter.

For fees established in regulations, the trailer bill proposal provides HCD the statutory authority to adjust fees by CPI, starting July 1, 2026, and each year thereafter, following a streamlined regulatory process from the Office of Administrative Law (OAL). Providing this authority will allow gradual fee increases to support the costs of HCD's Division of Codes and Standards (C&S) services while retaining existing statutory revenue guardrails.

Background

C&S relies predominantly on special funds. The revenue generated for these special funds is derived from statutory and regulatory fees charged to customers for services provided by C&S. Several statutory and regulatory fees have remained unchanged for many years. C&S has insufficient long-term funding to support its mandates and is seeking authority to increase statutory and regulatory fees to mitigate a funding deficit.

Without the statutory authority necessary to adjust fees based on CPI, C&S will face a fiscal deficit beginning in Fiscal Year 2027-28, requiring immediate cost-cutting measures such as leaving vacancies unfilled, reducing position authority, or reducing services. Such actions may result in C&S being unable to meet statutory mandates, such as inspecting five percent of mobilehome parks annually, intaking and responding to mobilehome park health and safety complaints, or the timely processing of registration and titling applications.

The trailer bill proposes the following:

1. Annual Adjustments: Starting July 1, 2026, HCD is authorized to adjust statutory and regulatory fees annually based on the California CPI.
2. Registration Fees: The Annual registration fee (currently \$23) and the \$5 Mobilehome Park Purchase Fund fee will be subject to annual inflation-based increases.
3. Permit to Operate: Mobilehome park "Permit to Operate" fees (the \$25 base fee and per lot fees) will also increase annually. These costs are often passed through to residents by park management.

4. Rulemaking Exemption: These annual CPI adjustments will be automatic and exempt from the standard public rulemaking and notice requirements typically required for fee changes.
5. Rounding Policy: All adjusted fees will be rounded up to the nearest whole dollar.

Regulatory Fees: Generally, the OAL regular rulemaking process takes HCD a minimum of 18 months, which does not align with annual CPI increases for regulatory fees. Providing authority to increase regulatory fees by CPI using a streamlined regulatory process from OAL will allow HCD to take timely action to enact annual CPI increases, which will be limited by existing statutory guardrails.

Statutory Fees: Statutory authority to allow HCD to administratively adjust statutory fees by CPI will provide consumers gradual fee increases that will stabilize program operations while retaining existing statutory guardrails.

Panel

- Matt Schueller, Chief Operating Officer, HCD
- Kyle Krause, Deputy Director, Codes and Standards, HCD
- Meagan Tokunaga Block, Assistant Program Budget Manager, DOF
- Blair Huxman, Finance Budget Analyst, DOF
- Paul Steenhausen, Principal Fiscal & Policy Analyst, LAO

Staff Comments

The Subcommittee may wish to ask the following:

1. What is the projected deficit in 2027-28? How and when will the increase in fees begin and end to address the deficit?
2. Can the new fees be passed from the mobile park owner to the resident?
3. For the Consumer Price Index, how will public input be received? If it takes 18 months to get through rulemaking, did HCD ever consider starting the process to change increase the fees under current law?
4. Can rounding up the cost to the next nearest dollar be changed? If the CPI says the costs is \$2.03, does the rounding up cost automatically make the cost \$3.00?

Staff Recommendation: Hold Open

Issue 5: HCD Connect System Support

The Governor's budget includes a request for 7.0 positions in 2026-27 and ongoing to implement and support the new information technology solution, HCD Connect, for monitoring and management of loan and grant programs.

Background

In 2022-23, the Legislature approved a BCP for resources for the HCD's Consolidated Housing Accountability Application Procurement Project (CHAAPP) that included 7.0 positions on a limited term basis. The HCD Connect system replaces Consolidated Automated Program Enterprise System (CAPES), Housing Elements Tracking System, Annual Progress Report, and third-party subscription tools such as eCivis and Civix for both HCD staff and public users, which includes local jurisdictions and the public.

HCD Connect system implementation involves implementation of the Salesforce Grant Management System that is built on Salesforce Public Sector Foundation. HCD manages state and federal funds in compliance with reporting requirements, and this system implementation involves eight new integrations that include interfaces with Housing and Urban Development (HUD) and the Financial Information System for California (FI\$Cal). HCD Connect intends to provide HCD with data collection, organization, and information management system to manage and report essential housing program funding information and awards, as well as track, monitor, and report housing loan and grant information. The system will be able to accommodate new programs and changes to existing programs as well as address legacy system deficiencies cited by the California State Auditor (CSA) and HUD.

CSA audit reports have stated that the implemented CAPES database did not have the necessary functionality to accurately monitor HCD's housing bond programs. The CSA recognizes that the challenges HCD faces to appropriately monitor its housing bond programs stem, in part, from inadequacies in its CAPES system. The CAPES system was implemented in 2007 and has a limited ability to generate reports. It requires users to perform extra steps to access information, and issues with the database design complicate HCD's ability to develop ad hoc reports to monitor its loans and grants, respond timely and accurately to stakeholder requests, and answer complex research questions.

In response to HUD monitoring, HUD withheld \$124 million of Community Development Block Grant - Disaster Recovery funding allocated to the state to address unmet long-term recovery needs arising from damage caused by the 2017 wildfires, flooding, mudflows, and debris flows.

This BCP will allow HCD to build in-house expertise on the enterprise data collection and management system over time and reduce dependency on a system integrator to provide continued support. These 7.0 positions currently support project implementation and are expected to be involved in the knowledge transfer and transition of all system support from contracted vendors that currently support system implementation phase to HCD internal support as part of system maintenance and operations (M&O). However, HCD requires permanent position authority to maintain the required staffing level necessary for the remainder of implementation and HCD Connect system M&O.

Panel

- Matt Schueller, Chief Operating Officer, HCD
- Meagan Tokunaga Block, Assistant Program Budget Manager, DOF
- Blair Huxman, Finance Budget Analyst, DOF
- Paul Steenhausen, Principal Fiscal & Policy Analyst, LAO

Staff Comments

In 2022-23, the Legislature approved the original BCP for the HCD Connect system with staffing on a limited term basis. This request builds on next step for HCD Connect by providing ongoing staffing resources to build in-house expertise on system.

The Subcommittee may wish to ask the following:

1. How will the HCD Connect interact with programs at the HDFC programs?

Staff Recommendation: Hold Open.

Issue 6: HCD Chaptered Legislation

The Governor's budget includes \$4.2 million General Fund and 16.0 positions in 2026-27 and ongoing, and \$470,000 one-time General Fund in 2026-27, for HCD to implement statutory requirements associated with seven bills chaptered in 2025.

Background

This proposal includes funding and positions for the following bills chaptered in 2025.

1. AB 1296 (Bonta, Chapter 508, Statutes of 2025) Local Educational Agencies. AB 1296 establishes a distinct new program that requires the Department of Housing and Community Development (HCD) to advise Local Educational Agencies (LEAs) statewide on developing workforce housing on surplus public land. AB 1296 aims to facilitate and accelerate workforce housing development on LEA-owned land by requiring HCD to advise LEAs on a range of predevelopment activities, including land use regulations, to develop housing on their land. The bill also requires HCD to provide guidance on state and federal funding sources that could be used to develop housing on LEA-owned land and feedback on contracts and agreements, such as ground leases with housing developers. Further, this bill requires HCD to publish a Notice of Interest (NOI) form on its website for LEAs to notify HCD of their interest in developing housing on their land.

HCD requests \$743,000 (General Fund) for 3 positions (2.0 HCD Specialist IIs and 1.0 Attorney IV), and a \$1 million consulting contract in 2026-27 and ongoing to implement and administer AB 1296.

2. AB 413 (Fong, Chapter 489, Statutes of 2025) Guidelines Translation. AB 413 expands HCD's statutory language access responsibilities by requiring HCD to review all adopted and amended guidelines which explain rights or services available to the public and to translate those guidelines into any non-English languages spoken by a "substantial number of non-English-speaking people," as defined in Government Code section 7296.2. While HCD currently provides bilingual staff and translated publications as required under the Dymally-Alatorre Bilingual Services Act of 1973, AB 413 establishes a new, department-wide mandate to proactively evaluate and translate public-facing guidance materials—including program guidelines, handbooks, and forms—across multiple divisions.

HCD requests \$300,000 General Fund one-time in 2026-27 for a translation contract to implement the requirements of AB 413, which mandates translation of all adopted guidelines that explain rights or services available to the public into any non-English languages spoken by a substantial number of non-English-speaking people.

3. AB 507 (Haney, Chapter 493, Statutes of 2025). Adaptive Reuse. HCD provides technical assistance (TA) and enforcement for certain housing laws through HCD's Housing Accountability Unit (HAU), part of HCD's Homelessness Accountability Results and Partnership. AB 507 creates a new, streamlined ministerial approval process to facilitate the conversion of existing non-residential buildings into housing if the projects meet specified criteria, including site eligibility, affordability, historical resource protection, labor, and other standards. The bill also allows local governments to establish adaptive reuse investment incentive programs to subsidize qualified adaptive reuse projects, which will be administered locally and not by HCD.

AB 507 increases the number of housing laws HCD is responsible for enforcing by granting HCD enforcement authority to help implement the bill's provision that provides the streamlined, ministerial approval process for proposed adaptive reuse projects.

HCD requests \$211,000 General Fund for 1.0 position in 2026-27 and ongoing to manage the workload resulting from AB 507.

4. AB 518 (Ward, Chapter 157, Statutes of 2025) Low Impact Camping Areas. The Special Occupancy Parks Act (SOPA) is the governing law for Special Occupancy Parks (SOP) and is found in Health and Safety Code section 18860. These laws are enforced by either HCD, or HCD-approved Local Enforcement Agencies (LEA) on behalf of HCD. The SOPA establishes requirements for the permits, fees, and responsibilities of park owners/operators, and requires HCD/LEAs to enforce both the HSC and regulations in title 25 of the California Code of Regulations, chapter 2.2 (title 25). AB 518 amends the existing definition of SOP and creates a new statutory use of properties referred to as low-impact camping areas.

Low-impact camping areas fall under the purview of counties that have enacted an applicable ordinance. When low-impact camping areas are authorized by local ordinance, the counties must notify HCD of their choice to authorize low-impact camping areas as specified in their authorizing ordinance. AB 518 impacts the SOPA and its regulations by creating a new type of business operation that does not have an annual permit to operate (PTO) requirement, or the same minimum health and safety standards that apply to SOPs such as recreational vehicle parks, incidental camping areas, or tent camps with two or more lots that are rented, leased, or held out for rent or lease. AB 518 may apply to new properties that meet the definition of low-impact camping areas in counties that authorize low-impact camping areas; and may create conflicting regulatory requirements for existing permitted SOPs that meet the definition of low-impact camping areas.

HCD requests \$780,000 General Fund for 4.0 positions in 2026-27 and ongoing, and \$70,000 one-time in 2026-27 for IT enhancements, to implement the requirements of AB 518. This BCP requests General Fund because AB 518 did not provide new fee authority to cover the cost of implementing AB 518.

5. AB 610 (Alvarez, Chapter 494, Statutes of 2025) Housing Element Disclosure. AB 610 discourages jurisdictions from adopting regulations that undermine the integrity of the local housing element by requiring a disclosure statement as part of the housing element update; this disclosure statement requires jurisdictions to identify specified types of new or revised regulations that may constrain the development of housing. These constraints may include policies such as fee or affordability requirements, new historic designations, or other development policies that could constrain a jurisdiction from meeting its share of the regional housing need.

HCD requests \$211,000 General Fund for 1.0 HCD Specialist I in 2026-27 and ongoing to implement AB 610. Beginning with the 7th Housing Element revision cycle, AB 610 requires each jurisdiction's housing element to include a governmental constraints disclosure statement that identifies identifying potential and actual policies and regulations for adoption during the housing element planning period that may constrain a jurisdiction from meeting its share of the regional housing need.

6. AB 670 (Quirk-Silva, Chapter 701, Statutes of 2025) and AB 726 (Avila-Farias, Chapter 704, Statutes of 2025) Housing Element Annual Progress Report. AB 670 and AB 726 establish new categories of data that all 539 California jurisdictions are required to report to HCD as part of their Housing Element Annual Progress Report (APR). AB 670 creates new requirements for detailed reporting on the demolition of housing units in each jurisdiction for each reporting year, while AB 726 adds requirements for annual reporting on the rehabilitation of deed-restricted affordable units for the purpose of counting qualifying units towards the jurisdiction's Regional Housing Needs Allocation (RHNA) progress.

HCD requests \$229,000 General Fund for 1.0 HCD Specialist II in 2026-27 and ongoing, and \$100,000 one-time in 2026-27 for an IT contract to collect, process, and report the new categories of data from jurisdictions annually in their Housing Element APRs required by AB 670 and AB 726.

7. SB 79 (Weiner, Chapter 512, Statutes of 2025) Planning and Zoning Transit-Oriented Development. SB 79 creates a new pathway for housing development; the bill requires a residential development within one-quarter or one-half mile of a transit stop served by rail or bus rapid transit to be an "allowed use" as a transit-oriented housing development if the site is zoned for residential, mixed, or commercial use and the development complies

with specified development standards and affordability requirements. The bill allows local governments to adopt two different types of implementation ordinances subject to specified conditions. Local governments may also count SB 79-eligible sites in their housing element sites inventories. The bill applies to eight counties statewide, which represents 197 jurisdictions.

SB 79 significantly expands HCD's work duties by expanding HCD's HAU enforcement authority. The bill requires HCD to oversee compliance with the bill's provisions. This oversight primarily includes providing TA to developers, local governments, and advocacy groups and reviewing local implementation ordinances and local alternative transit-oriented development (TOD) plans within specified timeframes. Additionally, by July 1, 2026, HCD is required to issue guidance for counting SB 79 development capacity in housing elements.

HCD requests \$1.1 million General Fund for 6.0 positions (1.0 HCD Specialist II, 2.0 HCD Representative IIs, and 1.0 Supervisor II in the Housing Accountability Unit; 1.0 Attorney III position in the Legal Affairs Division; and 1.0 administrative and operational support position in the Business and Contract Services Branch) in 2026-27 and ongoing to implement the statutory requirements of SB 79.

Panel

- Matt Schueller, Chief Operating Officer, HCD
- Meagan Tokunaga Block, Assistant Program Budget Manager, DOF
- Blair Huxman, Finance Budget Analyst, DOF
- Paul Steenhausen, Principal Fiscal & Policy Analyst, LAO

Staff Comments

Overall, the resources requested for the legislative requests are reasonable.

1. AB 1296. The resources requested are consistent with the fiscal analysis of the bill which estimated the total costs of \$2 million to \$3 million annually.
2. AB 413. The resources requested are consistent with the fiscal analysis of the bill which estimated the total costs of \$200,000 to \$300,000 one-time.
3. AB 507. The fiscal analysis states that there would be minor and absorbable costs for HCD. The Subcommittee may wish to ask why HCD these costs are not absorbable.
4. AB 518. The resources requested are consistent with the fiscal analysis of the bill which estimated \$70,000 in one-time contracting and about \$784,000 for 4.0 positions.
5. AB 610. The resources requested are consistent with the fiscal analysis of the bill, which estimated the ongoing costs of approximately \$211,000 annually.

6. AB 670 and AB 726. The resources requested are consistent with the fiscal analysis of the bills which estimated a cost of \$211,000 for 1 position for AB 670, and adsorbable costs along with first year costs to update forms and IT systems.
7. SB 79. The resources requested are consistent with the fiscal analysis which estimated at least \$955,000 annually depending on the number of jurisdictions that utilize the bill's provisions. This estimate also anticipated staff costs.

The Subcommittee may wish to ask the following:

1. Can HCD clarify the number of staff who work for the Housing Accountability Unit (HAU), the background for AB 507 and SB 79 had slightly different descriptions. Additionally, if both AB 507 and SB 79 are implemented, how many total staff will be at the HAU.
2. Can HCD provide a cost estimate for the implementation of AB 1053 (2024).

Staff Recommendation: Hold Open.

2255 California Interagency Council on Homelessness**Issue 7: LGBTQ+ Inclusive and Culturally Competent Services (AB 678)**

The Governor's budget includes \$339,000 one-time General Fund in 2026-27 to implement the provisions of Chapter 495, Statutes of 2025 (AB 678).

Background

AB 678 would require the California Interagency Council on Homelessness to coordinate with representatives from LGBTQ+ communities to identify recommended policies and best practices for providing inclusive and culturally competent services to individuals experiencing homelessness who identify as LGBTQ+. The bill further directs Cal ICH to develop and submit recommendations to the Legislature by July 1, 2027, addressing the following:

- Education, training, and resource strategies to improve culturally competent services for LGBTQ+ individuals.
- Data collection improvements to better understand the needs and experiences of LGBTQ+ individuals in state homelessness programs; and
- Policy recommendations to prevent discrimination, harassment, and violence against LGBTQ+ individuals experiencing homelessness.

Cal ICH will implement AB 678 through a competitively procured, one-time statewide contract with a qualified vendor or vendor team possessing expertise in LGBTQ+ equity, trauma-informed engagement, culturally competent service design, research and evaluation, and systems policy. This contract will be managed internally by Cal ICH, with oversight from the Executive Office and supported by Cal ICH's Data and Research, Equity, and Policy divisions. No new state staff will be hired. FY 2025-26: Contract design and procurement published FY 2026-27: Contract execution and launch July 1, 2027: Finalization and submission of report to the Legislature

Panel

- Meghan Marshall, Executive Officer, California Interagency Council on Homelessness
- Meagan Tokunaga Block, Assistant Program Budget Manager, DOF
- Isabel Fairclough, Finance Budget Analyst, DOF
- Paul Steenhausen, Principal Fiscal & Policy Analyst, LAO

Staff Comments

The resources requested were inconsistent with the fiscal analysis, however, the resources included in the BCP are consistent with what a contract would cost to implement the bill. Staff has no concerns with the request.

Staff Recommendation: Hold Open.

This agenda and other publications are available on the Assembly Budget Committee's website at: [Sub 5 Hearing Agendas | California State Assembly](#). You may contact the Committee at (916) 319-2099. This agenda was prepared by Genevieve Morelos.