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*Senate Budget and Fiscal Review—Holly J. Mitchell, Chair*

## **SUBCOMMITTEE NO. 4**

### **Agenda**

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**Senator Anna M. Caballero (Chair)**

**Senator Maria Elena Durazo**

**Senator Jim Nielsen**



*Part B*

## *Housing and Homelessness*

**Thursday, May 21, 2020**  
**State Capitol - Room 4203**

Consultant: James Hacker

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**Vote - Only Calendar for Budget Proposals from Governor's January Budget**

<b>Issue</b>	<b>Entity</b>	<b>Department</b>	<b>Subject</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Positions</b>	<b>Staff Comments</b>	<b>Staff Recommendation</b>
1	0515	Business, Consumer Services, and Housing Agency	Homeless Housing, Assistance and Prevention Program Position Authority	0	0	3.0	Codifies the administrative creation of three positions to oversee the implementation of the HHAPP program.	Approve as Budgeted
2	0515	Business, Consumer Services, and Housing Agency	Technical Adjustment to Shift Funding from Funds 0067 and 0298 to New Fund 3363	0	0	0.0	Technical adjustments within the Agency budget.	Approve as Budgeted
3	2240	Department of Housing and Community Development	Federal Community Development Block Grant Program- Disaster Recovery Grant Adjustment	--	87,543,000	1.0	Provides necessary expenditure authority for the distribution of the 2017 Community Development Block Grant – Disaster Relief (CDBG-DR) funds for	Approve as Budgeted

							disaster preparedness and mitigation needs.	
4	2240	Department of Housing and Community Development	Transit - Oriented Development Program Alignment	-	53,146,000	0	Shifts out-year funding for the Transit-Oriented Development program forward into 20-21 and 21-22.	Approve as Budgeted
5	2240	Department of Housing and Community Development	Employee Housing-Field Inspections	--	356,000	2.0	Provides \$356,000 in 2020-21 and \$319,000 ongoing in reimbursement authority to fund 2.0 positions to address the increasing workload related to the inspection of Employee Housing facilities.	Approve as Budgeted

6	2240	Department of Housing and Community Development	Long-Term Monitoring and Compliance Resolution Workload	--	1,541,000	8.0	Provides a mix of state resources and Reimbursement authority to provide long-term monitoring and compliance resolution of affordable housing projects	Approve as Budgeted
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**Vote-Only Calendar for Proposals Withdrawn from the January Budget**

<b>Issue</b>	<b>Entity</b>	<b>Department</b>	<b>Subject</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Positions</b>	<b>Staff Comments</b>	<b>Staff Recommendation</b>
7	2240	Department of Housing and Community Development	Housing Production Technical Assistance	-10,000,000	--	--	The budget included \$10,000,000 per year for three years to provide technical assistance to local governments to help them develop new housing projects. While laudable, this program was not defined and its benefit was uncertain.	Approve the withdrawal of this proposal.

8	2240	Department of Housing and Community Development	Multifamily Housing Program Clean-Up	--	0	--	This trailer bill language is replaced by new language discussed below.	Approve the withdrawal of this trailer bill language.
9	2240	Department of Housing and Community Development	Foster Care Transitional Housing Extension	--	--	--	This is a language change that effectively eliminates out year funding for the Foster Care Transitional Housing program. The budget still provides \$8 million in 2020-21 and \$4 million in 2021-22.	Hold this item open for later consideration.

**Vote -Only Calendar for Modifications to the Governor’s Budget Proposals from January**

<b>Issue</b>	<b>Entity</b>	<b>Department</b>	<b>Subject</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Positions</b>	<b>Staff Comments</b>	<b>Staff Recommendation</b>
10	2240	Department of Housing and Community Development	Workload Resources (Various Legislation)	-524,000	--	--	The January budget included a General Fund augmentation of \$5.06 million for 22.0 positions in 2020-21. This proposal would reduce this item by \$524,000 related to operating the Register Your Mobilehome Program until December 2020 under Chapter 148, Statutes of 2019 (AB 173). This six-month workload can likely be absorbed with current resources.	Approve modification of the January proposal.

**Vote -Only Calendar for New Administration Proposals Introduced in May**

<b>Issue</b>	<b>Entity</b>	<b>Department</b>	<b>Subject</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Positions</b>	<b>Staff Comments</b>	<b>Staff Recommendation</b>
11	0515	Business, Consumer Services, and Housing Agency	Homeless Coordinating and Financing Council Resources	1,521,000	0	10.0	The requested positions would allow HCFC to expand from the current ad hoc approach to homeless policy and build capacity to coordinate statewide policy implementation and regional coordination of homeless efforts.	Approve as Budgeted
12	0515	Business, Consumer Services, and Housing Agency	Homelessness Program Transfer from 0260 to 0265	0	0	0.0	Technical adjustment to properly budget for the Council's activities.	Approve as Budgeted
13	0515	Business, Consumer Services, and Housing Agency	TBL for the Homeless Data Integration System	0	0	0.0	Allows HCFC to collect certain health care information for the Homeless Data Integration	Approve the requested trailer bill language



							Project from local partners.	
14	2240	Department of Housing and Community Development	CDBG-DR Unmet Need	--	1,055,456,000	--	Expands HCD's federal obligation authority to utilize federal CDBG-DR funds for both the 2017 and 2018 wildfires.	Approve as Budgeted
15	2240	Department of Housing and Community Development	Federal Fund Budget Authority Augmentation	--	56,665,000	--	This proposal provides additional federal authority to allow the department to expend disencumbered funds from prior year allocations.	Approve as Budgeted
16	2240	Department of Housing and Community Development	Transit - Oriented Development Program Acceleration	--	50,916,000	--	This proposal pairs with the January proposal and allows the department to accelerate the Transit Oriented Development program into a single year.	Approve as Budgeted

17	2240	Department of Housing and Community Development	COVID-19 CARES Act Augmentation for Housing and Homelessness	--	1,223,000	--	This technical request provides federal authority for the remaining state operations funds received to allow HCD to continue monitoring CARES Act funding through CDBG.	Approve as Budgeted
18	2240	Department of Housing and Community Development	Mobilehome Park Purchase Fund Loan	15,000,000	-15,000,000	--	Loan to the General Fund, to be repaid at the discretion of the Department of Finance.	Approve as Budgeted
19	2240	Department of Housing and Community Development	Rental Housing Construction Fund Loan	3,000,000	-3,000,000	--	Loan to the General Fund, to be repaid at the discretion of the Department of Finance.	Approve as Budgeted
20	2240	Department of Housing and Community Development	Predevelopment Loan Fund Loan	1,500,000	-1,500,000	--	Loan to the General Fund, to be repaid at the discretion of the Department of Finance.	Approve as Budgeted

21	2240	Department of Housing and Community Development	Emergency Housing and Assistance Fund Loan	1,000,000	-1,000,000	--	Loan to the General Fund, to be repaid at the discretion of the Department of Finance.	Approve as Budgeted
22	2240	Department of Housing and Community Development	Planning Grants Encumbrance and Liquidation Extension	0	--	--	Technical adjustment to extend the period over which local governments can expend planning grants provided in recent years.	Approve as Budgeted
23	2240	Department of Housing and Community Development	Housing Rehabilitation Loan Fund Transfer	-95,000,000-	0	--	Provides for a \$95 million transfer from the CRLF to the General Fund. Requires trailer bill language.	Approve as Budgeted. Approve placeholder trailer bill language.
24	2240	Department of Housing and Community Development	Transit-Oriented Development Account Transfer	-19,900,000	0	--	Provides for a \$19.9 million transfer from the TODA to the General Fund. Requires trailer bill language.	Approve as budgeted. Approve placeholder trailer bill language.
25	2240	Department of Housing and Community Development	HOME Accelerator	0	--	--	Makes technical conforming changes related to local planning grants, allows	Hold Open pending more information.

							certain alternative sites to be included in the regional housing needs allocation, waives special occupancy park requirements for certain emergency parks, and permit certain state housing development on excess sites.	
26	2240	Department of Housing and Community Development	Housing Navigator Early Reversion	-5,000,000	0		This amount remains unallocated from 2019-20 for housing navigators for young adults.	Reject this proposal for inclusion in the June budget package and defer deliberation for a later date.

## Issues for Discussion

**BU 2240 / BU 8860 DEPARTMENT OF HOUSING AND COMMUNITY  
DEVELOPMENT / DEPARTMENT OF FINANCE**

### **Issue 27: Housing and Homelessness Proposals**

**Request.** Specifically, the May Revision includes Control Section 11.90, which the Administration intends to use to allocate roughly \$2.5 billion from the state's share of the federal Coronavirus Relief Fund (CRF) for broad housing and homelessness related purposes in the context of COVID-19. This control section will be used to allocate other CRF funds as well, and is discussed in more detail later in this agenda.

**Background.** The Administration has indicated that the funds will be allocated as follows:

1. \$750 million in CRF funding for acquiring hotels, motels, and other properties for homeless housing, including:
  - \$150 million in General Fund backfill for the \$150 million provided by the state in March.
  - \$600 million to support acquisition and conversion of hotels, motels, and other properties for permanent housing.
2. \$1.75 billion in CRF funding for direct aid to locals. This includes:
  - Allocation of Supplemental County Funds: (\$1.289 billion)
    - 50% (\$645 million) to 42 counties with population below 500,000 based on share of population
      - Awards range from \$115,000 to \$50 million
    - 50% (\$645 million) to counties with population over 500,000 of which:
      - 45% (\$290 million) divided among five counties who received direct allocations from the federal government for large cities

- 55% (\$354 million) divided among 11 large counties whose cities did not receive a direct allocation
- Awards range from \$12 million to \$163 million
- Allocation of Supplemental City Funds: (\$450 million)
  - Excludes five cities with population greater than 500,000 that received direct allocations from the federal government
  - 50% to seven cities with population 300,000 - 500,000 (\$225 million); share of population
    - Funds will be allocated directly
  - 50% to cities with population under 300,000 (\$225 million); share of population
    - Funds will be allocated to these cities through counties where they are located.

**Staff Comments.** By Federal law all CRF funds must be spent by the end of the calendar year. This limits the ability to provide ongoing support to local housing and homelessness programs through this approach, and raises questions about the ability of the state to acquire \$600 million in properties in a six month time period.

Additionally, these funds are not limited to combating homelessness. The Administration has indicated that \$1.75 billion in local aid could be used on a wide variety of purposes, including homelessness, public safety, and public health, as long as it is connected to the broader response to the coronavirus pandemic. While there is no reason to not spend these funds, they should be viewed as more general aid to local governments rather than specific funding for homelessness.

Lastly, as proposed, the use of these funds would be at the discretion of the Department of Finance, with minimal oversight or accountability from the Legislature. This sidesteps existing structures that already exist for the management of federal funds, including Control Section 28.00, and raises delegation of authority issues. This issue will be discussed later in this agenda.

**Staff Recommendation:** Hold Open.

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**BU 2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT****Issue 28: National Mortgage Settlement**

**Request.** The May Revision includes trailer bill language related to the National Mortgage Settlement Special Deposit Fund. Specifically, the trailer bill would allocate the \$331 million balance of the fund in the budget year.

**Background.** A 2019 court order required California to return \$331 million from the General Fund to the National Mortgage Special Deposit Fund to comply with the terms of the 2012 National Mortgage Settlement. The 2019-20 Budget included trailer bill language stating the Legislature's intent to establish a trust for the funds to provide ongoing mortgage relief, housing counseling, and tenant legal aid, consistent with the terms of the settlement.

**Staff Comments.** The trailer bill language proposes that the National Mortgage Settlement funds be allocated as follows:

- \$300 million for the California Housing Finance Agency for HUD-certified housing counseling services and mortgage assistance for qualified California households.
- \$31 million for the Judicial Counsel to provide grants through the Equal Access Program for legal aid for renters and homeowners.

Given the current fiscal situation, it is prudent to put the full balance of the National Mortgage Settlement funds to work, rather than creating a trust that may only provide a portion of these funds in any given year. However, the proposed trailer bill language lacks detail on how the various programs will be managed, who will qualify, and how funds will be distributed. These details should be clarified before the trailer bill language is finalized.

**Staff Recommendation.** Hold Open.

**Issue 29: Housing Reversions**

**Request.** The May Revision includes a number of early reversions of previously-authorized housing appropriations, specifically from funds provided for low and moderate income housing production and infill infrastructure.

**Background.** AB 101 (Committee on Budget), Chapter 159, Statutes of 2019, provided \$500 million over four years to the California Housing Finance Agency for the production of low and moderate income housing, including \$200 million in 2019-20 and \$95 million in 2020-21. This funding was intended to support mixed-income housing developments. AB 101 additionally provided \$500 million for the Infill Infrastructure Grant (IIG) Program of 2019, which provides funding for housing-related infrastructure projects in infill areas. This program is intended to support the development of additional housing by providing for the construction, rehabilitation, demolition, relocation, preservation, and acquisition of infrastructure that supports the development of housing.

**Staff Comments.** The Administration has indicated that these reversions cover the unencumbered balance of the IIG program, worth roughly \$203 million, \$45 million of the budget year allocation of the low and moderate housing funding, and the remainder of the out year low and moderate income housing budget allocation totaling roughly \$205 million.

While these reversions are clearly beneficial to the General Fund, the chosen programs are legislative priorities and play an important role in supporting the development of additional housing - something of crucial importance to the state given the lack of affordable housing. The Legislature should balance these two priorities - General Fund support during an economic downturn versus supporting housing development - as it considers the overall budget architecture. In doing so, the Legislature may want to consider what investments would not be made, and which projects would not be developed, if these funds are reverted as proposed.

**Staff Recommendation.** Hold Open.



**Issue 30: AB 1783 Clean Up**

**Request.** The May Revision includes trailer bill language modifying the implementation of AB 1783 (Rivas), Chapter 866, Statutes of 2019.

**Background.** AB 1783 created a streamlined, ministerial approval process for agricultural employee housing, as specified. The bill also prohibits specified state housing funds from being utilized for constructing housing for H-2A workers (nonimmigrant agricultural workers). It also established that predevelopment of, developing, or operating of any housing for farmworkers holding federal H-2A visas shall be ineligible for state funding. It also requires the Department of Housing and Community Development (HCD) to establish an application and review process for certifying that an organization is an affordable housing organization qualified to operate agricultural employee housing.

**Staff Comments.** The Administration has proposed trailer bill language to clarify when the streamlined approval process could be applied, as well as to clarify HCD's regulatory role and the processes the department is to follow in acting in a regulatory capacity.

**Staff Recommendation.** Hold Open.