

MARCH 8, 2022

Housing and Community Development Department Spending Overview

PRESENTED TO:

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



LEGISLATIVE ANALYST'S OFFICE

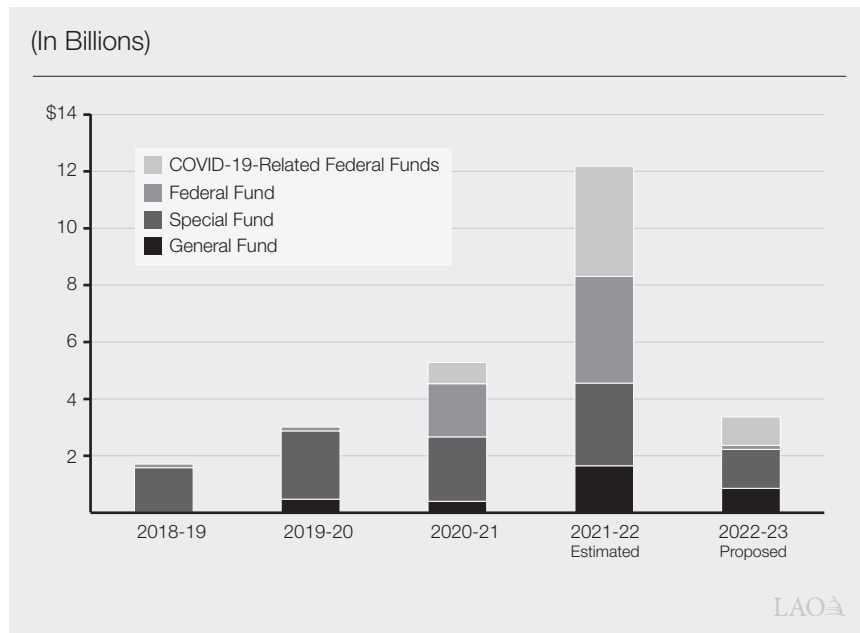
The Housing and Community Development Department

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 ^a | Program Total |
|---|--------------|--------------|----------------|----------------------|----------------|
| Housing and Community Development | | | | | |
| 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 ^b | 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 |
| Totals | \$550 | \$800 | \$5,043 | \$1,322 | \$7,715 |
| California Housing Finance Agency | | | | | |
| Homebuyer Assistance | — | — | \$100 | — | \$100 |
| Accessory Dwelling Unit Financing | — | — | 81 | — | 81 |
| Mixed-Income Program (MIP) ^c | \$200 | \$50 | 45 | — | 295 |
| Totals | \$200 | \$50 | \$226 | — | \$476 |
| Grand Total | \$750 | \$850 | \$5,269 | \$1,322 | \$8,191 |

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

^b Bond proceeds from Proposition 1C (2006) and Proposition 1 (2018) have also supported the IIG Program.

^c 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 ^a | 5,879 ^b |
| 2021-22 | 1,450 | 470 ^c | \$980 | 117 | 2,163 | 23 ^{d,e} | N/A ^f |
| 2022-23 ^g | 1,300 | — | 1,300 | N/A | N/A | N/A | N/A |

^a Two projects serve youth experiencing homelessness.

^b These units currently have a 77 percent occupancy rate.

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

^d Based on a partial release of available funding.

^e Four projects serve youth experiencing homelessness.

^f 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.

^g 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 |
| Totals | 94 | — | 5,879 | 1,132 | 2,284 | 2,463 |

Partial Distribution of 2021-22 Funds (Round 2)

| Region | Projects Awarded ^a | 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 | — | — | — | — | — |
| Totals | 23 | — | 1,686 | 604 | 845 | 237 |

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 ^a | Total Budget Allocation | Awarded Funding | Remaining Funding | Projects Awarded | Units Anticipated |
|--------------------------|-------------------------|-----------------|-------------------|-------------------|--------------------|
| 2021-22 | \$1,750 | \$922 | \$828 | 27 ^{b,c} | 2,257 ^d |

^a This is a new, one-time program authorized in the 2021-22 budget.

^b Based on a partial release of available funding.

^c Three of these projects were part of the farmworker project set-aside.

^d 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 ^a | 5 | 10 | 350 |
| Inland ^a | 2 | 2 | 127 |
| Los Angeles | 1 | 4 | 126 |
| Northern ^a | 5 | 20 | 427 |
| Balance of state | 1 | 4 | 80 |
| Totals | 27 | — | 2,257 |

^a 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 ^a | 4,286 |
| General Fund (2019-20) | | | | | | | | |
| Large jurisdictions | \$210 | \$195 | — | N/A | 60 | \$307 | 40 | 3,965 |
| Small jurisdictions | 90 | 84 | — | N/A | 23 | 90 | 21 | 3,155 |
| General Fund (2021-22) | | | | | | | | |
| 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 |

^a 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) ^a | | |
|---------------------|-----------------------|--------------------------|-----------------|-----------------------------------|--------------------------|-----------------|
| | 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 |
| Totals | 179 | — | 23,617 | 34 | — | 4,286 |

^a 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 |
| Totals | 40 | — | 3,965 | 21 | — | 3,155 |



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 ^a | 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 ^a | | | 14 | 565 |

^a In some years, awards and fiscal years do not align.

^b 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 |
| Totals | 51 | — | 1,886 |



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 ^a | General Fund | Total Funding | Awarded Amount | Remaining Funding ^b | 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 |

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

^b 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 |
| Totals | 35 | — | 5,552 |



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 ^a | 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 ^b | N/A | N/A | N/A | N/A | N/A | N/A |
| 2021-22 | 686 | 808 | N/A | 54 | 1,168 | 37 | 3,997 |

^a Auction proceeds do not necessarily match annual award amounts.

^b 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 |
| Totals | 164 | — | 15,314 |



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 |
|---|---------|---------|--------------|---------------------|
| Housing Development | | | | |
| 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 |
| Affordable Housing | | | | |
| 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.

