

Governor's 2025 Reorganization: Looking Forward





Business and Consumer Services Agency



Alcoholic Beverage Control Appeals Board



Cannabis Control Appeals Panel



California Horse Racing Board



Department of Cannabis Control



Department of Consumer Affairs



Department of Financial Protection and Innovation



Department of Real Estate



California Interagency Council on Homelessness



California Housing Finance Agency



Housing Development and Finance Committee



Civil Rights Department



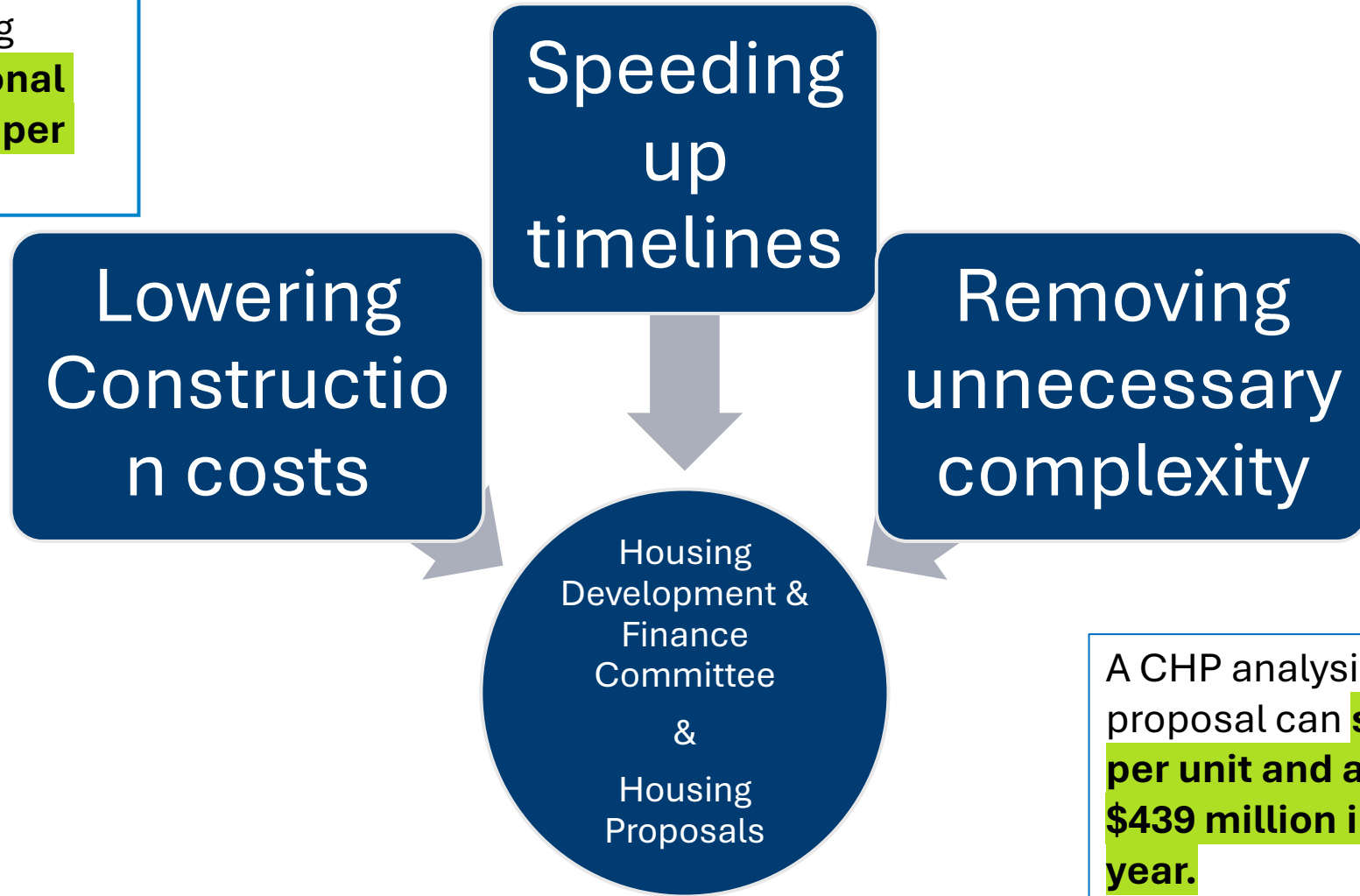
Department of Housing and Community Development



Implementation Review:

- Implementation workgroups created & working
- Fiscal and Administrative Infrastructure
- Operational plans for smooth transition
- Robust engagement with stakeholders
- Active recruitment & Onboarding
- HDFC:
 - Draft guidelines
 - Draft Charter

Every additional funding source **adds an additional \$20,000 and 4 months per unit.**



A CHP analysis estimates this proposal can **save \$40,000 per unit and approximately \$439 million in savings per year.**



Alignment with CHHA & AB 519 Feedback

GOALS & TRACKING

- Speed of execution
- Reducing costs
- Predictability and accountability
- Equitable allocation of resources
- Income targeting or other public benefits
- Ongoing engagement with partners
- Cross-training and capacity building

UNDERWRITING & CLOSING

- Clarify roles and authority
- Streamline closing process
- Standardize documents
- Increase transparency

PORTFOLIO MANAGEMENT & COMPLIANCE

- Focus HCD Activity on repositioning and preservation
- Reform the negative points policy
- Amend policies affecting sponsor distributions and sponsor loans to allow for reimbursement
- Consider a portfolio wide approach in which cash flow from one project could be used to assist other projects

NEW FINANCING TOOLS

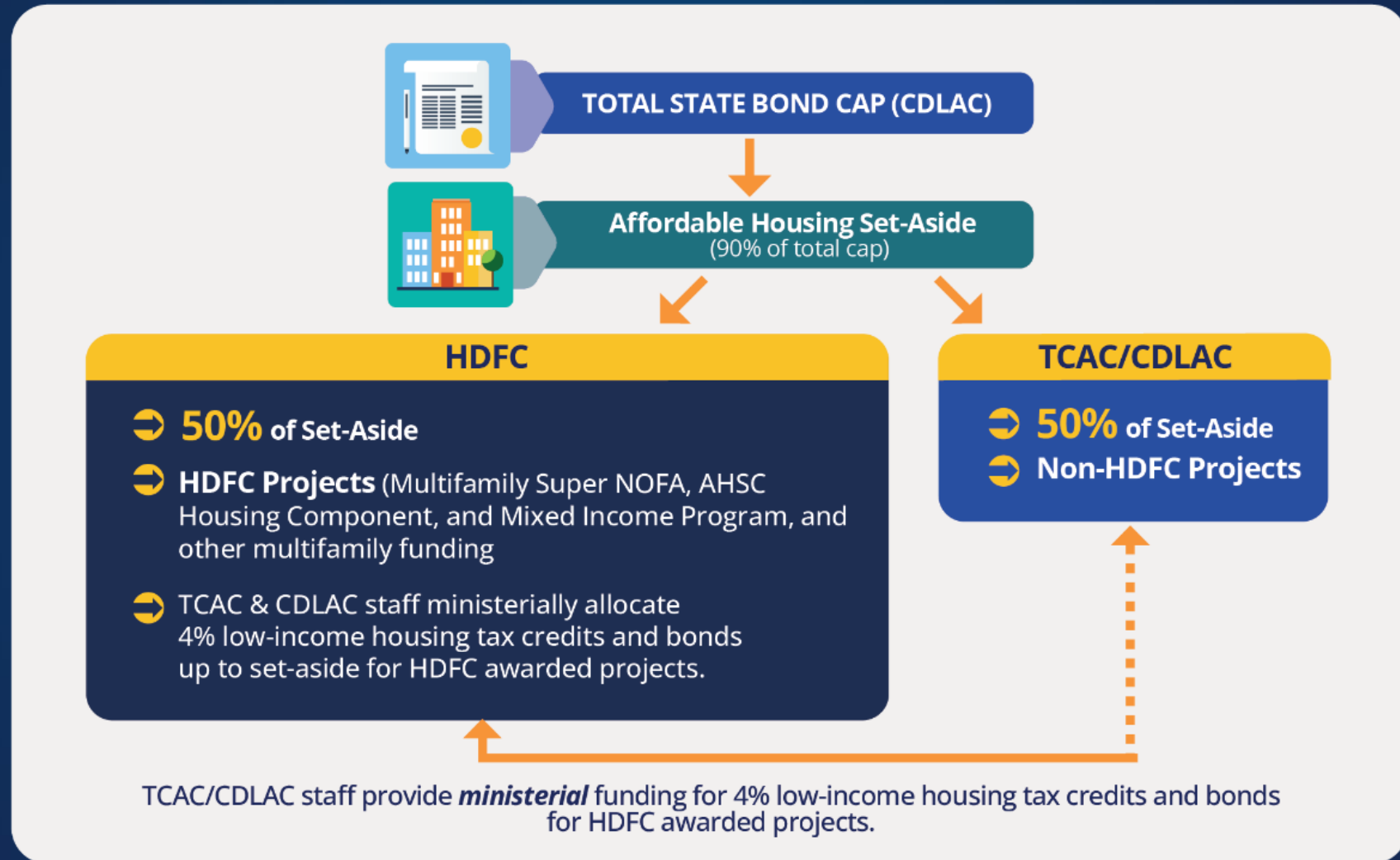
- State provided construction financing
- Funding for ownership housing
- Refinancing products for permanent supportive housing
- A revolving loan fund product
- Capital to support acquisitions
- Allowing for use of portfolio equity



Streamlining California's Housing Finance Process

Housing Development and Finance Committee

Governor's budget proposal



So why now?

Two big changes last year:

1. Creating the **Housing Development and Finance Committee**
2. **Increased bond capacity** from a federal change to the private activity bonds (PABs) financed-by test, dropping the previous 50% requirement to 25%.

We know **Time is M[Ⓢ]oney** for Affordable Housing Projects

Housing projects need a variety of funding sources, each with different timelines and application requirements. This adds years to a project's timeline, with unsuccessful applications adding even more time. The uncertainty and delays ultimately increase the cost of building housing.

California's housing finance system today: Projects seeking state funding

Before requesting state funding, developers must first secure non-state funding (e.g., local support, private investments, etc.).

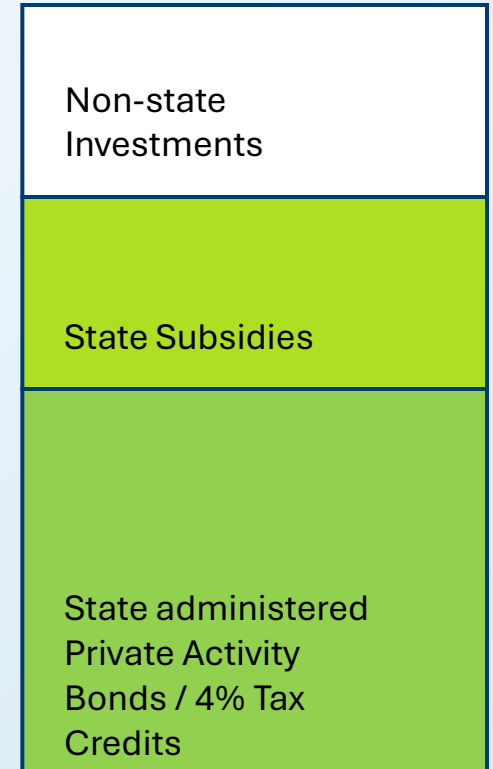
State Subsidies

- › **HCD** administers the Multifamily SuperNOFA (MFSN) application, which includes MHP, Serna, IIG and VHHP.
- › **CalHFA** administers the Mixed-Income Program (MIP) application.
- › **SCG** administers the Affordable Housing and Sustainable Communities (AHSC) application.

State-administered Private Activity Bonds / Tax Credits

- › **CDLAC** administers private activity bonds and **TCAC** administers 4% tax credits. Because projects must begin construction within 180 days, this application is typically the final step.

Affordable Housing Project Capital Stack* Example

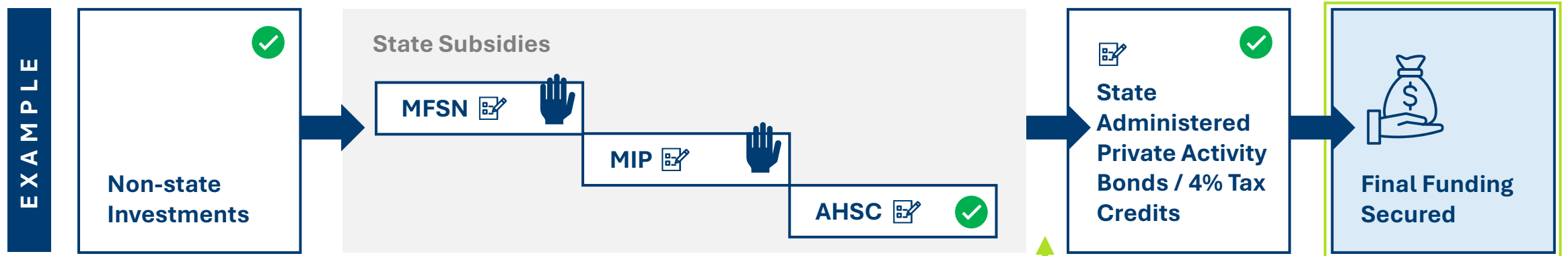


*A capital stack is the combination of funding sources necessary to build a housing project.

CURRENT: Multiple Application Process

How do multiple applications and processes lead to longer timelines?

- Multiple applications from different departments with **misaligned due dates** extend the financing timeline.
- If a project is not awarded, developers must **reapply or choose a different state subsidy**, delaying progress, increasing uncertainty, and adding cost.

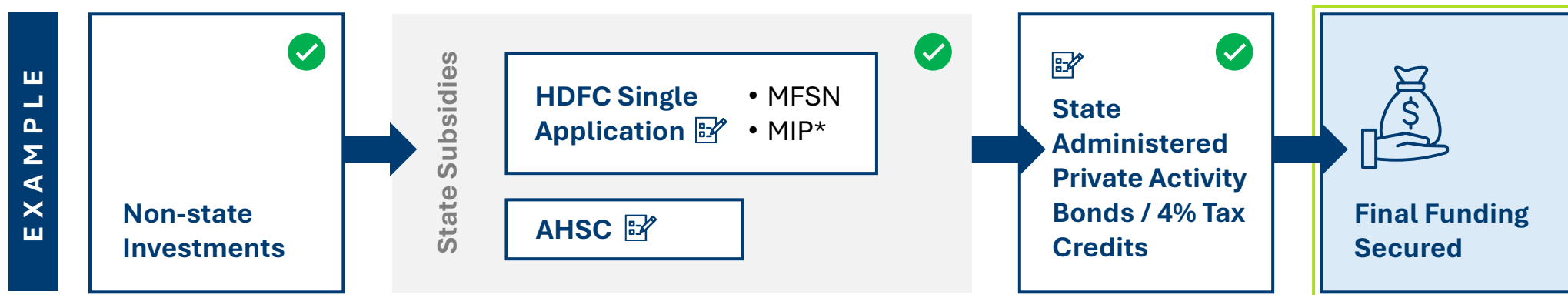


44 pipeline projects are here, even after applying!

CURRENT:

What's already being done?

The creation of the Housing Development and Finance Committee (HDFC) begins this streamlining process by putting MFSN and MIP under a single application.

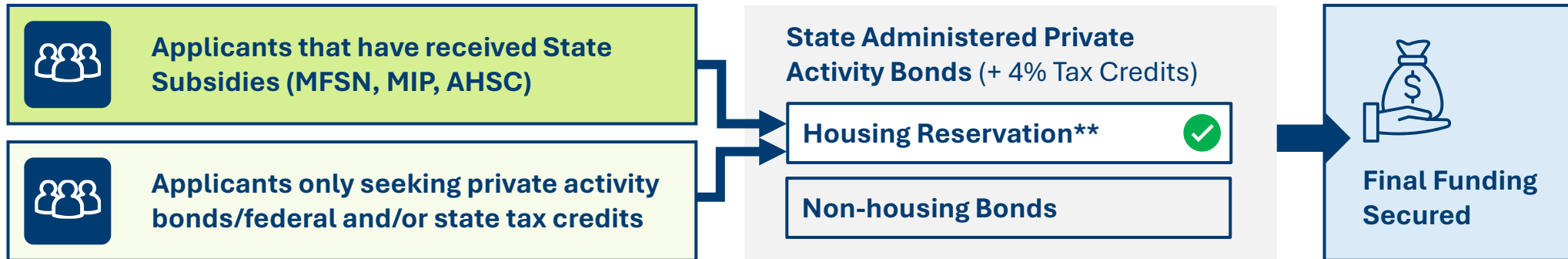


* CDLAC has prioritized MIP projects, so they also receive private activity bonds and 4% tax credits.

CURRENT:

Tax-Exempt Private Activity Bond Reservations

- Applicants using state subsidy, who often build more deeply affordable units, need extra state support in the form of highly competitive private activity bonds (and 4% credits).
- These applicants must compete with projects that are not using state subsidy.



* Applicants who receive private activity bonds from CDLAC, will be paired with 4% tax credits from TCAC.

** In the past five years, the housing reservation has ranged between 86% and 93%. This percentage is determined each January.

State Subsidy **ONLY** investments

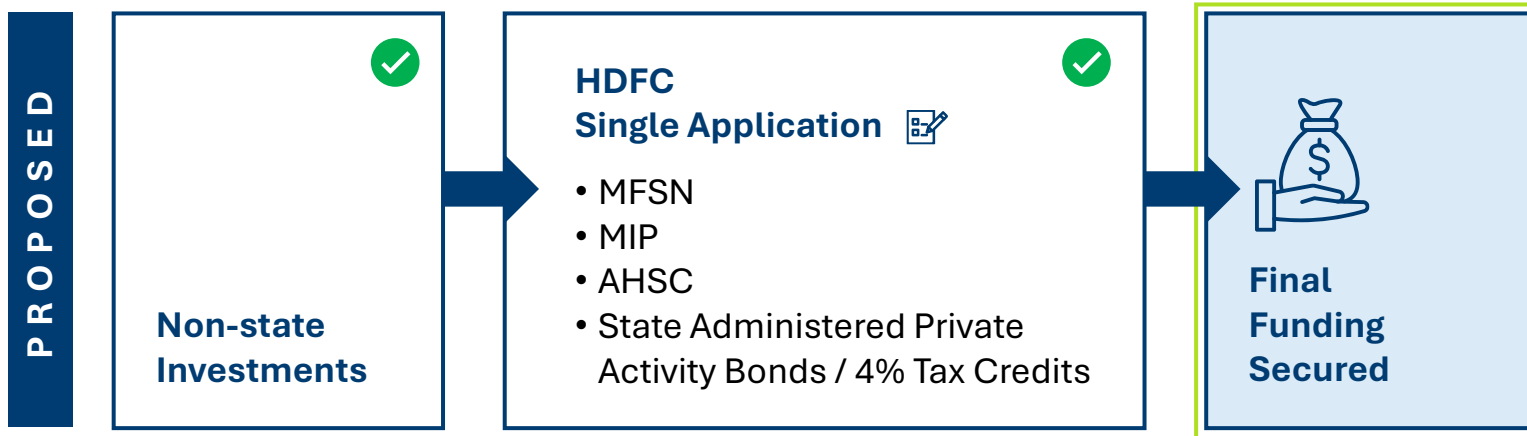
Between 2021-2026, HCD has invested **\$3.7 billion** to rescue 111 stranded projects or 7,849 units.

- **63 projects** previously applied for 4% tax credits and bonds or 9% tax credits between **1-6 times** per project.

PROPOSED:

Single Application Process

The HDFC single application process would allow an applicant to apply for several sources of state funding in a single application.



Benefits:

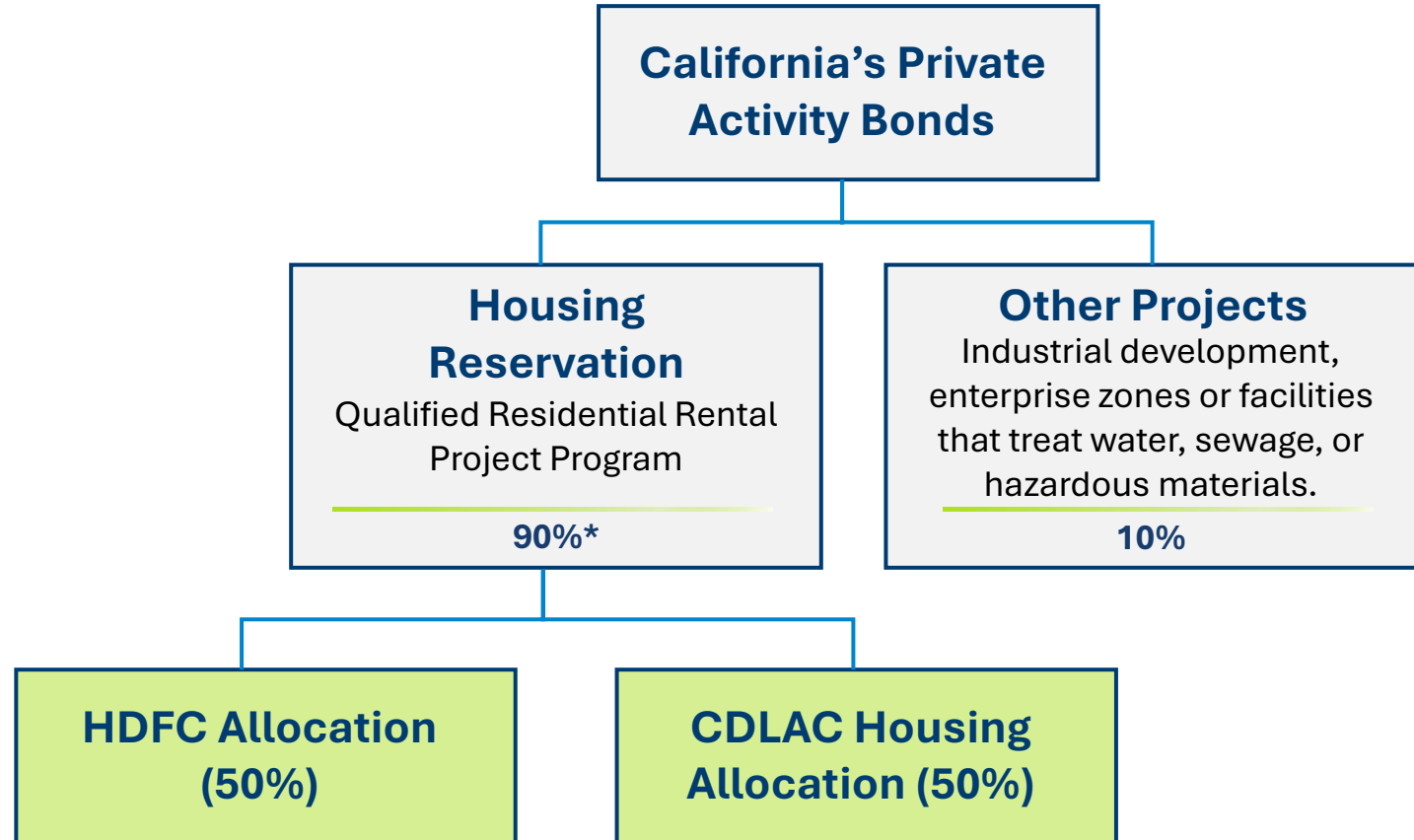
- Removes the uncertainty of multiple processes
- Shortens the time between application and award
- Ensure state investments are being used quickly

PROPOSED:

Tax-Exempt Private Activity Bond Reservations

Under the proposal, CDLAC would reserve $\geq 50\%$ of the housing reservation for HDFC projects

Note: In January, CDLAC may determine if the Housing Reservation should be altered. They may also decide if the HDFC allocation should be more than 50%.



CURRENT
PROPOSED



Transfer of Multi-family Affordable Housing Program Resources & AHSC Modernization

CURRENT:

Affordable Housing Sustainable Communities (AHSC) Program

The Strategic Growth Council (SGC) administers the AHSC program, in partnership with HCD & the California Air Resources Board. All projects must demonstrate how it will help California reach its climate goals.

The program is incredible competitive, with projects being required to meet multiple objectives simultaneously.

AHSC is currently another step in the state's housing finance process.

CRITERIA

One project must meet many criteria to be considered competitive:

- Greenhouse Gas Reductions
- Affordable Housing
- Transit Improvements
- Sustainable Infrastructure

PROPOSED:

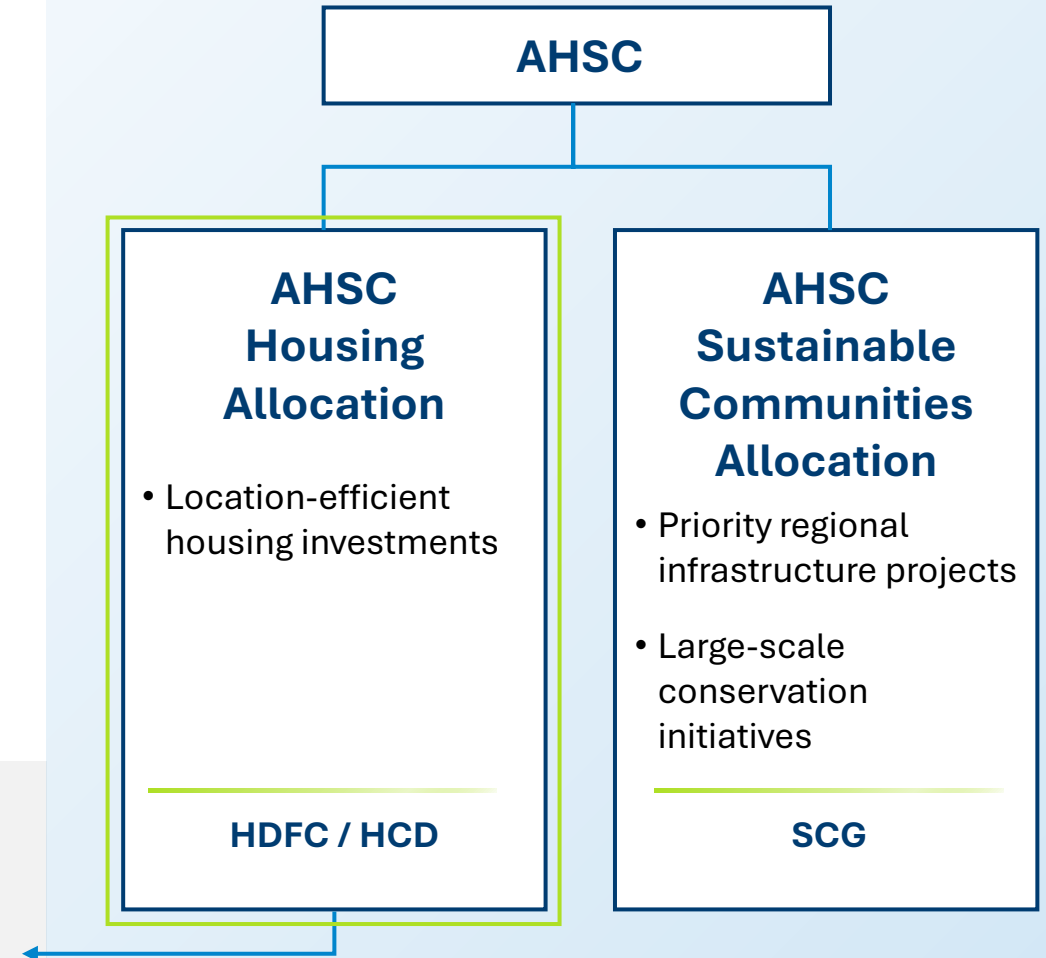
AHSC Housing Allocation

Under the proposal, the AHSC program would be split into two separate allocations:

- Housing (70%)
- Sustainable communities (30%)

This program modernization would allow a more specialized and scalable approach towards reaching our climate goals.

- All projects must demonstrate GHG reductions.
- AHSC Housing Allocation fits into the single HDFC application, reducing time and cost.



Questions?