

MARCH 11, 2024

# Update on Major Recent Housing Augmentations

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PRESENTED TO:

Assembly Budget Subcommittee No. 7 on  
Accountability and Oversight  
Hon. Avelino Valencia, Chair



LEGISLATIVE ANALYST'S OFFICE

# Various State Entities Help Address Housing Affordability and Homelessness

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**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. Beginning in 2023-24, HCD also started administering the state’s major homelessness program— the Homeless Housing, Assistance and Prevention Program (HHAPP) (previously administered by the California Interagency Council on Homelessness).
- **California Interagency Council on Homelessness.** 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.** 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 Relationship

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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.

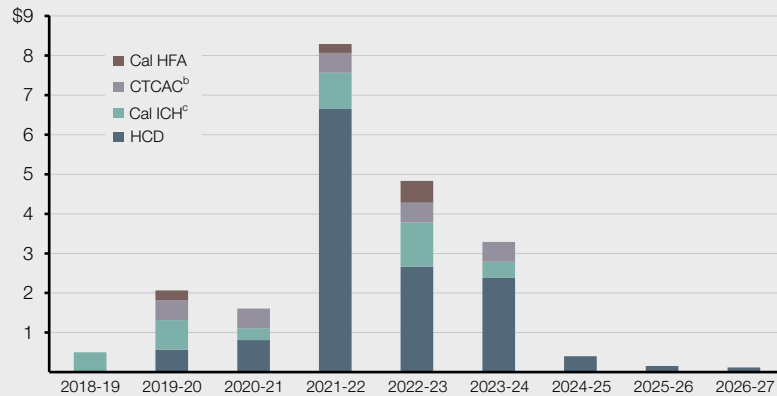
***Over \$20 Billion Allocated Towards Housing and Homelessness Programs in Recent Years.*** Recent budget actions have increased the state's fiscal role in addressing housing affordability and homelessness. Primarily using General Fund resources, the state provided over \$20 billion in discretionary 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.



# Shifting State-Local Relationship

(Continued)

**Major Discretionary Housing and Homelessness Spending Augmentations Since 2018-19<sup>a</sup>**  
(In Billions)



<sup>a</sup> 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. The table does not include previously authorized base funding for some of these programs. The table reflects all fund sources.

<sup>b</sup> Although the discretionary tax credit is authorized in the year in which it is displayed, the revenue impact of the change accrues over subsequent years.

<sup>c</sup> Formerly the Homeless Coordinating and Financing Council.

Cal HFA = California Housing Finance Agency; CTCAC = California Tax Credit Allocation Committee; Cal ICH = California Interagency Council on Homelessness; and HCD = Department of Housing and Community Development.

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# Major Recent Discretionary Spending Actions in HCD and CTCAC

The figure below details the major discretionary spending actions for HCD and CTCAC in recent years.

## Major Discretionary Housing Spending Augmentations Since 2018-19<sup>a</sup>

(In Millions)

Program	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Program Total
<b>Department of Housing and Community Development</b>								
Homekey Program	—	\$800	\$1,600	\$1,300	—	—	—	\$3,700
Housing Accelerator Program	—	—	1,750	250	—	—	—	2,000
HHAPP <sup>b</sup>	—	—	—	—	\$840	—	\$260	1,100
Emergency Rental Assistance	—	—	1,950	—	—	—	—	1,950
IIG Program <sup>c</sup>	\$300	—	250	200	25	—	—	775
REAP <sup>d</sup>	250	—	300	—	—	—	—	550
Foreclosure Intervention Housing Preservation Program <sup>e</sup>	—	—	—	155	83	—	—	238
Portfolio Reinvestment Program	—	—	300	50	100	—	—	450
IIG Program - Catalytic (formerly knowns as adaptive reuse)	—	—	—	150	250	—	—	400
CallHome <sup>f</sup>	—	—	—	98	50	—	—	148
Multifamily Housing Program <sup>g</sup>	—	—	—	100	75	—	—	175
State Excess Sites Local Government Matching Grant Program	3	—	45	25	75	—	—	148
Joe Serna Jr. Farmworker Housing Grant Program <sup>h</sup>	—	—	50	50	—	—	—	100
Manufactured Housing Opportunity and Revitalization Program	—	—	—	25	75	—	—	100
Veteran Housing and Homeless Prevention Program	—	—	—	50	—	—	—	50
Golden State Acquisition Fund	—	—	50	—	—	—	—	50
Migrant Farmworker Housing Deferred Maintenance	—	—	30	—	—	—	—	30
Transitional Age Youth Program	13	8	22	56	56	\$43	43	283
Subtotals	(566)	(\$808)	(\$6,347)	(\$2,509)	(\$1,629)	(\$43)	(\$303)	(\$12,246)

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# Major Recent Discretionary Spending Actions in HCD and CTCAC

(Continued)

Program	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Program Total
<b>California Tax Credit Allocation Committee</b>								
State Low-Income Housing Tax Credit Program (LIHTC) <sup>i</sup>	\$500	\$500	\$500	\$500	\$500	—	—	\$2,500
Subtotals	(\$500)	(\$500)	(\$500)	(\$500)	(\$500)	(—)	(—)	(\$2,500)

<sup>a</sup> This table generally captures the major discretionary spending actions to HCD and CTCAC. The table also does not include the No Place Like Home Program Act of 2018 and the Veterans and Affordable Housing Bond Act of 2018, which were authorized by voters. The table reflects all fund sources.

<sup>b</sup> The Governor's 2024-25 budget proposes to delay \$260 million in HHAPP funding from 2023-24 to 2025-26.

<sup>c</sup> Bond proceeds have also supported the IIG Program—\$850 million from Proposition 1C (2006) and \$300 million from Proposition 1 (2018). Reflects the Governor's 2024-25 budget proposed \$200 million General Fund reduction.

<sup>d</sup> Reflects the Governor's 2024-25 budget proposed \$300 million General Fund reduction.

<sup>e</sup> Reflects Governor's 2024-25 proposal to reduce General Fund for FHHP by \$85 million in 2024-25, \$100 million in 2025-26, and 62.5 million in 2026-27.

<sup>f</sup> Reflects the Governor's 2024-25 proposal to reduce General Fund support for CalHome by \$152.5 million

<sup>g</sup> Reflects the Governor's 2024-25 proposal to reduce General Fund support for MHP by \$250 million

<sup>h</sup> Bond proceeds from Proposition 1 (2018)—\$300 million—have also supported farmworker housing.

<sup>i</sup> Does not include the annual \$100 million available for LIHTC from the state.

HHAPP = Homeless Housing, Assistance and Prevention Program; IIG = Infill Infrastructure Grant; REAP = Regional Early Action Planning; LIHTC = LowIncome Housing Tax Credit; FHHP = Low Income Housing Tax Credit; and MHP = Multifamily Housing Program.

**Discretionary Spending on Housing and Homelessness Will Soon Be Exhausted.** There is limited 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 funds. 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 the recent augmentations are expected to become available. This will give the Legislature a better understanding of the impact of recent budget actions.



## Select Updates on Recent Spending Actions

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In this section, we provide updates on some of the major housing programs administered by HCD and CTCAC.

**Information Is Point in Time.** For these updates, we relied on point-in-time information provided to us by the departments. It should be noted that, since the administration is in the process of awarding funds for some of these programs, this data is constantly evolving. For some programs, updated information may be more readily available (for example on publicly available dashboards), while other data may need to be requested from the administration.

**Unit Counts Are Not Unduplicated.** Because affordable housing projects receive funding from multiple programs, the same unit may be included in the unit count for multiple programs. Because of this, adding up all of the units assisted for each program would result in overestimating the overall production of affordable housing units. HCD is working to come up with an unduplicated estimate of the number of units created from the combined efforts of all of the funding streams.

**Affordable Housing Units Support Multiple People.** It is important to note that a single affordable housing unit is estimated to serve more than one individual over the course of its 55-year affordability term. The administration currently estimates that most affordable housing units will serve 17.5 people over the term (Homekey has different assumptions depending on the type of unit produced).



# HCD

## 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<sup>a</sup>

(Dollars in Millions)

Regions	Round 1 Awards		Round 2 Awards		Round 3 Awards <sup>b</sup>		Totals Across Round 1, Round 2, and Round 3 to Date	
	Funding	Units Assisted	Funding	Units Assisted	Funding	Units Assisted	Total Funding	Total Units Assisted
Los Angeles County	\$268	1,814	\$679	2,218	\$278	927	\$1,225	4,959
Bay Area	275	1,627	609	2,106	132	474	1,016	4,207
San Joaquin Valley	63	765	195	825	61	228	319	1,818
Southern California	66	592	189	688	71	301	326	1,581
Sacramento Area	39	331	92	353	65	274	196	958
Central Coast	23	217	101	348	23	87	147	652
San Diego County	38	332	12	41	56	239	106	612
Balance of State	26	233	78	284	3	15	107	532
<b>Totals</b>	<b>\$798</b>	<b>5,911</b>	<b>\$1,955</b>	<b>6,863</b>	<b>\$689</b>	<b>2,545</b>	<b>\$3,350</b>	<b>15,319</b>

<sup>a</sup> Reflects awards as of February 29, 2024.

<sup>b</sup> Round 3 Awards will continue until remaining funds are awarded (likely by Spring 2024).





# HCD

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## Status and Outcomes.

### Homekey Overall Accomplishments<sup>a</sup>

	Round 1	Round 2	Round 3 to Date	Total
Projects Funded	94	116	40	250
Total Units	5,911	6,863	2,545	15,319
Permanent Units	2,320	4,060	1,875	8,255
Interim Units	1,049	1,560	574	3,183
Interim-to-Permanent Units	2,542	1,243	96	3,881
<b>Total Awards</b>	<b>\$798.3 Million</b>	<b>\$1.96 Billion</b>	<b>\$689.094 Million</b>	<b>\$3.35 Billion</b>
<b>Cost Per Unit<sup>b</sup></b>	<b>\$135,050</b>	<b>\$284,839</b>	<b>\$270,764</b>	<b>\$218,683</b>

<sup>a</sup> Reflects impacts from Homekey as of February 29, 2024. Projects can receive multiple sources of funding.

<sup>b</sup> Reflects Homekey contribution per unit.

**Remaining Funds and Awards.** The Homekey program is currently in the process of awarding all remaining funds. It is expected that all Homekey awards will be completed by spring 2024—at which time all \$3.7 billion will have been awarded.



# HCD

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## Housing Accelerator

**Program Description.** The Housing Accelerator program is intended to alleviate the backlog in affordable housing construction. Specifically, these funds are used to expedite construction of projects that have successfully acquired some state funding by providing accelerated funding in lieu of waiting for state tax credits.

### **Funding and Units Assisted.**

<b>Accelerator Awards</b>		
	<b>Funding</b>	<b>Units Assisted</b>
Tier 1 (2021-22)	\$921 million	1,981
Tiers 2 and 3 (2022-23)	1.05 billion	2,964
<b>Totals</b>	<b>\$1.97 billion</b>	<b>4,945</b>

Of the units this funding assisted:

- 46 percent are for those who are below 30 percent of Area Median Income (AMI).
- 29 percent are for those who are between 31 percent and 50 percent of AMI.
- 21 percent are for those between 51 percent and 60 percent of AMI, and 5 percent are for those between 61 percent and 80 percent of AMI.

**Remaining Funds and Awards.** There is no additional funding authorized or awards planned for Housing Accelerator.



# HCD

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## Affordable Housing and Sustainable Communities Program

**Program Description.** The Affordable Housing and Sustainable Communities (AHSC) program is administered by the Strategic Growth Council and implemented in coordination with HCD. The AHSC funds land use, housing, and transportation projects that support development that reduces greenhouse gas emissions. The program is statutorily required to receive 20 percent of cap-and-trade auction revenue.

### **Awards and Units Assisted.**

<b>Affordable Housing and Sustainable Communities Program</b>		
	<b>Amount Awarded</b>	<b>Units Assisted</b>
2018-19	\$257.5 million	1,950
2019-20	402 million	3,046
2020-21	552.4 million	2,563
2021-22	808.3 million	4,463
2022-23 <sup>a</sup>	—	—
2023-24 <sup>b</sup>	757.5 million	2,552
<b>Totals</b>	<b>\$2.8 billion</b>	<b>14,574</b>

<sup>a</sup> No funding awarded in 2022-23 due to extension of funding from prior round.  
<sup>b</sup> As of December 30, 2023.

**Remaining Funds and Awards.** The administration is currently receiving applications for \$675 million in AHSC funds. It expected that award announcements will be made in August 2024. Going forward, this program will continue to receive 20 percent of the proceeds from the Greenhouse Gas Reduction Fund.



## HCD

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### CalHome

**Program Description.** The CalHome program provides grants to local public agencies and nonprofit corporations for first-time homebuyer and housing rehabilitation 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 2022-23 budget provided \$350 million General Fund for CalHome over two years. (The Governor’s 2024-25 budget proposes to reduce CalHome by \$152.5 million—\$102.5 million in 2022-23 and \$50 million in 2023-24).

**Awards and Units Assisted.**

- With \$311 million awarded since 2019-20, CalHome has assisted 3,700 households become or remain homeowners. Most of the funding (over 50 percent) was used for first-time home buyer mortgage assistance. Nearly 30 percent was used for assistance with owner-occupied rehabilitation.

**Remaining Funds and Awards.** There is currently about \$130 million in Proposition 46 (2002), Proposition 1 (2018), and Proposition 1C (2006) funding remaining for CalHome. Beginning in the summer of 2024, the administration will make \$90 million available for CalHome. Awards are expected to be announced in late 2024. Once the remaining \$130 million has been spent, there is no additional funding authorized for CalHome.



# HCD

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## Regional Early Action Planning Program 2.0 (REAP 2.0)

**Program Description.** REAP 2.0 is administered by HCD in collaboration with the Governor’s Office of Planning and Research, the Strategic Growth Council, and the California Air Resources Board. The program was established in 2022-23 with a \$600 million General Fund augmentation. REAP 2.0 is a flexible program that provides grants to local entities with the goal of accelerating infill housing development, reducing vehicle miles traveled, increasing housing supply at all affordability levels, and facilitating the implementation and adoption of regional and local housing plans to achieve these goals. The Governor’s 2024-25 budget proposes to reduce REAP 2.0 by \$300 million.

### **Awards and Units Assisted.**

- To date, \$536 million has been awarded to local governments for projects, but only 5 percent of funds have actually been requested for reimbursement. HCD anticipates a high volume of requests for reimbursements in the coming months. The current deadline for expenditure of the funding is June 30, 2026.
- Although more outcome information will be available after HCD submits its first annual report (likely by June of 2024), summary information on the types of projects underway is available. The projects range in size and approach and include such things as creating higher density housing near transportation and neighborhood services.

**Remaining Funds and Awards.** There is no other planned funding release for REAP 2.0.



## HCD

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### **Foreclosure Intervention Housing Preservation Program**

**Program Description.** The 2021-22 budget provided \$500 million one-time General Fund to HCD for the newly established Foreclosure Intervention Housing Preservation Program (the 2023-24 budget reduced this funding by \$15 million). The program provides loans and grants to preserve affordable housing and promote resident ownership or nonprofit organization ownership of homes at risk of foreclosure. Specifically, the program requires the preservation of units acquired through this funding for use as affordable housing. Funds are available through December 31, 2025. The Governor's 2024-25 budget proposes to further reduce the funding by \$247.5 million.

**Awards and Units Assisted.** The department has selected a fund manager and expects to be under contract in 2024. Once under contract, about \$226 million will be released to the fund manager for awards to qualified applicants.

**Remaining Funds and Awards.** Once all General Fund for the program has been awarded, no additional awards or funding will be available for this program.



## HCD Programs With Consolidated Application

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**Consolidated Applications for Some Programs.** Chapter 192 of 2020 (AB 434, Daly) made changes to streamline applications for four major multifamily housing program funds at HCD. These programs include:

- **Multifamily Housing Program (MHP).** In 2018, voters approved Proposition 1, authorizing the Veterans and Affordable Housing Bond Act. The MHP program received Proposition 1 bond funding for new construction, acquisition and rehabilitation of permanent or transitional rental housing, and the conversion of nonresidential structures to rental housing for low-income households. In addition to bond funding, the MHP program also received discretionary General Fund augmentations of \$425 million in 2022-23 and 2023-24. The Governor's 2024-25 budget proposes to reduce General Fund support for MHP by \$200 million.
- **Infill Infrastructure Grant (IIG) Program.** The IIG Program was created in 2007 within HCD to provide funding for infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Under the program, developers and local governments can partner to apply for infrastructure funding, including the development or rehabilitation of parks or open space; water, sewer, or other utility service improvements; streets; roads; sidewalks; and environmental remediation. Originally, bond funding was provided for the program through the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) and the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1). Since 2019-20, \$775 million General Fund has been provided for the IIG Program. The 2024-25 budget proposes a \$200 million General Fund reduction for IIG.
- **Joe Serna, Jr. Farmworker Housing Grant Program.** The Joe Serna, Jr. Farmworker Housing Grant Program helps finance the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower-income households. Although the program recently received augmentations of \$50 million General Fund in both 2021-22 and 2022-23, it has historically been supported through bond and Building Homes and Job Act (SB 2) funding. The Governor's 2024-25 budget includes a proposal to reduce the program by \$50 million General Fund.



## HCD Programs With Consolidated Application

(Continued)

- Veteran’s Housing and Homelessness Prevention Program (VHHP).** The VHHP program provides long term loans for the acquisition, construction, rehabilitation, and preservation of affordable multifamily housing for veterans and families. Although the program recently received \$50 million General Fund in fund in both 2022-23 and 2023-24, the program has historically been funded through Proposition 46 bond funding. The Governor’s 2024-25 budget proposes to reduce the program by \$50 million General Fund.

### **Awards and Units Assisted Since 2022-23.**

<b>Consolidated Multifamily Application Programs</b>	
(Dollars in Millions)	
	<b>2022-23 Amount Awarded</b>
Multifamily Housing Program	\$372
Infill Infrastructure Grant Program	192
Veterans Housing and Homelessness Prevention Program	75
Joe Serna Jr. Farmworker Housing Grant Program	42
<b>Total</b>	<b>\$681</b>
<b>Total Units Assisted</b>	<b>1,779</b>

### **Remaining Funds and Awards.**

- HCD is currently reviewing applications for the second round of funding made available under this consolidated application process. Awards for \$576 million in funding across the four programs are expected soon.
- It is our understanding from the administration that, after the current round of awards are provided, there will be about \$268 million remaining in a combination of Propositions 1C, 1, and 41, and General Fund remaining for these programs.





## AB 434 Programs Prior to Consolidation

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In this section, we provide historical information on funding awarded and units assisted for the four programs that are now part of the consolidated application process—and detailed in the prior section.

### Multifamily Housing Program

#### *Awards and Units Assisted.*

<b>Multifamily Housing Program<sup>a</sup></b>		
(In Millions)		
	<b>Amount Awarded</b>	<b>Units Assisted</b>
2018-19	\$259	1,706
2019-20	310	2,289
2020-21	206	1,251
2021-22	226	1,300
<b>Totals</b>	<b>\$1,001</b>	<b>6,546</b>

<sup>a</sup> Awards made and units assisted after 2021-22 are now part of the consolidated application process.

- Over 95 percent of the units assisted are at or below 60 percent of AMI.
- Of the total funds awarded over this period, 46 percent went to projects in Southern California, 37 percent went to projects in Northern California, and 17 percent went to projects in rural areas.

### Infill Infrastructure Grant Program

#### *Awards and Units Assisted.*

- \$567 million has been awarded for IIG between 2019-20 and 2022-23.
- IIG does not fund units, but is estimated to have supported the creation of 10,628 units between 2019-20 and 2022-23.

**Remaining Funds and Awards.** The administration is currently receiving applications for \$94 million in IIG funding for small jurisdictions (funding for large jurisdictions is provided through the consolidated application process described more fully earlier in this handout).



# AB 434 Programs Prior to Consolidation

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## Joe Serna Jr., Farmworker Housing Grant Program (Serna)

**Awards and Outcomes.** Between 2020- 2021 and 2021-22:

- \$272 million was awarded for Serna.
- This funding assisted in the creation or rehabilitation of 1,330 farmworker housing units and the construction of 50 homeownership units.

**Remaining Funds and Awards.** Although a portion of Serna that supports rental units is now awarded through the consolidated application process described above, the *homeownership* portion of Serna is expected to award \$24 million in late 2024. Ongoing funding for Serna is provided by revenue from SB 2.

## Veterans Housing and Homelessness Prevention (VHHP) Program

**Awards and Units Assisted.**

### Veteran’s Housing and Homelessness Prevention Program

(Dollars in Millions)

	Amount Awarded	Projects Assisted
2018-19	\$66	515
2019-20	78	421
2020-21	—	—
2021-22	125	542
<b>Totals</b>	<b>\$269</b>	<b>1,478</b>

- The administration indicates that between 2015 and 2021, this funding assisted with 3,058 VHHP units.
- Over 70 percent of the population served were individuals experiencing homelessness.



# CTCAC

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## 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. In recent years, the state has authorized several one-time expansions of the program—\$2.5 billion since 2020-21.

**Status and Preliminary Findings.** Since 2020, a total of \$1.99 billion in discretionary tax credits has been awarded to 227 projects. These projects are anticipated to contribute to the creation of 24,652 housing units, which are anticipated to house more than 74,000 people. A total of 3,372 units are complete (all 2020 awarded projects).

**Remaining Funding and Awards.** About \$500 million in discretionary tax credits is available in 2023-24. Applications for the credits are due April 23, 2024. The Governor’s budget does not propose additional discretionary tax credits in 2024-25, but does continue the ongoing statutory low-income tax credit of around \$100 million.

