

# SUBCOMMITTEE NO. 4

# Agenda



Senator Anna M. Caballero  
Senator Jim Nielsen  
Senator Sydney K. Kamlager

Wednesday, May 5, 2021  
1:00 p.m.  
State Capitol - Room 4203

Consultant: James Hacker

## PROPOSED FOR VOTE-ONLY

<u>Item</u>	<u>Department</u>	
<b>0650</b>	<b>Office of Planning and Research</b>	
Issue 1	Administrative Staffing	3
Issue 2	Just Transition Roadmap	3
Issue 3	Regional Climate Collaborative Program	4
<b>2240</b>	<b>Department of Housing and Community Development</b>	
Issue 4	Deferred Maintenance Allocation	4

## PROPOSED FOR DISCUSSION

<u>Item</u>	<u>Department</u>	
<b>Various</b>	<b>Senate Budget Plan on Homelessness and Affordable Housing</b>	
Issue 5	Senate Priority: Homelessness Package	5
Issue 6	Senate Priority: California Dream for All First Time Homebuyers Program	7
Issue 7	Senate Priority: Affordable Housing Package	9
<b>2240</b>	<b>Department of Housing and Community Development</b>	
Issue 8	Housing Law Assistance	11
Issue 9	Infill Infrastructure Program Proposition 1 Reallocation	12

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

## ISSUES PROPOSED FOR VOTE-ONLY

### 0650 OFFICE OF PLANNING AND RESEARCH (OPR)

#### Issue 1: Administrative Staffing

**Governor’s Budget.** The budget includes seven positions and \$1.1 million General Fund in 2021-22 and ongoing to address increasing workload and strengthen overall administrative operations of the Office of Planning and Research. This issue was first heard in subcommittee on February 17th.

**LAO Comments:**

*Positions for Human Resources and CEQA Clearinghouse are Justified.* OPR’s growth in staff and California Environmental Quality Act (CEQA) workload support the request for additional positions in these functions.

*Additional Capacity for Accounting, Budgeting, and Procurement Justified in Part.* The department has provided justification for some increase in the capacity for accounting and fiscal oversight given the increase in the number of contracts and grant programs. However, much of the accounting office’s workload does not scale with this growth. OPR requested a total of four additional positions across procurement, accounting and budgets. There are currently six staff across these related functions and a 67 percent increase is not justified. We recommend reducing this part of the request from four positions to two positions.

*Need for Additional External Affairs Staff Unclear.* OPR did not provide a strong justification for increasing the number of staff in its external affairs office.

**LAO Recommendation.** We recommend reducing this proposal to \$622,000 to fund increased personnel in the CEQA Clearinghouse and OPR’s cross-programmatic administrative functions.

**Staff Recommendation:** Approve \$622,000 to fund increased personnel in the CEQA Clearinghouse and OPR’s cross-programmatic administrative functions.

#### Issue 2: Just Transition Roadmap

The budget includes \$406,000 General Fund in 2021-22 and ongoing to develop and implement a Just Transition Roadmap as required by Executive Order (EO) N-79-20. The focus on equity and a resilient transition is commendable, as it recognizes the necessity of ensuring that all Californians benefit from the transition to a cleaner and more sustainable economy. This issue was first heard in subcommittee on February 17th.

**Staff Recommendation.** Approve as Budgeted.

### **Issue 3: Regional Climate Collaboratives Program**

The budget includes three positions and \$508,000 General Fund in 2021-22 and ongoing to continue establishing the Regional Climate Collaborative program. SB 1072 established a grant program to build and support Regional Climate Collaborative (RCC) Programs to support under-resourced communities in accessing state funding for climate mitigation and adaptation projects. SB 1072 also calls for the development of technical assistance guidelines, which compile best practices to maximize the effectiveness of technical assistance provided by state agencies, and requires at least two funding rounds over a 10-year timeline. The 2019 Budget Act included two-year funding for three positions at the Strategic Growth Council (SGC) to implement SB 1072. It is reasonable to make these positions permanent, as existing law requires OPR to facilitate two rounds of funding for SB 1072 in the next eight years.

**Staff Recommendation:** Approve as Budgeted.

## **2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD)**

### **Issue 4: Deferred Maintenance Allocation**

**Governor's Budget.** The budget includes a General Fund augmentation of \$10 million in fiscal year 2021-22 for deferred maintenance and repairs to address critical deficiencies at Office of Migrant Services (OMS) housing centers throughout the state. This proposal was first heard on February 17th.

HCD has identified \$15.3 million in critical repairs to the state OMS centers, and \$14.8 million in additional repairs. Given the state's strong fiscal position, critical repairs should be prioritized by increasing the requested appropriation from \$10 million to \$15.3 million. Action on the additional \$14.8 million should be considered as part of the May Revision.

**Staff Recommendation:** Approve \$15.3 million for critical repairs at state OMS centers.

## ISSUES PROPOSED FOR DISCUSSION

### SENATE BUDGET PLAN ON HOMELESSNESS AND AFFORDABLE HOUSING

#### Issue 5: Senate Priority: Homelessness Package

**Budget Proposal.** The Senate Budget includes \$20 billion over five years for a variety of programs designed to end the state’s homelessness crisis and reduce the number of homeless individuals in the state.

**Background.** Recent state budgets have provided local jurisdictions with historic levels of funding to address homelessness. Since 2018, the state has provided \$1.45 billion to local governments for the Homeless Emergency Aid Program and the Homeless Housing, Assistance and Prevention Program to support regional coordination and immediate homelessness challenges. These investments demonstrate California’s commitment to working collaboratively with local partners to mitigate this crisis.

Despite this, the state’s homeless population has remained stubbornly high. The 2019 Point in Time (PIT) count identified 151,278 homeless individuals on a single night across the state. Over the course of 2020, the state’s 44 Continuums of Care served 248,130 homeless individuals.

**Staff Comments.** The state’s current fiscal forecasts suggest that the state can afford a significant investment in combating homelessness with the goal of ending the crisis and significantly decreasing the number of Californians experiencing homelessness.

The Senate has proposed a five year, \$20 billion dollar investment in this issue, with a focus on supporting local governments, helping individuals transition from homelessness to permanent housing, and creating new housing units for homeless individuals. This investment includes:

- Funding acquisition/rehab of multi-family, motels, board & care, more to convert to permanent housing for homeless very low income Californians.
- Funding local efforts to reduce homelessness, with strong accountability measures. This includes multi-year support for local governments to provide transition services for those experiencing homelessness to exit to permanent housing.
- Providing “first and last month” rental assistance to remove a key barrier for those experiencing homelessness to move back into permanent housing.
- Providing multi-year flexible funding for homelessness programs that serve populations that are served by programs such as Adult Protective Services, SSI/SSP, CalWORKs, Child Welfare Services, and Foster Care to direct funds to specific, local needs.

Given the size and scope of this investment, action should be taken on this proposal as part of the May Revision, to allow for a more complete review of the state's fiscal situation.

**Staff Recommendation:** Hold Open.

**Issue 6: Senate Priority: California Dream for All First Time Homebuyer's Program**

**Proposal.** The Senate proposes language to direct the State Treasurer and the Administration to develop a first time homebuyers program in detail and present it back to the Legislature to be implemented through statute in 2022.

**Background.** The wealth gap – particularly among racial minorities – is a growing problem throughout the country and here in California. Generation after generation, those with wealth have gotten wealthier, and those without have fallen further behind. As has been the case so often throughout the nation's history, this has been made worse by racial barriers, such as redlining, constructed to hold communities back.

Historically, the first step to reaching the California dream of thriving in the middle class and building family wealth starts with homeownership. But taking that first step is even more challenging as the cost of California homes has grown higher and higher. This is reflected in declining levels of homeownership, which are currently at the lowest level since the 1940s.

**Staff Comments.** The California Dream For All first time homebuyer program aims to address historical and economic barriers to homeownership with a new way for Californians to buy a first home and get a foothold in the middle class and to begin to build family wealth. The California Dream For All program would allow Californians to purchase a first home with a “silent partner,” therefore reducing the cost for the homebuyer. This would work as follows:

- A state sponsored corporation would establish a new revolving fund, called the California Dream Fund (Fund), which would be infused with a one-time deposit of available state or federal funds.
- Eligible first-time homebuyers would “partner” with the Fund in purchasing eligible homes. The Fund would serve as a “silent partner” and own a minority share of up to 45 percent of the house. This enables a \$400,000 home to be essentially purchased for a more affordable price of \$220,000, with the Fund purchasing the other \$180,000 share.
- Eligibility for the homebuyer would be based on income levels. Eligibility of homes would be based on the home price. Sliding scales could be established to avoid any “cliff effects” on eligibility. The eligibility requirements for incomes and home prices would differ by region to reflect the reality that incomes and home prices differ dramatically throughout California.
- Specific outreach efforts to target benefits of the California Dream For All program would be made to underrepresented homeownership communities, those that have still not returned to homeownership after losing homes in the Great Recession, and those with high student debts.

- Shares of the Fund would be sold to investors, and the revenues generated by the sale of shares would then be used to partner with additional homebuyers. As the value of the homes partially owned by the Fund increases, the value of the Fund also increases.
- The Fund, and therefore the investors, would not receive any rent payments, so the investment is tied only to the value of the homes.
- The homebuyer would be responsible for 100 percent of home maintenance, property taxes, insurance requirements, and any other similar costs.
- As with any first home, homebuyers can use the equity growth from their share of the property to “move-up” in their next home, or stay in that home as long as they would like, and even pass on their home and their ownership share to heirs.

The state’s strong fiscal position creates an opportunity to provide long-term and transformative solutions to the state’s housing affordability crisis. Given the potential size and scope of this investment, action should be taken on this proposal as part of the May Revision, to allow for a more complete review of the state’s fiscal situation.

**Staff Recommendation:** Hold Open.



**Issue 7: Senate Priority: Affordable Housing Package**

**Proposal.** The Senate budget proposes several investments into the further creation and preservation of affordable housing.

**Background.** California is in the midst of a serious housing crisis. Homeownership rates in the state have fallen to the lowest rate since the 1940s. As of April 2021, by some measures California is home to seven of the ten most expensive rental housing markets in the country, which has had a disproportionate impact on the middle class and the working poor. The lack of affordable housing increases economic insecurity among California families and creates challenges for companies seeking to recruit and retain workers.

**Staff Comments.** Specifically, the Senate proposes to fund innovative approaches to expanding and preserving affordable housing, such as:

- Establishing financing tools for Accessory Dwelling Unit construction to produce more affordable units, provide wealth building opportunities for low and moderate-income homeowners, and benefit historically disadvantaged communities.
- Providing incentives to convert vacant or underused commercial and retail space into affordable housing.
- Assisting local governments, nonprofits, or other qualified buyers acquire foreclosed homes to be used for housing.
- Provide emergency grants to low-income homeowners to avoid foreclosure.
- Bring tax fairness and relief for renters by reforming and expanding the Renters Tax Credit.
- Incentivize Earthquake Retrofit with federal 75 percent match funds.

Given the ongoing issue of housing affordability in the state, and the state's strong fiscal footing, a large investment in housing affordability is appropriate. However, action on this proposal should occur as part of the May Revision, to allow for a more complete review of the state's fiscal situation.

**Staff Recommendation:** Hold Open.

## 2240 CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The Department of Housing and Community Development's (HCD's) mission is to preserve and expand safe and affordable housing opportunities and promote strong communities for all Californians 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 agencies to support community development.

The California Housing Finance Agency's (CalHFA) mission is to create and finance progressive housing solutions so more Californians have a place to call home. The agency is financially self-supporting, setting loan interest rates slightly above its costs and charging fees to cover investments related to bond proceeds. Since 2013, pursuant to the Governor's Reorganization Plan No. 2 of 2012, CalHFA has been displayed within HCD's budget and reports to the Business, Consumer Services, and Housing Agency.

**Governor's Budget:** The 2021-22 budget provides roughly \$2.3 billion to support 962.5 positions. This is an increase of roughly 40 positions but a decrease of roughly \$2.9 billion - largely due to the expenditure of one-time federal resources in 2020-21.

### EXPENDITURES BY PROGRAM

Provides expenditures by each budgeted program area for the past, current, and budget years.

Code	Program	Actual 2019-20*	Estimated 2020-21*	Proposed 2021-22*
1660	Codes and Standards Program	\$37,198	\$39,308	\$40,705
1665	Financial Assistance Program	\$2,713,184	\$5,037,273	\$2,164,454
1670	Housing Policy Development Program	\$275,463	\$33,666	\$31,949
1675	California Housing Finance Agency	\$33,852	\$36,149	\$37,892
1680	Loan Repayments Program	\$-1,944	\$-1,944	\$-1,944
1685	HPD Distributed Administration	\$-178	\$-179	\$-180
9900100	Administration	\$25,768	\$27,205	\$28,938
9900200	Administration - Distributed	\$-25,768	\$-27,205	\$-28,938
<b>Total Expenditures (All Programs)</b>		<b>\$3,057,575</b>	<b>\$5,144,273</b>	<b>\$2,272,876</b>

### POSITIONS BY PROGRAM

Provides positions data (expressed as full-time equivalents) by each budgeted program area for the past, current, and budget years.

Code	Program	Actual 2019-20*	Estimated 2020-21*	Proposed 2021-22*
1660	Codes and Standards Program	173.7	179.4	179.4
1665	Financial Assistance Program	308.2	350.2	369.7
1670	Housing Policy Development Program	53.1	57.0	69.0
1675	California Housing Finance Agency	182.7	223.2	223.2
1680	Loan Repayments Program	-	-	-
1685	HPD Distributed Administration	-	-	-
9900100	Administration	106.8	114.2	121.2
9900200	Administration - Distributed	-	-	-
<b>Total Positions (All Programs)</b>		<b>824.5</b>	<b>924.0</b>	<b>962.5</b>

**Issue 8: Housing Law Assistance**

**Governor’s Budget.** The budget includes \$4.3 million in General Fund resources for state operations and 16 positions in 2021-22, \$3.8 million in state operations for 16 positions in 2022-23 and ongoing to assist local jurisdictions in housing element and housing law compliance. This request was first heard on February 17th.

**Background.** In 2017, several bills were enacted, including AB 72 (Santiago and Chiu), Chapter 370, Statutes of 2017, which clarified and strengthened existing laws, and increased HCD’s accountability and enforcement authority to review any action or inaction by a local government that HCD determines is inconsistent with state housing element laws or the local jurisdiction’s own adopted housing element. During its review, HCD may consult with any local government, agency, group, or person. HCD may revoke housing element compliance if the local government’s actions do not align with state law. Further, HCD may notify the California Office of the Attorney General (AG) that the local jurisdiction is in violation for non-compliance with: 1) housing element law, 2) the Housing Accountability Act, 3) “no net loss” law, 4) density bonus law, and/or 5) anti-discrimination law. The Legislature previously authorized an Attorney position to enforce AB 72. However, the volume of non-compliance and complaints and enforcement responsibilities is continuing to grow at a steady rate.

**Staff Comments.** Given the ongoing housing crisis in the state, and HCD’s central role in addressing it, providing additional resources for technical assistance, investigation, and enforcement of state housing laws is generally reasonable. As this request does not include any expansion of HCD’s existing enforcement authority, HCD has indicated that the proposed resources would focus on technical assistance and education - working with jurisdictions, developers, and other stakeholders to identify issues and resolve them before enforcement action is necessary. Given this intent, the requested resources are reasonable to aid in the implementation of existing state law.

**Staff Recommendation.** Approve as budgeted.

**Issue 9: Infill Infrastructure Program Proposition 1 Reallocation**

**Governor's Budget.** The budget includes an April Finance Letter that requests a reappropriation of \$160 million in Veterans and Affordable Housing Bond Act of 2019 (Proposition 1) funds for the IIG originally appropriated in the 2020 Budget Act to extend the encumbrance period from June 30, 2021 to June 30, 2022. The April Finance Letter includes an additional \$124.1 million in Proposition 1 funds for 2021-22 for IIG with an encumbrance period through June 30, 2023 and a liquidation date of June 30, 2026.

**Background.** The IIG program was originally funded through an \$850 million allocation of Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) bonds which have been fully awarded. In 2018, the IIG program received an additional \$300 million allocation of bonds through Proposition 1. After setting aside funds for state operations, \$284.1 million is available for awards to qualifying infill areas and projects. The 2020 Budget Act appropriated \$160 million of Proposition 1 for the IIG program with an encumbrance period of June 30, 2021, leaving \$124.1 million available for future appropriations. While HCD planned to award the \$160 million in 2020-21, there was a delay to allow HCD to coordinate housing funds across multiple state housing entities. This pause provided an opportunity for HCD to evaluate its IIG program guidelines to align with other key housing program regulations.

**Staff Comments.** The IIG program is an important program to help spur the development of housing in infill areas. The requested appropriation is bond-funded, and is consistent with the requirements of Proposition 1C. Additionally, HCD has indicated that the \$284.1 million in Proposition 1 funding requested here will be awarded in two funding rounds. Based on historical trends, HCD estimates that this funding could potentially fund 55 parcels with roughly 4,460 housing units. Historically, HCD expects housing to be built within two to three years from award for qualified infill areas. For qualified areawide infrastructure projects, it may take five years before housing units are built.

Additionally, the Administration recently proposed a \$500 million General Fund augmentation to the IIG program as part of the January budget. After setting aside funds for state operations, \$475 million is available for awards to qualifying infill areas and projects. The Administration proposes \$237.5 million be authorized for 2020-21, with the remaining \$237.5 million authorized for 2021-22, with a focus on remediation. This proposal was discussed on February 17th.

However, the opportunity for additional action on the 2020-21 has passed. As such, it is unclear how the January proposal for \$500 million in General Fund resources for the IIG will interact with this proposal, and what it means for IIG program funding over the next year. Action on these proposals should be taken as part of the May Revision, to get a better sense of the state's fiscal position and how these proposals will interact with one another.

**Staff Recommendation:** Hold Open.