

MARCH 29, 2023

The 2023-24 Budget: Updates on Recent Housing and Homelessness Augmentations and Overview of Proposed Budget Changes



LEGISLATIVE ANALYST'S OFFICE

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Executive Summary

Over \$20 Billion Allocated Towards Housing and Homelessness Programs in Recent Years. Recent budget actions have increased the state's fiscal role in addressing housing affordability and homelessness. Primarily using General Fund, the state provided over \$20.6 billion in discretionary one-time and temporary augmentations to the state entities principally responsible for administering housing and homelessness programs. This increased funding is in addition to bond funding, tax credits, and ongoing revenue from Chapter 364 of 2017 (SB 2, Atkins) that also support the state's response to housing and homelessness. Furthermore, the state provided funding to departments with other primary missions, for example, the Department of Social Services, that also offer housing assistance and aim to address homelessness experienced by program participants.

Update on Recent Key Spending Actions. This handout provides updates on some of the major spending actions authorized in recent years, including how much funding has been spent, when remaining funds are anticipated to be awarded, and some preliminary findings from spent funding. While Homekey is an important exception, one observation from recent state allocations is that seeing impacts at the local level takes time. Importantly, however, we have yet to receive information from the administration about the status of *all* recent spending actions so we are not able to assess the overall impact of this funding.

Governor's 2023-24 Budget Housing and Homelessness Proposals. The Governor proposes reducing previously authorized housing-related spending actions by \$350 million, which would be subject to trigger restorations in January 2024 if the state budget condition improves. Otherwise, the Governor's budget maintains other existing housing and homelessness spending and maintains planned spending in 2023-24.

LAO Comments. The housing funding proposed for reduction in 2023-24 focuses on recently authorized homeownership-related programs. Given the current budget problem, the Governor's proposal may be reasonable for a few reasons. First, one of the proposed reductions (the largest reduction in terms of dollars) focuses on a new program and thus is less disruptive than reductions to existing programs. Furthermore, whether the initial allocations



Executive Summary

(Continued)

could be spent in a timely manner is unknown. Second, the proposal maintains roughly half of the funding for the programs, which provides sufficient resources to continue the planned programs. Third, with increases in interest rates, homeownership costs have increased, which may dampen interest in the program (given existing assistance levels). That said, we suggest the Legislature also evaluate whether alternative budget solutions would be warranted once the administration provides additional information on recent spending.



Various State Entities Help Address Housing Affordability and Homelessness

Core State Entities. The state's longest standing and/or largest housing and homelessness programs are administered by four state entities.

- **Department of Housing and Community Development (HCD).** Administers the state's affordable housing development programs. Works with local governments to ensure they are adequately planning for the state's housing needs.
- **California Interagency Council on Homelessness (Cal ICH).** Administers key state homelessness programs, including the Homeless Housing, Assistance and Prevention Program (HHAPP). The council is composed of key state stakeholders, like the Secretary of Health and Human Services. The council seeks insight from stakeholders to develop policies, and identify and coordinate resources and services that aim to prevent and address homelessness in California.
- **California Housing Finance Agency (CalHFA).** Administers housing financing and homeownership programs.
- **California Tax Credit Allocation Committee (CTCAC).** Administers the federal and state Low-Income Housing Tax Credit Programs.

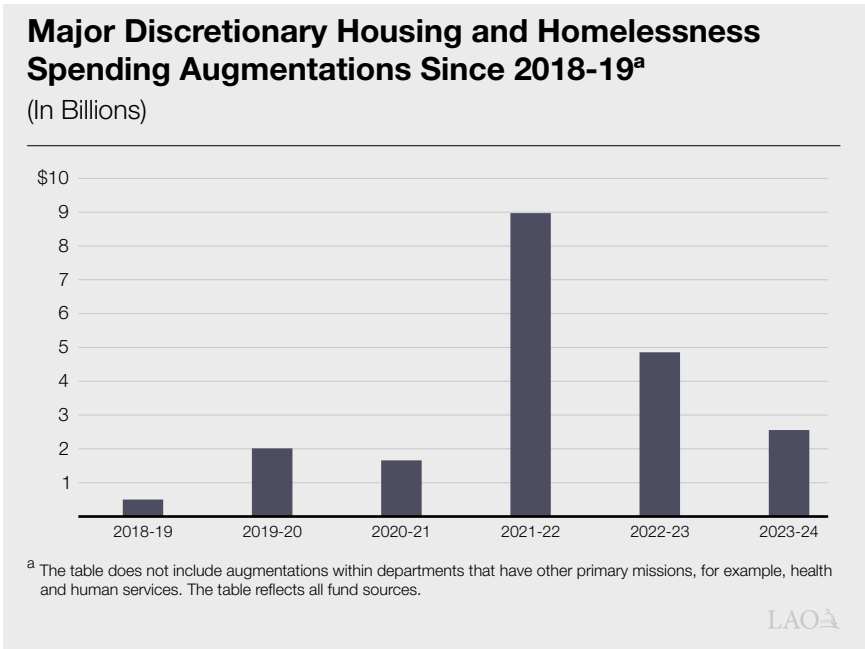
Additional Departments. Other departments either administer the state's safety net programs and/or have other, more focused, roles in addressing housing and homelessness. For example, the Department of Social Services, the Department of Health Care Services, and the Department of Veterans Affairs provide tailored housing-related benefits to enrollees of safety net programs.



Shifting State-Local Fiscal Relationship

In recent years, as the housing affordability and homelessness crisis has become more acute, the state has taken a larger fiscal role in funding and supporting local governments. These funding increases have been almost entirely one-time or temporary in nature. Additionally, the Legislature has adopted major legislation aimed at addressing the high cost of housing in California.

Major Discretionary Housing and Homelessness Spending Augmentations Since 2018-19. In all, the state has allocated \$20.6 billion in discretionary spending actions for housing and homelessness programs across HCD, Cal ICH, CalHFA, and CTCAC since 2018-19. The state has increased its fiscal role in addressing homelessness primarily by providing significant one-time and temporary flexible aid to local governments. Additionally, the state expanded existing housing programs and established some new housing programs that help subsidize housing development at the local level, also using one-time and temporary resources.



Major Recent Housing and Homelessness Spending Actions

The figure below details the major discretionary spending actions by state entity from recent years.

Major Discretionary Housing and Homelessness Spending Actions Since 2018-19^a

(In Millions)

Program	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 ^b	Program Total
Housing and Community Development							
Homekey Program	—	—	\$800	\$1,600	\$1,300	—	\$3,700
Housing Accelerator Program	—	—	—	1,750	250	—	2,000
Emergency Rental Assistance	—	—	—	1,950	—	—	1,950
Infill Infrastructure Grant Program	—	\$300	—	250	200	\$225	975
Local Planning Grants	—	250	—	600	—	—	850
Foreclosure Prevention and Preservation	—	—	—	500	—	—	500
Portfolio Reinvestment Program	—	—	—	300	50	100	450
Adaptive Reuse	—	—	—	—	150	250	400
CalHome ^c	—	—	—	—	250	100	350
Multifamily Housing Program	—	—	—	—	100	225	325
State Excess Sites Development	—	3	—	45	25	75	148
Transitional Housing Program (d)	—	8	8	17	43	43	118
Joe Serna Jr. Farmworker Housing Grant Program	—	—	—	50	50	—	100
Manufactured Housing Opportunity and Revitalization Program	—	—	—	—	25	75	100
Veteran Housing and Homeless Prevention Program	—	—	—	—	50	50	100
Golden State Acquisition Fund	—	—	—	50	—	—	50
Housing Navigators Program ^d	—	5	—	5	14	14	37
Migrant Farmworker Housing Deferred Maintenance	—	—	—	30	—	—	30
Subtotals	(—)	(\$566)	(\$808)	(\$7,147)	(\$2,506)	(\$1,156)	(\$12,184)
California Interagency Council on Homelessness							
Homeless Housing, Assistance and Prevention Program	—	\$650	\$300	\$1,000	\$1,000	\$1,000	\$3,950
Encampment Resolution Grants	—	—	—	50	300	400	750
Homeless Emergency Aid Program	\$500	—	—	—	—	—	500
COVID-19 Emergency Funding	—	100	—	—	—	—	100
Family Homelessness Challenge Grants	—	—	—	40	—	—	40
Homeless Landscape Assessment	—	—	—	6	—	—	6
Homeless Data Integration System	—	—	—	4	—	—	4
Subtotals	(\$500)	(\$750)	(\$300)	(\$1,100)	(\$1,300)	(\$1,400)	(\$5,350)

(Continued)



Major Recent Housing and Homelessness Spending Actions

(Continued)

Program	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 ^b	Program Total
California Tax Credit Allocation Committee							
State Low-Income Housing Tax Credit Program	—	\$500	\$500	\$500	\$500	—	\$2,000
Subtotals	(—)	(\$500)	(\$500)	(\$500)	(\$500)	(—)	(\$2,000)
California Housing Finance Agency							
California Dream for All Program ^e	—	—	—	—	\$500	—	\$500
Mixed-Income Program	—	\$190	—	\$45	—	—	235
Accessory Dwelling Unit Grant Program ^f	—	19	—	81	50	—	150
Homebuyer Assistance	—	41	—	100	—	—	141
Subtotals	(—)	(\$250)	(—)	(\$226)	(\$550)	(—)	(\$1,026)
Grand Totals	\$500	\$2,066	\$1,608	\$8,973	\$4,856	\$2,556	\$20,560

^a This table generally captures the major discretionary spending actions within the state entities principally responsible for administering housing programs. Other state entities have also received discretionary funding in recent years. In particular, an additional \$6.9 billion has been provided to the Department of Social Services and the Department of Health Care Services for housing and homelessness related programs. You can learn more about these augmentations [here](#). The table does not include previously authorized base funding for some of these programs, such as funding from the Veterans and Affordable Housing Bond Act of 2018 and SB 2. The table reflects all fund sources.

^b The 2022-23 budget authorized some spending actions in 2023-24

^c The 2023-24 Governor's Budget proposes reducing \$100 million from 2023-24 and making it subject to a trigger restoration.

^d The 2022-23 funding is ongoing.

^e The 2023-24 Governor's Budget proposes reducing \$200 million from 2022-23 and making it subject to a trigger restoration.

^f The 2023-24 Governor's Budget proposes reducing \$50 million from 2022-23 and making it subject to a trigger restoration.



Updates on Recent Spending Actions

In this section, we provide implementation updates for some of the major, recent discretionary housing and homelessness augmentations.

Department of Housing and Community Development

Update on Recent Major Department of Housing and Community Development (HCD) Spending Action

Program	Total Amount Approved ^a	Total Amount Awarded	Total Remaining Funding	Next Funding Release Date	Reporting Requirement
Homekey	\$3.7 billion: <ul style="list-style-type: none"> • \$800 million in 2020-21 (Round 1) • \$1.6 billion in 2021-22 (Round 2) • \$1.3 billion in 2022-23 (Round 3) 	\$2.8 billion	\$900 million ^b	Applications for the remaining Round 3 funding will be available in March 2023.	Annual report due January 31 to HCD with fiscal and programmatic data. HCD last packaged this data into a public report released April 2021. However, a public online dashboard also makes information readily available.

^a All fund sources.

^b Reflects remaining Homekey Round 3 funding, as some was accelerated for use in 2021-22 given high demand for funding.

Working With HCD to Obtain Data on Other Programs. Other than for Homekey, at the time of publication, implementation data was not yet available for the other HCD programs listed in the figure on page 7. We are continuing to work with HCD to compile this information.



Updates on Recent Spending Actions

(Continued)

Homekey

Program Description. Homekey provides grants to local public agencies and tribes in order to acquire and rehabilitate properties like motels, multifamily housing buildings, and commercial properties. The program aims to expand housing for persons experiencing or at risk of homelessness who are especially impacted by the COVID-19 pandemic.

Awarding of Homekey Grants.

Homekey Awards

(Dollars in Millions)

Regions	Round 1 Awards		Round 2 Awards		Totals Across Round 1 and Round 2	
	Funding	Units Created	Funding	Units Created	Total Funding	Total Units Created
Los Angeles County	\$268	1,814	\$679	2,218	\$947	4,032
Bay Area	275	1,627	609	2,106	883	3,733
San Joaquin Valley	63	765	195	825	258	1,590
Southern California	66	592	189	688	255	1,280
Sacramento Area	39	331	92	353	131	684
Central Coast	23	217	101	348	124	565
San Diego County	38	332	12	41	50	373
Balance of State	26	233	78	284	104	517
Totals	\$798	5,911	\$1,955	6,863	\$2,753	12,774



Updates on Recent Spending Actions

(Continued)

Status and Preliminary Findings.

Homekey Overall Accomplishments ^a			
	Round 1	Round 2 ^b	Total
Projects Funded	94	116	210
Total Units	5,911	6,863 ^c	12,774
Permanent Units	2,320	4,147	6,467
Interim Units	1,049	1,671	2,720
Interim-to-Permanent Units	2,542	960	3,502
Total Awards	\$798 million	\$1.96 billion	\$2.75 billion
Cost Per Unit ^d	\$129,254	\$243,751	\$189,672

^a Reflects project impact from Homekey as of February 1, 2023. Projects can receive multiple sources of funding.

^b Includes funds accelerated from 2022-23 into Round 2. Funding all eligible applications in 2021-22 prevented these applicants from having to reapply in the subsequent round of funding release.

^c Includes 85 manager units that are not represented in unit type breakout below.

^d Reflects the Homekey contribution per unit.

- **Homekey Round 3.** The remaining funding from 2022-23—about \$900 million—will be awarded in 2023. There is no additional funding authorized or proposed for Homekey.



Updates on Recent Spending Actions

(Continued)

California Interagency Council on Homelessness

Update on Recent Major California Interagency Council on Homelessness (Cal ICH) Spending Actions

Program	Total Amount Approved ^a	Total Amount Awarded	Total Remaining Funding	Next Funding Release Date	Reporting Requirement
HHAPP	\$3.95 billion: <ul style="list-style-type: none"> • \$650 million in 2019-20 (Round 1) • \$300 million in 2020-21 (Round 2) • \$1 billion in 2021-22 (Round 3) • \$1 billion in 2022-23 (Round 4) • \$1 billion in 2023-24 (Round 5) 	\$1.7 billion	\$2.3 billion ^b	HHAPP Round 3 bonus disbursement expected Fall 2024. HHAPP Round 4 applications are currently being reviewed and awards are expected Spring 2023.	Annual report due December 31 to Cal ICH with monitoring of goals and performance objective beginning with Round 3 funding. Cal ICH last packaged this data into a public report released February 2021.
ERF Program	\$750 million: <ul style="list-style-type: none"> • \$50 million in 2021-22 (Round 1) • \$300 million in 2022-23 (Round 2) • \$400 million in 2023-24 (Round 3) 	\$96 million	\$654 million ^c	Applications for remaining ERF Round 2 funding are being accepted on a rolling basis until June 30, 2023, or until all funds are exhausted, whichever comes first.	Round 1. Annual report due December 31 to Cal ICH with fiscal and programmatic data, and quarterly expenditure reports. Round 2. Quarterly reports to Cal ICH with fiscal and programmatic data.
FHC Grants and Technical Assistance Program	\$40 million in 2021-22	\$17 million	\$23 million ^d	FHC Round 2 applications will be available by December 31, 2023. Only awardees that remain compliant with FHC Round 1 requirements and demonstrate progress towards their objectives may apply for FHC Round 2.	Annual report due September 30 to Cal ICH with fiscal and programmatic data. The first report to Cal ICH is due September 30, 2023.

^a All General Fund.

^b Reflects HHAPP Round 3 bonus funding, HHAPP Round 4, HHAPP Round 5, and unspent administrative funding.

^c Reflects remaining ERF Round 2 funding and ERF Round 3 funding.

^d Reflects the final disbursement of FHC Grants, technical assistance funding, and unspent administrative funding.

HHAPP = Homeless Housing, Assistance and Prevention Program; ERF = Encampment Resolution Funding; and FHC = Family Homelessness Challenge.

Updates on Recent Spending Actions

(Continued)

Homeless Housing, Assistance and Prevention Program

Program Description. HHAPP provides flexible funding to large cities, counties, continuums of care (CoC), and tribes in order to address homelessness in their communities.

Overview of HHAPP.

Homeless Housing, Assistance and Prevention Program^a				
(In Millions)				
	2019-20 Round 1	2020-21 Round 2	2021-22 Round 3	2022-23 Round 4
Total State Budget Allocation	\$650	\$300	\$1,000	\$1,000
Bonus Set Aside^b	N/A	N/A	\$180	\$180
Funds Locally Encumbered	\$604	\$219	Awarded December 2022	Expected spring 2023
Funds Locally Spent	\$405	\$91	N/A	N/A
Remaining Unobligated Funding	\$46	\$81	N/A	N/A
Expenditure Deadline	June 30, 2025	June 30, 2026	June 30, 2026	June 30, 2027
Reporting Requirements to Cal ICH	Annual progress report due December 31. Final report due December 31, 2025.	Annual progress report due December 31. Final report due December 31, 2026.	Annual progress report due December 31. Final report due October 1, 2026.	Annual progress report due December 31. Final report due October 1, 2027.
Goals and Performance Evaluation	N/A	N/A	Each applicant determines its own outcome goals in consultation with Cal ICH through local homelessness action plans. Cal ICH determines whether a grantee met its outcome goals, making the grantee eligible for "bonus" funding.	Same as Round 3

(Continued)



Updates on Recent Spending Actions

(Continued)

	2019-20 Round 1	2020-21 Round 2	2021-22 Round 3	2022-23 Round 4
Reporting and Accountability Metrics	<ul style="list-style-type: none"> Expenditures by eligible uses. Number of people served. Demographic information of people served. Types of housing assistance provided. Housing exits. Identification of partnerships among local entities. 	Same as Round 1	Same as Round 1 and Round 2. And: (1) reducing the number of persons experiencing homelessness, (2) reducing the number of persons who become homeless for the first time, (3) increasing the number of people exiting homelessness into permanent housing, (4) reducing the length of time persons remain homeless, (5) reducing the number of persons who return to homelessness after exiting homelessness to permanent housing, and (6) increasing successful placements from street outreach.	Same as Round 3
Status and Preliminary Findings	As of September 2022, navigation centers and emergency shelters are the largest eligible use category at 37 percent of the \$405 million expended to date.	As of September 2022, operating subsidies are the largest eligible use category at 26 percent of the \$91 million expended to date.	Eligible cities, counties, and CoCs received funding in December 2022. The bonus disbursements are expected in Fall 2024.	Applications are currently being reviewed and awards are expected in Spring 2023.

^a The 2022-23 budget authorized an additional \$1 billion for a fifth round of HHAPP. The administration is proposing budget-related legislation for the 2023-24 budget to establish the HHAPP Round 5 in statute.

^b Potential "bonus" disbursement available dependent on meeting performance conditions. Amount will vary depending on number of eligible recipients.

Cal ICH = California Interagency Council on Homelessness.



Updates on Recent Spending Actions

(Continued)

Additional HHAPP Findings.

- ***People Served.*** As of September 2021, awarded HHAPP funding has served 74,300 individuals and 17,500 families with dependent children. Among other services, people served by HHAPP funding have received both emergency shelter (24,000) and permanent supportive housing (13,400). Additionally, 15,100 people have exited homelessness to permanent housing while 15,200 have exited to temporary housing.
- ***Increase in Regional Partnerships.*** From HHAPP Round 1 to HHAPP Round 4, there was a 24-percentage point increase of cities, counties, and CoCs redirecting or jointly seeking funds (11 percent to 35 percent).
- ***Funding for Tribes.*** From HHAPP Round 3, Cal ICH has awarded \$20 million across 16 federally recognized tribes.
- ***Oversight and Accountability.*** The state has strengthened oversight and accountability measures for HHAPP over time. In particular, the inclusion of local action plans beginning in Round 3 help to set clearer expectations up front. However, whether local goals align with legislative priorities is unclear. Furthermore, significant lag in reporting makes it difficult for the Legislature to use recent information in its decision-making.



Updates on Recent Spending Actions

(Continued)

Encampment Resolution Funding (ERF) Program

Program Description. The ERF Program provides competitive grants to cities, counties, and CoCs in order to address unsheltered homelessness for people living in encampments. Eligible uses include (1) direct services and housing options such as outreach and engagement, crisis services, interim housing, and permanent housing; (2) capacity building such as systems partnerships, service coordination, and workforce development; and (3) activities to ensure sustained outcomes for people served and that the encampments remain cleared after initial interventions.

Awarding of ERF Grants.

ERF Grant Awards

(In Millions)

Round 1		Round 2—First Disbursement ^a	
Jurisdiction	Award Amount	Jurisdiction	Award Amount
City of Fresno	\$5.0	Los Angeles City and County CoC	\$15.0
City of Richmond	4.9	Riverside County	11.0
City of Oakland	4.7	San Francisco County	10.9
City of Berkeley	4.7	City of Oakland	3.6
City of Salinas	4.1	City of Oroville	2.7
Orange County	3.7	City of San Diego	2.4
Santa Barbara County	2.5	City of Montebello	1.2
Santa Cruz County	2.4	City of Redding	1.0
City of San Jose	2.1	Total	\$47.8
City of Redwood City	1.8		
City of Vista	1.8		
San Bernardino County	1.8		
City of Los Angeles, Council District 4	1.7		
City of Eureka	1.7		
City of Tulare	1.6		
City of Long Beach	1.3		
City of Petaluma	1.3		
City of San Rafael	0.5		
Marin County	0.3		
Total	\$47.9		

^a Round 2 funds will be awarded in two disbursements.

CoC = Continuum of Care.



Updates on Recent Spending Actions

(Continued)

Status and Preliminary Findings.

- **ERF Round 1 (\$50 million in 2021-22).** Per awarded applications, grantees anticipated serving/interacting with 1,400 people experiencing homelessness within encampments. However, as of December 2022, grantees have exceeded that goal, serving 1,500 people. Of the 1,500 people served, 53 people exited the encampment directly into permanent housing and 365 people exited the encampment directly into emergency shelters or transitional housing. At this time, how the other 1,100 individuals experiencing homelessness were served with this funding is unclear, but services range from outreach and assistance identifying safety net programs to helping to secure housing.
- **ERF Round 2 (\$300 million in 2022-23).** ERF Round 2 funding will be awarded in two disbursements. The first disbursement (almost \$50 million) was provided to ERF Round 1 applicants that met program requirements but were not funded because funds had been exhausted. The application for the second disbursement of ERF Round 2 is open.
- **ERF Round 3 (\$400 million in 2023-24).** The 2022-23 budget authorized additional spending in 2023-24. Cal ICH will continue to administer this funding in the upcoming fiscal year. There is no additional funding authorized or proposed for the ERF Program.



Updates on Recent Spending Actions

(Continued)

Family Homelessness Challenge (FHC) Grants and Technical Assistance Program

Program Description. The FHC Grants and Technical Assistance Program provides one-time competitive grants and technical assistance to cities, counties, and CoCs in order to address and end family homelessness (eligible usages include a variety of supports and services—from outreach to permanent housing—all aimed at assisting those families who have dependent children and are experiencing homelessness). The 2021-22 budget allocated a total of \$40 million one-time funding for the program as follows: \$30 million towards two rounds of competitively awarded grants, \$8 million towards technical assistance, and \$2 million towards administration of the program. These funds must be expended by June 30, 2026.

Awarding of FHC Grants.

FHC Grants Round 1 Awards— First Disbursement

(In Millions)

Jurisdiction	Award Amount
City of Los Angeles	\$3.5
City of Fontana	2.7
City of Salinas	2.7
County of Santa Clara	2.5
City of Oakland	2.0
Mendocino County	1.0
Sacramento City and County CoC	0.9
Pasadena CoC	0.6
City of Livermore	0.6
City of San Diego	0.4
Total	\$16.9

FHC = Family Homelessness Challenge and CoC = Continuum of Care.



Updates on Recent Spending Actions

(Continued)

Status and Preliminary Finding.

- Collectively, grantees indicate in their applications for funding that they anticipate serving 1,850 families with dependent children (4,900 individuals total). The first report on these funds is due to Cal ICH in September 2023.
- Only awardees that remain compliant with FHC Grants Round 1 requirements and demonstrate progress towards their objectives may apply for FHC Grants Round 2. Applications for the remaining funding will open by December 31, 2023.



Updates on Recent Spending Actions

(Continued)

California Housing Finance Agency

Update on Recent Major California Housing Finance Agency (CalHFA) Spending Actions

Program	Total Amount Approved ^a	Total Amount Awarded	Total Remaining Funding	Next Funding Release Date	Reporting Requirement
California Dream for All Program^b	\$500 million in 2022-23	None	All	CalHFA anticipates launching this new program in Spring 2023	Annual report due January 10 to Legislature providing details of program implementation, including the number of loans made and the characteristics of the borrowers.
Mixed-Income Program	\$450 million: <ul style="list-style-type: none"> \$190 million in 2019-20 \$45 million in 2021-22 \$215 million in SB 2 since 2018-19 	\$400 million	Program continues to be funded with ongoing allocation from SB 2 of 2017	Using expected funds from SB 2, CalHFA will make \$50 million available in 2023	Annual report due December 31 to the Legislature providing a complete operating and financial statement for the prior fiscal year, including a statement of accomplishment during the previous year.
Accessory Dwelling Unit (ADU) Grant Program^c	\$150 million: <ul style="list-style-type: none"> \$19 million in 2019-20 \$81 million in 2021-22 \$50 million in 2022-23 	\$100 million	\$50 million ^d	Dependent on ADU working group's recommendations ^e	Annual report due December 31 to the Legislature providing a complete operating and financial statement for the prior fiscal year, including a statement of accomplishment during the previous year.
Homebuyer Assistance—Forgivable Equity Builder Loan Program^f	\$88 million in 2021-22	\$88 million	None	N/A	Annual report due December 31 to the Legislature providing a complete operating and financial statement for the prior fiscal year, including a statement of accomplishment during the previous year.

^a All fund sources.

^b 2023-24 Governor's Budget proposes reducing \$200 million from 2022-23 and making it subject to a trigger restoration.

^c 2023-24 Governor's Budget proposes reducing \$50 million from 2022-23 and making it subject to a trigger restoration.

^d Reflects the \$50 million from 2022-23.

^e Legislation related to the 2022-23 budget specified that funding should be deployed in accordance with the recommendations provided by the "ADU Working Group" (see Chapter 570 of 2022 (AB 157, Committee on Budget). The groups recommendations are near completion.

^f The 2021-22 budget provided \$100 million for Homebuyer Assistance. CalHFA's board further allocated these funds as follows: \$88 million to the Forgivable Equity Builder Loan Program and \$12 million for a specialized housing program in partnership with Caltrans to help residents of "State Route 710" properties purchase their homes.



Updates on Recent Spending Actions

(Continued)

California Dream for All Program

Program Description. The 2022-23 budget established the California Dream for All Program to provide shared-appreciation loans to help low- and moderate-income first-time homebuyers achieve homeownership. The loans can provide funding to assist with down payments and closing costs.

Status. CalHFA currently is designing the program and anticipates it being available to lenders in spring 2023. Once the program is available, CalHFA approved lenders will be able to offer the California Dream for All Shared Appreciation Loan to prospective homebuyers. CalHFA anticipates that lenders will need some time to build out their systems and train their staff before this new loan type is sought by homebuyers.



Updates on Recent Spending Actions

(Continued)

Mixed-Income Program (MIP)

Program Description. MIP provides loans to developers for new mixed-income rental housing development. Specifically, these developments serve renters with incomes between 30 percent and 80 percent of the Area Median Income (AMI), with an option to serve renters with incomes up to 120 percent of AMI.

Status and Preliminary Findings. CalHFA anticipates the \$400 million allocated by MIP thus far will contribute to the creation of 7,654 units of housing.



Updates on Recent Spending Actions

(Continued)

Accessory Dwelling Unit (ADU) Grant Program

Program Description. The ADU Grant Program provides up to \$40,000 towards pre-development and some closing costs associated with the construction of an ADU. Pre-development costs include site preparation, architectural designs, permits, soil tests, impact fees, property survey, and energy reports.

Status and Preliminary Findings. When construction is completed, CalHFA anticipates the \$100 million in awards is expected to create between 2,200 and 2,400 new ADUs.



Updates on Recent Spending Actions

(Continued)

Homebuyer Assistance—Forgivable Equity Builder Loan Program

Program Description. Home equity is a mechanism for families to build and pass on intergenerational wealth. The Forgivable Equity Builder Loan is intended to give first-time homebuyers that meet income limits and complete homebuyer education counseling a head start on this by providing immediate equity in their homes through a loan of up to 10 percent of the purchase price of the home. The loan is forgivable if the borrower continuously occupies the home as their primary residence for five years.

Status and Preliminary Findings. The \$88 million allocated by the program has enabled 2,200 low-income Californians to buy their first home.



Updates on Recent Spending Actions

(Continued)

California Tax Credit Allocation Committee

Update on Recent Major California Tax Credit Allocations Committee Spending Action

Program	Total Amount Approved	Total Amount Awarded	Total Remaining Funding	Next Funding Release Date	Reporting Requirement
State Low-Income Housing Tax Credit Program <ul style="list-style-type: none"> • \$500 million in 2019-20 • \$500 million in 2020-21 • \$500 million in 2021-22 • \$500 million in 2022-23 	\$2 billion:	\$1.48 billion	\$517 million ^a	Applications for 2022-23 tax credits opened February 2023	Annual report due April 1 to the Legislature providing an update on awards, including the amount of the credit allocated to each project, the other financing available to the project, and the number of units anticipated to be occupied by households whose income is 60 percent or less of area median gross income.

^a Reflects \$17 million remaining from 2021-22 and \$500 million from 2022-23.

State Low-Income Housing Tax Credit Program

Program Description. The state Low-Income Housing Tax Credit Program provides tax credits to builders of rental housing affordable to low-income households. The program was created to promote private investment in affordable housing for low-income Californians. The California Tax Credit Allocation Committee administers the longstanding, ongoing federal and state Low-Income Housing Tax Credit Programs (we discuss the ongoing portions of this program starting on page 30). In recent years, the state has authorized several one-time expansions of the program—\$2 billion across four fiscal years.

Status and Preliminary Findings. Since 2020, a total of \$1.48 billion in discretionary tax credits has been awarded to 189 projects awarded. These projects are anticipated to contribute to the creation of 19,848 housing units, which are anticipated to house more than 34,000 people. A total of 481 units are complete.



Additional Sources of State Housing and Homelessness Funding

The significant discretionary funding authorized in recent years reflects the magnitude of the state’s housing affordability and homelessness challenges. These spending actions augmented more traditional, longstanding and/or ongoing sources of state funding for housing and homelessness.

- **Bonds.** Voters have authorized several bonds over the years that are used to fund state housing and homelessness programs. Voters recently authorized:
 - The Veterans and Affordable Housing Bond Act of 2018 (Proposition 1).
 - No Place Like Home Act of 2018 (Proposition 2).
- **Ongoing Revenue.** In 2017, the state established a new ongoing source of funding for housing based on a real estate document fee.
 - Building Homes and Jobs Act of 2017 (SB 2).
- **Existing Tax Credits.** Low-Income Housing Tax Credit Program provides tax credits to builders of rental housing affordable to low-income households.
 - State Low-Income Housing Tax Credit Program.

We provide more details about these sources of housing and homelessness funding below.



Additional Sources of State Housing and Homelessness Funding

(Continued)

The Veterans and Affordable Housing Bond Act of 2018 (Proposition 1)

Description. The Veterans and Affordable Housing Bond Act of 2018 authorized \$4 billion in bond funding for various housing programs.

Veterans and Affordable Housing Bond Act of 2018 Allocations

(In Millions)

Program	Amount
Affordable Housing	
Multifamily Housing Program	\$1,500
Local Housing Trust Fund Matching Grant Program	300
Transit Oriented Development	
Infill Infrastructure Grant Program	\$300
Transit-Oriented Development Program	150
Farmworker Housing	
Joe Serna, Jr. Farmworker Housing Grant Program	\$300
Homeownership	
CalHome	\$300
Home Purchase Assistance ^a	150
Veterans Homeownership	
Farm and Home Loan Program ^a	\$1,000
Total	\$4,000

^a Most of the bond programs are administered by the Department of Housing and Community Development. The home purchase assistance is provided by the California Housing Finance Agency. The Farm and Home Loan Program is administered by the Department of Veterans Affairs.

Status. Of the \$3 billion administered by HCD and CalHFA, \$322 million has been expended and an additional \$1.7 billion has been encumbered. The bond has \$973 million remaining. The next release of funding is expected in March/April 2023 for the Local Housing Trust Fund Program. HCD anticipates exhausting all Proposition 1 funding by the end of the 2024 calendar year.

The \$1 billion for veteran homeownership is administered by the California Department of Veterans Affairs (CalVet). CalVet has lent \$364 million of the funding to veterans for home purchases. The \$636 million in bond authority remains and the next release is anticipated in fall 2023.



Additional Sources of State Housing and Homelessness Funding

(Continued)

No Place Like Home Act of 2018 (Proposition 2)

Description. The No Place Like Home Act of 2018 authorized \$2 billion in bonds for permanent supportive housing for people who need mental health services and are experiencing homelessness or are at risk of chronic homelessness. All bond funding has been allocated as of August 2022. The bonds will be repaid over time using Mental Health Services Act funds.

Snapshot of No Place Like Home Status and Anticipated Outcomes as of August 2022.

- \$1.9 billion awarded to counties.
- 247 projects funded.
- 7,852 No Place Like Home assisted housing units anticipated.
- 119 projects are under construction.
- 30 projects have been completed. 498 units have units have been completed and are occupied.



Additional Sources of State Housing and Homelessness Funding

(Continued)

Building Homes and Jobs Act (SB 2)

Description. The Building Homes and Jobs Act (SB 2) established a \$75 recording fee on real estate documents to generate revenue that is used to increase the supply of affordable housing in California.

Revenue Allocations From SB 2.

Revenue Allocation From Building Homes and Jobs Act

(In Millions)

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 ^a
Allocation for First Year						
Planning Grants (50 percent)	\$72.6					
Homelessness Programs (50 percent)	72.1					
Total	\$144.7					
Allocation for Second Year and Beyond						
Locally Administered Affordable Housing Programs (70 percent)		\$183.5	\$268.5	\$408.6	\$272.9	\$39.6
CalHFA's Mixed-Income Program (15 percent)		39.3	57.5	87.6	58.5	8.5
HCD's Joe Serna, Jr. Farmworker Housing Grant Program (10 percent)		26.2	38.4	58.4	39.0	5.7
Production Incentive Grants (5 percent)		13.1	19.2	29.2	19.5	2.8
Totals		\$262.2	\$383.5	\$583.8	\$389.9	\$56.5

^a Reflects partial-year revenue.

CalHFA = California Housing Finance Agency and HCD = Housing and Community Development.



Additional Sources of State Housing and Homelessness Funding

(Continued)

Federal and State Low-Income Housing Tax Credit Program

Above, we provide an update on the recent discretionary augmentations to the state low-income housing tax credit program. Below, we describe the ongoing components of that program, as well as the federal tax credit.

Description. The CTCAC administers the federal Low-Income Housing Tax Credit Program. The federal tax credit program provides a 4 percent or 9 percent tax credit to qualified new construction projects or existing properties undergoing rehabilitation. The percentage—either 4 or 9—is applied to a project’s requested “qualified basis” to determine the maximum amount of annual federal credits the project may be awarded. In addition to the federal program, the state historically has made about \$100 million available annually for the state Low-Income Housing Tax Credit Program. Most of the annual ongoing state credit is administered as part of the 9 percent program, while the recent discretionary state credits are exclusively administered as part of the 4 percent credits

Status and Preliminary Findings.

■ **9 Percent Credit 2022 Awards**

- Annual Federal Credits Awarded: \$118 million.
- Total State Credits Awarded: \$110 million (reflecting most of the annual ongoing state credit).
- Projects Awarded: 62.
- Total Number of Units: 3,518.
- Total Number of Low-Income Units: 3,451.

■ **4 Percent Credit 2022 Awards**

- Annual Federal Credits Awarded: \$280 million.
- Total State Credits Awarded: \$526 million (reflecting some of the annual ongoing state credit and the recent discretionary state credit).
- Projects Awarded: 101.
- Total Number of Units: 11,320.
- Total Number of Low-Income Units: 11,151.



Governor's 2023-24 Housing and Homelessness Proposals

Below, we describe the Governor's 2022-23 major budget proposals related to housing and homelessness.

Housing

Governor Proposes Reduction of \$350 Million in Previously Authorized Housing Funding. The Governor proposes \$350 million in housing-related budget solutions, as follows.

- ***\$200 Million Reduction to California Dream for All Program.*** The Governor's proposal reduces the \$500 million provided to CalHFA in 2022-23 for the California Dream for All Program by \$200 million. As previously mentioned, CalHFA currently is developing the terms for this new program. CalHFA indicates the proposed reduction of a portion of the 2022-23 funding is not expected to impact its estimated spring 2023 implementation time line. Based on analysis commissioned by the State Treasurer's Office, the reduction in funding could result in the program assisting 1,500 fewer first-time homebuyers. (The remaining \$300 million is anticipated to provide assistance to an estimated 2,300 first-time homebuyers.)
- ***\$100 Million Reduction to CalHome Program.*** The 2022-23 budget provided HCD \$350 million across two fiscal years for CalHome. The program provides grants to local public agencies and nonprofits for various activities, including first-time homebuyer assistance, homebuyer counseling, and technical assistance activities to enable low- and very-low-income individuals to become or remain homeowners. Historically, the program has been supported through bond funding. The Governor's proposal would eliminate all of the funding authorized for 2023-24—\$100 million.
- ***\$50 Million Reduction to ADU Grants Program.*** The Governor proposes eliminating the entire \$50 million authorized for 2022-23 for ADU financing. Reducing this funding could result in 1,250 fewer ADU grants. The other \$100 million previously authorized for the program has been fully awarded.



Governor's 2023-24 Housing and Homelessness Proposals

(Continued)

Reductions Would Be Subject to Trigger Restoration. The Governor's budget proposes making these spending-related solutions subject to trigger restoration language. Under this proposed language, the reductions outlined above would go into effect as part of the June 2023 budget. However, if in January 2024 the administration estimates there are sufficient resources available to fund these (as well as other) expenditures, those programs would be restored halfway through the fiscal year.

Continues One-Time Expansion of State Low Income Housing Tax Credits. In addition to the approximately \$100 million annually that the state makes available for housing tax credits, the Governor's budget proposes \$500 million in 2023-24 for tax credits to builders of rental housing affordable to low-income households. (Because these credits would not be claimed until the housing units are complete, the General Fund impact of this expansion would be observed in a few years.) This would be the fifth consecutive year in which the Governor has proposed a one-time expansion of the state's housing tax credit, for a total of \$2.5 billion in tax credits.



Governor's 2023-24 Housing and Homelessness Proposals

(Continued)

Homelessness

Governor Proposes Maintaining Previously Authorized Homelessness Funding. Previously enacted budgets have authorized spending actions in 2023-24 for Cal ICH. The Governor proposes maintaining these spending actions.

- Maintains \$1 billion for HHAPP funding.
- Maintains \$400 million for encampments resolution grants funding.

Governor Proposes No New Homelessness Funding. The Governor does not propose new spending within Cal ICH related to homelessness.

Budget Related Legislation Proposed for HHAPP. The Governor proposes legislation that states that it is the intent of the Legislature to pursue statutory provisions to enhance accountability of locals' response to homelessness. Additionally, the proposed legislation would implement Round 5 of HHAPP. Generally, the Governor proposes maintaining the program features from HHAPP Round 3 and HHAPP Round 4 in Round 5, including requiring local action plans and setting aside 18 percent of the funds for bonuses. However, different from prior rounds of HHAPP, the Governor's budget proposes to prioritize HHAPP spending that would support other state efforts. Specifically:

- Operating subsidies to support permanent and supportive housing sites, including Homekey.
- Operating subsidies to support new or existing residential care facilities funded by Behavioral Health Continuum Infrastructure Program and/or Community Care Expansion program.
- Sustaining interim and permanent housing funded by previous allocations of HHAPP and various programs such as Project Roomkey.
- Supplementing resources to address housing placements and/or direct client services for eligible participants in Community Assistance, Recovery and Empowerment (CARE) Court—a new civil court proceeding that will allow specific people to seek assistance for certain adults with severe mental illness.



Governor's 2023-24 Housing and Homelessness Proposals

(Continued)

- Street outreach to assist persons experiencing homelessness, including but not limited to persons experiencing homelessness from encampment sites and those transitioning out of encampment sites funded by the Encampment Resolution Funding Program.



LAO Comments

Housing Funding Proposed for Reduction Focuses on Recently Authorized Homeownership-Related Programs. The \$350 million in housing funding proposed for reduction that is subject to trigger restoration is one part of the Governor’s plan to address the state’s budget program. These reductions largely focus on homeownership-related programs. Both the California Dream for All and the CalHome Program support first-time and low-income homebuyers purchase and retain a home, while the ADU program helps homeowner build ADUs on their property. The administration states its rationale for focusing reductions in these programs is related to the currently high interest rates and cost of construction—increasing the cost of homeownership (without increases to assistance levels). This rationale may be reasonable given the increased cost may dampen interest in the program. In addition, one of the proposed reductions (the largest reduction in terms of dollars) focuses on a new program that has yet to be implemented. Whether funds could be spent in a timely manner is unknown.

Trigger Restorations Unlikely. Our office anticipates the budget problem will be roughly \$7 billion larger than anticipated in January. As a result, we do not anticipate any funding subject to the proposed trigger language to be restored midway through the fiscal year. (For more information on our assessment of the budget problem, see [The 2023-24 Governor’s Budget: Multiyear Assessment.](#))

Legislature Could Consider a Different Package of Solutions. The Governor’s budget reflects one approach to addressing the state’s budget constraints. However, the Legislature could consider other options. For example, the Legislature could identify other housing and homelessness funds to reduce or delay, or adjust the magnitude of housing and homelessness budget solutions. If the Legislature were to reduce the magnitude of housing and homelessness-related budget solutions, it would have to identify savings in other areas of the budget in a like amount.

Criteria for Evaluating Recent Augmentations That Should Be Maintained. We recommend the Legislature use the criteria below to evaluate whether recent augmentations should be maintained in light of the budget problem. We provide further details about how to evaluate recent augmentations in [The 2023-24 Budget: Overview of the Governor’s Budget.](#)



LAO Comments

(Continued)

- The augmentation has a clear goal that aligns with legislative priorities.
- The activities are specific and address the Legislature's goal.
- The underlying needs have not changed.
- Early indications show that the projects or activities are meeting their goals.
- The involved entities have the capacity to administer the program.
- Pausing or delaying the appropriation would have significant negative distributional impacts on populations of concern.
- The augmentation does not duplicate federal or special fund activities.
- The program primarily meets an acute need.

Legislation Establishing HHAPP Spending Priorities Focuses on Supporting Prior Investments. The legislation proposed by the administration for HHAPP Round 5 focuses on supporting and maintaining other recent homelessness initiatives. For example, the legislation would prioritize funding towards operating Homekey units and supporting participants of CARE Court. If the Legislature were to adopt the proposed legislation (or a different set of priority spending categories), it would help ensure local entities are using state resources in a manner that aligns with legislative priorities and support recent state spending. However, the trade-off is that this result is some limitation in local flexibility compared to prior rounds.

State Discretionary Spending on Housing and Homelessness Will Soon Be Exhausted. There is no discretionary spending authorized beyond 2023-24 for housing and homelessness programs. That said, some sources of discretionary funding have multiyear expenditure authority, which spreads out the impact of current investments. In particular, HHAPP allows local jurisdictions five years to expend program funds, meaning the \$1 billion in 2023-24 can be used through 2027-28. Moreover, over the next few years, a larger share of the units supported by recent augmentations will become available so we yet to observe the full impact of recent spending actions.



LAO Comments

(Continued)

Continued Oversight and Long-Term Planning Remains Necessary.

The scale of the housing affordability and homelessness crisis in California is enormous. Just as these issues developed over time, addressing them will take time. Continuing to assess which programs appear most effective and evaluating the state's housing and homelessness response system as a whole is critical. To that end, continuing to direct the administration to provide specific information on the impact of state spending is critical.



Conclusion

Addressing the housing and homelessness crisis requires a complex combination of fiscal resources and policy solutions. Although achieving its ultimate objectives will take time, California has taken key steps since 2018-19 when the state began taking a more active role. The state has implemented policy solutions to help spur housing development, allocated significant state resource's towards housing and homelessness, and expanded the state housing and homelessness response infrastructure. Despite this progress, the scale of the homelessness crisis in California is significant and continued work and resources will be necessary to address the state's homelessness challenges. Continued oversight and effective management of state dollars to ensure programs are advancing the states' effort to address housing and homeless is crucial.

