

MARCH 8, 2022

# Housing and Community Development Department Spending Overview

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PRESENTED TO:

Assembly Budget Subcommittee No. 4  
On State Administration  
Hon. Wendy Carrillo, Chair



LEGISLATIVE ANALYST'S OFFICE

# The Housing and Community Development Department

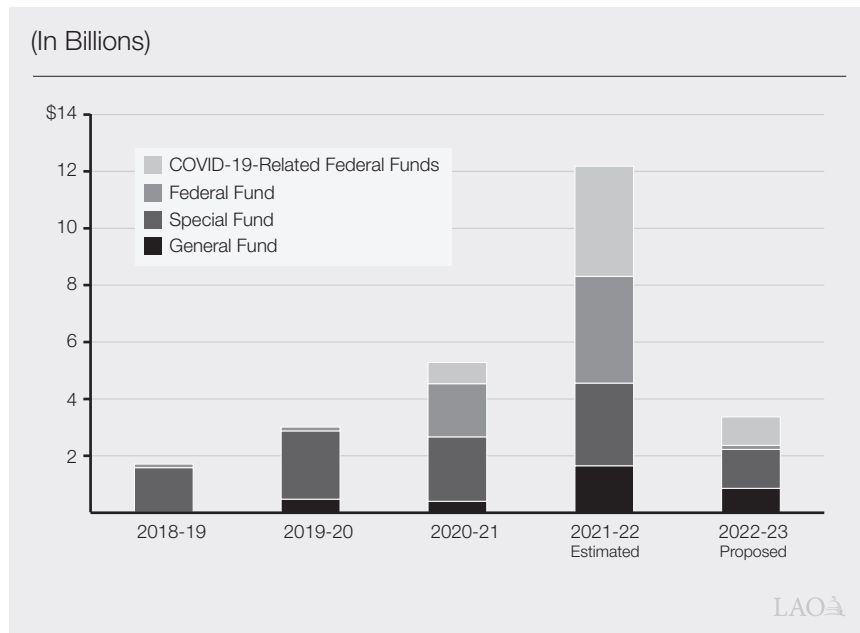
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***Housing and Community Development Department (HCD).*** HCD's mission is to promote safe, affordable homes and strong vibrant communities throughout California by (1) administering housing finance, economic development, and community development programs; (2) developing housing policy and advocating for an adequate housing supply; and (3) developing building codes and regulating manufactured homes and mobilehome parks. HCD also provides technical and financial assistance to local entities to support community development.

***California Housing Finance Agency (CalHFA).*** CalHFA's mission is to create and finance housing solutions so more Californians have homes. The Multifamily Division finances affordable rental housing through public and private partnerships, while its Single Family Division finances first mortgage loans and down payment assistance loans to first-time homebuyers through a network of preferred lenders. While CalHFA is a statutorily independent agency, the administration displays its budget within HCD's budget.



## Recent HCD Budget Trends



### Key Takeaways.

- Historically, programs administered by HCD have been funded through special funds, largely consisting of bond proceeds and some fee revenue, as well as federal funding.
- As the state has taken a larger role in addressing the state's housing needs, General Fund spending within HCD has increased.
- HCD also has received large infusions of federal funding related to the COVID-19 pandemic. The state used this funding for a variety of programs including Homekey, which we discuss below.

**2022-23 Budget Overview.** The Governor's budget proposes \$3.4 billion and 1,328 positions to support HCD in the budget year. This is an increase of roughly 40 positions but a decrease of nearly \$9 billion from 2021-22, mostly due to significant one-time funding provided in the 2021-22 budget.



# Major Recent Housing and Homelessness Spending Actions

The figure below generally captures the major discretionary spending actions within HCD and CalHFA in recent years. The figure does not include baseline sources of funding, such as authorized bond proceeds and routine federal funding.

(In Millions)

Program	2019-20	2020-21	2021-22	2022-23 <sup>a</sup>	Program Total
<b>Housing and Community Development</b>					
Homekey Program	—	\$800	\$1,450	\$1,300	\$3,550
Affordable Housing Backlog (Housing Accelerator)	—	—	1,750	—	1,750
Local Planning Grants	\$250	—	600	—	850
Infill Infrastructure Grant (IIG) Program <sup>b</sup>	300	—	250	—	550
Foreclosure Prevention and Preservation	—	—	500	—	500
Affordable Housing Preservation	—	—	300	—	300
Farmworker Housing (Joe Serna Jr. Farmworker Housing Grant Program)	—	—	50	—	50
Golden State Acquisition Fund	—	—	50	—	50
Scaling Excess State Lands Development	—	—	45	—	45
Migrant Farmworker Housing Deferred Maintenance	—	—	30	—	30
Transitional Housing Program	—	—	13	17	30
Foster Youth Housing Navigators	—	—	5	5	10
<b>Totals</b>	<b>\$550</b>	<b>\$800</b>	<b>\$5,043</b>	<b>\$1,322</b>	<b>\$7,715</b>
<b>California Housing Finance Agency</b>					
Homebuyer Assistance	—	—	\$100	—	\$100
Accessory Dwelling Unit Financing	—	—	81	—	81
Mixed-Income Program (MIP) <sup>c</sup>	\$200	\$50	45	—	295
<b>Totals</b>	<b>\$200</b>	<b>\$50</b>	<b>\$226</b>	<b>—</b>	<b>\$476</b>
<b>Grand Total</b>	<b>\$750</b>	<b>\$850</b>	<b>\$5,269</b>	<b>\$1,322</b>	<b>\$8,191</b>

<sup>a</sup> The 2021-22 budget authorized some spending actions in 2022-23. The Governor's 2022-23 budget proposes additional augmentations in the budget year.

<sup>b</sup> Bond proceeds from Proposition 1C (2006) and Proposition 1 (2018) have also supported the IIG Program.

<sup>c</sup> Revenue from Chapter 91 of 2017 (SB 2, Atkins) also supports MIP. Additionally, the \$500 million provided in 2019-20 includes a \$19 million set aside to support Accessory Dwelling Unit development.

These housing programs support many aspects of what it takes to get a unit of housing built. Some programs are focused on preparing land to be suitable for housing development, while others are focused on directly funding the purchase or construction of a unit of housing. Because the types of housing interventions can be so different and various other factors, the per unit costs of these programs vary widely.



# Homekey Program

The Homekey Program provides for the acquisition of hotels, motels, residential care facilities, and other housing that can be converted and rehabilitated to provide permanent housing for persons experiencing homelessness or at risk of homelessness, and who are inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases.

(Dollars in Millions)

Fiscal Year	Total Budget Allocation	Amount Awarded	Remaining Funding	Number of Applications Received	Requested Funding	Projects Awarded	Units Created
2020-21	\$800	\$800	—	147	\$1,097	94 <sup>a</sup>	5,879 <sup>b</sup>
2021-22	1,450	470 <sup>c</sup>	\$980	117	2,163	23 <sup>d,e</sup>	N/A <sup>f</sup>
2022-23 <sup>g</sup>	1,300	—	1,300	N/A	N/A	N/A	N/A

<sup>a</sup> Two projects serve youth experiencing homelessness.

<sup>b</sup> These units currently have a 77 percent occupancy rate.

<sup>c</sup> Current Notice of Funding Availability is accepting applications through May 2, 2022 or until funds have been fully awarded

<sup>d</sup> Based on a partial release of available funding.

<sup>e</sup> Four projects serve youth experiencing homelessness.

<sup>f</sup> Awards are required to be expended within eight months. As awards began in December 2021, none of the awardees are in the occupancy stage yet.

<sup>g</sup> Next funding release expected in October 2022.

N/A = not available.



# Homekey Program

(Continued)

## Distribution of 2020-21 Funds (Round 1)

Region	Projects Awarded	Percent of Awarded Funds	Total Units Anticipated	Interim Units	Permanent Units	Interim to Permanent Units
Bay Area	20	34%	1,604	388	720	496
Central Coast	3	3	217	—	116	101
Los Angeles County	28	34	1,823	191	329	1303
Sacramento Area	10	5	324	119	205	—
San Diego County	2	5	336	—	336	—
San Joaquin Valley	10	8	798	353	338	107
Southern California	12	8	548	39	212	297
Balance of state	9	3	229	42	28	159
<b>Totals</b>	<b>94</b>	<b>—</b>	<b>5,879</b>	<b>1,132</b>	<b>2,284</b>	<b>2,463</b>

## Partial Distribution of 2021-22 Funds (Round 2)

Region	Projects Awarded <sup>a</sup>	Percent of Awarded Funds	Total Units Anticipated	Interim Units	Permanent Units	Interim to Permanent Units
Bay Area	9	46%	736	322	307	107
Central Coast	3	8	123	22	43	58
Los Angeles County	3	15	239	—	239	—
Sacramento Area	2	11	208	—	198	10
San Diego County	0	—	—	—	—	—
San Joaquin Valley	3	10	196	138	58	—
Southern California	3	10	184	122	—	62
Balance of state	0	—	—	—	—	—
<b>Totals</b>	<b>23</b>	<b>—</b>	<b>1,686</b>	<b>604</b>	<b>845</b>	<b>237</b>

Note: The figures on this table reflect a partial distribution of funding as of February 22, 2022.



# Housing Accelerator

The Housing Accelerator Program fills in funding gaps in shovel-ready projects that have received funding under other HCD programs and have been unable to access low-income housing tax credits. The intent of the program is to reduce the backlog of projects “stuck” in the funding pipeline to accelerate the development of housing for those most in need.

(Dollars in Millions)

Fiscal Year <sup>a</sup>	Total Budget Allocation	Awarded Funding	Remaining Funding	Projects Awarded	Units Anticipated
2021-22	\$1,750	\$922	\$828	27 <sup>b,c</sup>	2,257 <sup>d</sup>

<sup>a</sup> This is a new, one-time program authorized in the 2021-22 budget.

<sup>b</sup> Based on a partial release of available funding.

<sup>c</sup> Three of these projects were part of the farmworker project set-aside.

<sup>d</sup> In all, the Housing Accelerator Program is anticipated to create 2,315 total units. However, 58 of these units are not restricted as affordable units. Sometimes there are market rate or higher-income units associated with state supported projects, though state resources only subsidize the restricted units. Construction is expected to commence for some projects in August 2022.

## Partial Distribution of Funding

Region	Projects Awarded	Percent of Awarded Funds	Units Anticipated
Bay Area	13	59%	1,147
Coastal <sup>a</sup>	5	10	350
Inland <sup>a</sup>	2	2	127
Los Angeles	1	4	126
Northern <sup>a</sup>	5	20	427
Balance of state	1	4	80
<b>Totals</b>	<b>27</b>	<b>—</b>	<b>2,257</b>

<sup>a</sup> Includes one project focused on farmworker housing.

Note: The figures on this table reflect a partial distribution of funding.



## Infill Infrastructure Grant (IIG) Program

The IIG Program provides funding for infrastructure improvements, including the development or rehabilitation of parks or open space; water, sewer, or other utility service improvements; streets; roads; sidewalks; and environmental remediation to reduce the cost of developing infill housing.

(Dollars in Millions)

Fund Source	Total Budget Allocation	Awarded Amount	Remaining Funding	Next Funding Release	Number of Applications Received	Funding Requested	Projects Awarded	Units Supported
Proposition 1C (2006)	\$850	\$768	—	N/A	352	\$1,936	179	23,617
Proposition 1 (2018)	300	158	\$140	3/2022	98	440	34 <sup>a</sup>	4,286
<b>General Fund (2019-20)</b>								
Large jurisdictions	\$210	\$195	—	N/A	60	\$307	40	3,965
Small jurisdictions	90	84	—	N/A	23	90	21	3,155
<b>General Fund (2021-22)</b>								
Large jurisdictions	\$160	—	\$160	4/2022	N/A	N/A	N/A	N/A
Small jurisdictions	90	—	90	4/2022	N/A	N/A	N/A	N/A

<sup>a</sup> Based on a partial release of available funding.

N/A = not available.





# Infill Infrastructure Grant (IIG) Program

(Continued)

## Distribution of Bond Funds

Region	Proposition 1C (2006)			Proposition 1 (2018) <sup>a</sup>		
	Projects Awarded	Percent of Awarded Funds	Units Supported	Projects Awarded	Percent of Awarded Funds	Units Supported
Bay Area	60	35%	7,872	3	25%	735
Central Coast	3	<1	162	1	13	543
Los Angeles County	57	32	7,655	16	37	1,806
Sacramento Area	16	14	3,642	1	2	68
San Diego County	16	9	1,865	3	9	292
San Joaquin Valley	12	6	1,620	7	8	520
Southern California	7	2	358	1	3	108
Balance of state	8	2	443	2	4	214
<b>Totals</b>	<b>179</b>	<b>—</b>	<b>23,617</b>	<b>34</b>	<b>—</b>	<b>4,286</b>

<sup>a</sup> The figures related to Proposition 1 reflect a partial distribution of bond proceeds.

## Distribution of 2019-20 General Fund

Region	Large Jurisdictions			Small Jurisdictions		
	Projects Awarded	Percent of Awarded Funds	Units Supported	Projects Awarded	Percent of Awarded Funds	Units Supported
Bay Area	15	53%	1,274	2	13%	163
Central Coast	—	—	—	—	—	—
Los Angeles County	20	39	2,162	—	—	—
Sacramento Area	—	—	—	4	7	320
San Diego County	1	3	273	—	—	—
San Joaquin Valley	2	2	101	1	1	48
Southern California	2	3	155	6	12	380
Balance of state	—	—	—	8	67	2,244
<b>Totals</b>	<b>40</b>	<b>—</b>	<b>3,965</b>	<b>21</b>	<b>—</b>	<b>3,155</b>



# Joe Serna Jr. Farmworker Housing Grant Program

The Joe Serna, Jr. Farmworker Housing Grant Program finances the new construction, rehabilitation, and acquisition of owner-occupied and rental units for farm workers, with a priority for lower-income, farmworker households.

	Total Budget Allocation	Awarded Funding <sup>a</sup>	Number of Applications Received	Requested Funding	Projects Awarded	Units Anticipated
2019-20 (Proposition 1 and SB 2)	\$74	\$95	20	\$99	21	685
2020-21 (Proposition 1 and SB 2)	86	83	40	239	16	611
2021-22 (SB 1 and General Fund)	103	86 <sup>a</sup>			14	565

<sup>a</sup> In some years, awards and fiscal years do not align.

<sup>b</sup> The tribal set-aside was not awarded as there were no applications submitted. Remaining funds will roll over into next Notice for Funding Availability in March 2022.

## Distribution of Funds

Region	Projects Awarded	Percent of Awarded Funds	Units Anticipated
Bay Area	9	15%	258
Central Coast	9	22	382
Los Angeles County	1	4	96
Sacramento Area	—	—	—
San Diego County	—	—	—
San Joaquin Valley	16	28	606
Southern California	13	24	433
Balance of state	3	7	111
<b>Totals</b>	<b>51</b>	<b>—</b>	<b>1,886</b>



## Mixed-Income Program (MIP)

MIP provides long-term financing for new construction of affordable multifamily developments that provide housing for Californians earning between 30 percent and 120 percent of the Area Median Income.

Fiscal Year	SB2 Revenue <sup>a</sup>	General Fund	Total Funding	Awarded Amount	Remaining Funding <sup>b</sup>	Number of Applications Received	Projects Awarded	Units Supported
2018-19	\$16	—	\$16	\$15	—	13	7	1,296
2019-20	61	\$139	200	197	—	23	16	2,453
2020-21	88	33	121	78	\$38	41	12	1,803
2021-22	45	45	90	—	87	30	TBD	TBD

<sup>a</sup> Chapter 91 of 2017 (Senate Bill 2, Atkins) established an annual appropriation for the Mixed-Income Program.

<sup>b</sup> The next Notice of Funding Availability is expected in spring 2022.

## Distribution of Funds

Region	Projects Awarded	Percent of Awarded Funds	Units Anticipated
Bay Area	21	78%	3,249
Central Coast	1	2	142
Los Angeles County	2	4	595
Sacramento Area	4	3	591
San Diego County	4	7	456
San Joaquin Valley	1	1	180
Southern California	1	5	271
Balance of state	1	<1	68
<b>Totals</b>	<b>35</b>	<b>—</b>	<b>5,552</b>



# Affordable Housing and Sustainable Communities Program (AHSC)

The AHSC Program is administered by the Strategic Growth Council and is implemented by HCD. It funds land-use, housing, transportation, and land preservation projects to support infill and dense development that reduces greenhouse gas emissions.

(Dollars in Millions)

Fiscal Year	Total Revenue	Amount Awarded <sup>a</sup>	Remaining Funding	Number of Applications Received	Requested Funding	Projects Awarded	Units Anticipated
2001-15	—	\$116	\$6	57	\$159	27	1,785
2014-15	—	27	5	5	27	5	420
2015-16	\$366	284	6	71	659	25	2,089
2016-17	178	254	7	54	685	20	2,290
2017-18	563	—	N/A	N/A	N/A	N/A	N/A
2018-19	619	402	-5	47	680	25	2,131
2019-20	397	543	7	84	1,070	26	2,384
2020-21	499 <sup>b</sup>	N/A	N/A	N/A	N/A	N/A	N/A
2021-22	686	808	N/A	54	1,168	37	3,997

<sup>a</sup> Auction proceeds do not necessarily match annual award amounts.

<sup>b</sup> Awards reflect a combination of 2020-21 and 2021-22 revenue.

N/A = not available.

## Distribution of Funds

Region	Projects Awarded	Percent of Awarded Funds	Units Anticipated
Bay Area	54	36%	5,107
Central Coast	2	2	166
Los Angeles County	46	27	4,535
Sacramento Area	7	5	698
San Diego County	7	4	1,299
San Joaquin Valley	27	14	1,873
Southern California	13	8	1,211
Balance of state	8	4	425
<b>Totals</b>	<b>164</b>	<b>—</b>	<b>15,314</b>



# The Governor’s 2022-23 Budget and Years Ahead

**Summary of Major 2022-23 Housing Proposals.** The Governor’s 2022-23 budget proposes \$2 billion General Fund one time for several major housing proposals, largely reflecting expansions of existing programs.

(In Millions)

Proposal	2022-23	2023-24	Fund Source	State Administrator
<b>Housing Development</b>				
Infill Infrastructure Grant Program	\$225	\$275	General Fund	HCD
Affordable Housing and Sustainable Communities Program	75	225	General Fund	HCD
State Excess Sites	25	75	General Fund	HCD
Adaptive Reuse	50	50	General Fund	HCD
<b>Affordable Housing</b>				
State Low-Income Tax Credits	\$500	—	General Fund	CTCAC
Mixed-Income Program	50	\$150	General Fund	CalHFA
Portfolio Reinvestment Program	50	150	General Fund	HCD
Mobilehome Park Rehabilitation and Resident Ownership Program	25	75	General Fund	HCD

HCD = Housing and Community Development; CTCAC = California Tax Credit Allocation Committee; and CalHFA = California Housing and Finance Agency.

**Statewide Housing Plan.** Recently, HCD released a new [Statewide Housing Plan](#), a statutorily required report updated every four years to outline housing challenges and strategies to address them over the next 10 years. The updated plan sets a path forward to meet the state’s goal of adding at least 2.5 million homes over roughly eight years, with no less than 1 million of those homes targeted for lower-income households. This represents the cumulative number of homes that cities and counties across California must zone for through 2030 by law and is more than double the housing planned for in the last eight-year housing needs cycle.

