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CALIFORNIA STATE SENATE

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Agenda

February 6, 2023

10:00 a.m. – 1021 O Street, Room 1200

Review of Housing and Homelessness Programs in California

I. Overview of the Availability of Affordable Housing and the State of Homelessness in California

Panelist:

- Lourdes Morales, Legislative Analyst's Office

II. Investments to Reduce Homelessness

Panelists:

- Lourdes Morales, Legislative Analyst's Office
- Dhakshike Wickrema, Deputy Secretary for Homelessness, Business, Consumer Services, and Housing Agency
- Zachary Olmstead, Chief Deputy Director of the California Department of Housing and Community Development
- Dr. Mark Ghaly, Secretary, California Health and Human Services Agency

III. Investments in Affordable Housing

Panelists:

- Lourdes Morales, Legislative Analyst's Office
- Zachary Olmstead, Chief Deputy Director of the California Department of Housing and Community Development
- Francesc R. Martí, Director of Policy, Strategy and Legislative Affairs, California Housing Finance Agency
- Doug Shoemaker, President of Mercy Housing California

Informational Hearing

Review of Housing and Homelessness Programs in California

BACKGROUND

For decades, and for a variety of reasons, too little housing has been built to accommodate all those who wish to live in California. This lack of home building has contributed to a rapid rise in housing costs. According to the Statewide Housing Plan, in order to meet statewide housing needs, the state needs to plan for more than 2.5 million homes over the next eight year Housing Element cycle (2023-2031). A little over one million units are required to meet the needs of lower-income households. The state Department of Housing and Community Development (HCD) estimates 220,000 new units of housing are needed annually merely to keep up with population growth, however the state has consistently failed to meet that goal. For example, only 119,000 new housing units were permitted in 2021. The diminishing ability of California residents to find affordable housing that provides stability and supports quality of life spans income levels and undermines the vitality of both state and regional economies.

While California's median income has just recently surpassed pre-recession levels, median rent has continued to rise. Almost three million households (50 percent) of California's close to six million renter households are lower-income. Statewide, half of all renters are rent-burdened, meaning more than 30 percent of their income goes to housing, and nearly a third of all renters are severely rent-burdened, with more than half of their income going to housing. 78 percent of extremely low-income (ELI) renter households are paying more than half of their income on housing costs compared to six percent of moderate-income renter households. Over 65 percent of low-income renters in the state are rent-burdened. According to analysis by the National Low Income Housing Coalition, California has only 23 affordable and available rental homes for every 100 extremely low-income households. Affordability in this case means total housing costs are at or below 30 percent of area median income. In other words, the state is short more than a million rental units that are affordable and available to extremely low-income Californians.

On the lower end of the income scale, or for those who are otherwise vulnerable, the housing crisis drives and overlaps with a crisis in homelessness. Homelessness in California pervades both urban and rural communities across the state and puts stress on local resources, from emergency rooms to mental health and social services programs to jails. The 2022 Point in Time (PIT) count, a one-time snapshot of homelessness in the state, showed an increase of at least 22,000 over the last two years, to 173,800 homeless individuals across the state. Nearly 70 percent of these individuals were unsheltered. While certain populations, including veterans, families, and unaccompanied youth, often face higher rates of homelessness compared to the population at large, the conditions and circumstances of homelessness can vary for each of these groups, as can the services and supports that are most useful to them.

The state's lack of affordable housing has complicated efforts to respond to the state's homelessness crisis. Households are more likely to fall into homelessness due to an unforeseen expense, such as unexpected medical bills, if they are extremely rent-burdened. At the same time, it is difficult to find available, affordable housing for such households if there is a serious shortage of affordable housing. Put another way, individuals who fall into homelessness are likely to stay homeless, or regularly cycle between being housed and homeless, unless there is affordable housing readily available.

Homelessness is indeed a housing problem, first and foremost, but the homeless population often has a range of issues to overcome, which may include mental illness, drug abuse, and domestic abuse. These issues often interfere with the ability of homeless individuals to get and stay housed, and require specific policies and services to address. As such, solving homelessness requires a broad spectrum of solutions in addition to building more affordable housing units.

A wide range of investments have been made in recent years to target the needs of homeless individuals, support local communities in reducing homelessness, increase the number and types of shelter solutions available (short and long-term), and increase the state's affordable housing stock. As the state moves into a post-pandemic period and needs to balance new and ongoing investments into these areas, the Legislature may wish to review the variety of programs and investments made over the past several year to determine whether intended outcomes are likely to be achieved, and whether future changes or investment is warranted.

I. HOMELESSNESS BACKGROUND

Most of the work of combating homelessness is done at the local level - with cities, counties, and federally-identified Continuums of Care, a regional or local planning body that coordinates housing and services funding for homeless families and individuals. There are 44 continuums of care in California. Historically, the state's involvement has been fairly limited - both in terms of policy direction and in terms of budgetary resources.

However, this has changed in recent years with the increase in visibility and impacts of the state's homeless crisis. The state has created several funding programs to provide flexible financial aid to local jurisdictions for combating homelessness, including the Homeless Emergency Aid Program (HEAP) and Homeless Housing, Assistance, and Prevention Program (HHAPP, which replaced HEAP in 2019). The state has also created and funded programs aimed at aiding specific homeless populations, including populations in encampments, victims of domestic violence, and homeless youth. Lastly, the state has allocated funding to programs intended to either pay for housing for homeless individuals, such as the pandemic-driven Project Roomkey, or for the acquisition of new housing for homeless individuals, such as Project Homekey. There has also been an increasing recognition of the role social service programs play in combating homelessness, leading to an increase in the use of these funds for homeless populations. This variety of programs recognizes the reality that homelessness is a complex problem with many causes, and with a variety of solutions - though the continued housing affordability crisis remains a primary driver.

Homeless Program Spending Across Various Agencies. The state has made major investments in combating homelessness over the last several years over various departments:

The 2019-20 budget included \$650 million in one-time funding via HHAPP to cities, counties, and Continuums of Care (COCs) to help them combat homelessness, as well as a variety of investments in affordable housing.

The 2020-21 budget included \$300 million in General Fund resources for HHAPP, as well as nearly \$1.8 billion in federal funds for cities and counties to homelessness, public safety, and public health issues related to the COVID-19 pandemic.

The 2021-22 budget represented a large increase in the depth and breadth of the state's investments in combating homelessness. Specifically, the 2021-22 budget included \$7.3 billion in 2021-22, and \$11.9 billion through 2022-23, in investments to combat homelessness statewide. These include:

- \$1.45 billion in 2021-22 and \$1.3 billion in 2022-23 for additional investments through the Department of Housing and Community Development's (HCD) Project Homekey.
- \$1 billion in 2021-22 for flexible aid to local governments through the Homeless Housing, Assistance, and Prevention Program (HHAPP) through the Business, Consumer Services, and Housing Agency.
- \$5 million for Foster Youth Navigators through California Office of Emergency Services (CalOES).
- \$8 million for the Transitional Housing Program through HCD.
- \$2 million per year for additional staff resources at the Homeless Coordinating and Financing Council (HCFC).
- \$5.6 million through HCFC for a comprehensive statewide homeless landscape assessment.
- \$50.3 million through HCFC for Homeless Encampment Resolution Grants.
- \$40 million through HCFC for a new Family Homelessness Challenge Grant program.
- \$1.2 million over two years through CalOES for a Youth Emergency Telephone Network.
- \$805 million over two years for the Department of Social Services (DSS) to administer a Community Care Expansion program.
- \$190 million per year for two years for the CalWORKs Housing Support Program.
- \$150 million per year for two years for the Housing and Disability Advocacy Program.
- \$92.5 million per year for two years for the Bringing Families Home program at DSS.
- \$92.5 million per year for two years for the Home Safe program at DSS.
- \$150 million in 2021-22 to wind down Project Roomkey.
- \$1.005 billion in 2021-22 through the Department of Health Care Services (DHCS) for the Behavioral Health Continuum Infrastructure program.
- \$8.8 million in 2021-22 through DHCS for the Project for Assistance in the Transition from Homelessness.
- \$25 million in 2021-22 for Supportive Services for Formerly Homeless Veterans, administered through California Department of Veterans Affairs (CalVet).
- \$20 million in 2021-22 for the West LA Medical Center, administered through CalVet.
- \$2.7 million per year for two years for Encampment Relocation and Homeless Services Liaisons at California Department of Transportation (Caltrans).
- \$45.6 million in 2021-22 for hazardous material removal services at homeless encampments, administered through Caltrans.
- Funding for student hunger and homelessness throughout California universities, including:
 - \$100 million per year for two years at California Community Colleges.
 - \$15 million per year for two years in the California State University system.
 - \$15 million per year for two years in the University of California system.
- Funding for student rapid rehousing through California universities, including:
 - \$9 million per year for two years for the California Community Colleges.
 - \$6.5 million per year for two years for the California State University system.
 - \$3.5 million per year for two years for the University of California system.

The 2022-23 budget included additional investment to combat homelessness statewide, including but not limited to:

- \$300 million in 2022-23 and \$400 million in 2023-24 for Encampment Resolution grants, to help local governments with resolving critical encampments and transitioning individuals into permanent housing.
- An additional \$1 billion in 2023-24 for the Homeless Housing, Assistance, and Prevention Program (HHAPP).

California Interagency Council on Homelessness (Cal ICH). The Cal ICH was created, first in 2017 and updated in 2021, to increase coordination among state agencies, identify resources to prevent homelessness, system integrations to increase efficiency, making policy recommendations to the Legislature, and other goals related to the implementation of Housing First policies, guidelines, and regulations to reduce the prevalence and duration of homelessness in California. The Cal ICH is co-chaired by the Secretary of the California Business, Consumer Services, and Housing Agency, currently Lourdes Castro, and the Secretary of the California Health and Human Services Agency, Currently, Dr. Mark Ghaly. The Cal ICH first adopted the Action Plan for Preventing and Ending Homelessness, in 2021 with the expectation that the plan would be updated every year to reflect current priorities. Through the Action Plan, Cal ICH pursues a vision for the Council and the state’s work to prevent and end homelessness focused on purposeful, action-oriented coordination and alignment among state departments.

Homeless Landscape Assessment. In order to evolving homelessness issue, trailer bill accompanying the 2021 Budget Act required the Cal ICH to conduct a Homeless Landscape Assessment. This was intended to be a statewide assessment to, among other things, identify state programs that provide housing or services to persons experiencing homelessness or at risk of homelessness, as defined, and collect and analyze data from those programs necessary to provide a comprehensive view of the homelessness response system. The assessment will include data from local governments. The Assessment was anticipated to be completed and provided to the Legislature by December 31, 2022, however, as of February 1, 2023, the report has not yet been submitted.

Cal ICH Programs

Homeless Housing, Assistance, and Prevention Program (HHAPP). Under HHAPP, the state provides block grants to large cities, counties, and continuums of care (CoCs), and more recently tribal governments, for a variety of solutions for those experiencing homelessness or at risk of homelessness, such as rapid rehousing, operating subsidies, street outreach, services coordination, delivery of permanent and innovative housing solutions, and homelessness prevention. HHAPP replaced a prior program Homeless Emergency Aid Program (HEAP) – which also provided block grants to large cities and CoCs for a variety of solutions addressing homelessness.

\$1 billion per year was provided for flexible aid to local governments via the HHAPP in both the 2021-22 and 2022-23 budgets. Beginning in the 2021-22 program, local jurisdictions were required to submit a plan for the use of their share of the funding, as well as quantitative goals for their jurisdiction that would determine the jurisdictions eligibility for “bonus” funding in future years. For the 2021-22 allocation, local jurisdictions were required to submit their plans and goals by June 30, 2022. This was followed by a 90 day working period for the Cal ICH to work with potential grantees on their plans and goals. In aggregate the local plans targeted a two percent reduction in statewide homelessness over the

three year funding timeline, though the targets for individual jurisdictions ranged from a 64 percent decrease to a 70 percent increase.

On November 2, 2022, Governor Newsom announced that the administration would not be releasing the allocated funds until jurisdictions had provided more information on their plans and targets. Following a meeting between the Governor and local elected officials, as well as more detailed conversations between jurisdictions and Cal ICH, the Administration began releasing funding on November 21, 2022.

For the \$1 billion in funding provided for HHAPP in the 2022-23 budget, local plans and goals were due on November 30, 2022. Funds should begin being released by April of 2023.

Encampment Resolution Program. This program provides grants to cities, counties, and CoCs to resolve homeless encampment concerns and transition individuals living in encampments into safe and stable housing. The 2021-22 Budget Act included \$50 million to begin the program and the 2022-23 budget includes \$700 million for Encampment Resolution grants over two years, to help local governments with resolving critical encampments and transitioning individuals into permanent housing including a set aside for encampments on the state's right-of-ways. The Cal ICH is currently administering Round 2 of encampment resolution funding. Of the \$300 million available, \$62.7 million was provided to eligible applicants from Round 1, and are accepting applications for the remaining \$237.3 million. Up to \$150 million will be prioritized for proposals that serve people living in encampments on state right-of-ways.

Family Homelessness Challenge Grants. This program provided \$40 million from the Budget Act of 2021 to provide competitive grants and technical assistance to local jurisdictions to promote rapid innovation, accelerate nascent programs, and expand promising practices to create scalable solutions that can be shared across the state to address and ultimately end family homelessness. Funds were awarded in June, 2022.

Housing and Community Development Programs

Project Homekey. The Project Homekey Program is intended to provide grant funding to eligible applicants and facilitate a partnership between the state and local governments to quickly acquire, rehabilitate or master lease a variety of housing types to assist one of the most vulnerable populations impacted by COVID-19, those experiencing homelessness. On July 16, 2020, the California Department of Housing and Community Development (HCD) made available \$550 million in federal, Coronavirus State Fiscal Recovery Fund (CRF), \$50 million in state General Fund and later, \$46 million in philanthropic funds for cities, counties, or other local public entities, including housing authorities or federally recognized Native American governments within California. An additional \$200 million was later announced on October 7, 2020 bringing the total to \$750 million in CRF and \$50 million in General Fund. These funds were targeted for the purpose of providing permanent housing, or interim housing that connects to permanent housing, as options for persons experiencing homelessness and who are also at risk of COVID-19. In the 2021-22 Budget, an additional \$1.45 billion (\$1.2 billion CRF and \$250 million General Fund) was provided for Round 2 applications. And an additional \$1.3 billion was made available in 2022-23, for eligible projects submitted by May 2, 2022.

Round 1 of Project Homekey funded 120 projects, for a total of \$797 million, created 5,911 homes and housed 8,264 individuals. According to HCD, as of November 30, 2022, the 2nd round of Project Homekey funded 116 projects, for a total of \$1.9 billion, created 6,863 homes, and served 2,457 chronically homeless households and 535 homeless youth households.

Public Health and Social Service Homelessness Supports Programs

Medi-Cal Community Supports. The 2022 Budget Act included expenditure authority of \$66.5 million (\$21.6 million General Fund and \$44.9 million federal funds) in 2021-22 and \$162.8 million (\$52.8 million General Fund and \$110 million federal funds) in 2022-23 to support implementation of community supports services. Community supports are services or service settings that Medi-Cal managed care plans may offer as a medically appropriate, cost-effective alternative to Medi-Cal eligible services or settings. Provision of community supports is voluntary for Medi-Cal managed care plans to provide and voluntary for Medi-Cal beneficiaries to receive. Plans may change their election of which community supports they provide every six months. The community supports related to housing and homelessness that plans may provide include the following:

- Housing Transition Navigation Services – The services assist beneficiaries with obtaining housing.
- Housing Deposits – These services assist beneficiaries with securing or funding one-time housing services that do not constitute room and board.
- Housing Tenancy and Sustaining Services – These services assist beneficiaries in maintaining safe and stable tenancy after housing is secured.
- Short-Term Post-Hospitalization Housing – These services may include supported housing in an individual or shared interim housing setting and are designed to assist beneficiaries who are homeless and who have high medical or behavioral health needs.
- Recuperative Care (Medical Respite) – These services provide short-term residential care for beneficiaries who no longer require hospitalization, but still need to heal from an injury or illness and whose condition would be exacerbated by an unstable living environment.
- Nursing Facility Transition/Diversion to Assisted Living Facilities – These services assist beneficiaries to live in the community or avoid institutionalization by transitioning to a Residential Care Facility for Elderly and Adult (RCFE) or Adult Residential Facility (ARF).
- Nursing Facility Transition to a Home – These services assist beneficiaries to live in the community and avoid institutionalization by transitioning to a private residence.

Housing and Homelessness Incentive Program – HCBS Spending Plan. Section 9817 of the federal American Rescue Plan (ARP) Act provides qualifying states with a temporary 10 percentage point increase to federal matching funds for certain home- and community-based services (HCBS). The increased federal match is available from April 1, 2021, through March 31, 2022. States must use the federal funds attributable to this increased federal match to enhance, expand, or strengthen HCBS under the state's Medicaid program. Unlike other federally funded programs, programs supported by this additional federal funding are eligible for federal matching funds in the Medicaid program as if they were supported by non-federal funding.

- The 2021 Budget Act included Control Section 11.95, which authorized expenditure of \$3 billion of HCBS funding received under the provisions of ARP. In July 2021, DHCS submitted California's \$4.6 billion HCBS Spending Plan to the federal Centers for Medicare and Medicaid

Services for review and approval. DHCS estimated that the \$3 billion investment of HCBS funds would draw down an additional \$1.6 billion of federal Medicaid matching funds.

- The HCBS Spending Plan, adjusted by the Governor's January Budget, includes expenditure authority of \$161.1 million (\$80.5 million HCBS funds) in 2021-22, \$644 million (\$282.1 million HCBS funds) in 2022-23, and \$644 million (\$302 million HCBS funds) in 2023-24 to support a Housing and Homelessness Incentive Program, which supports payments to Medi-Cal managed care plans to incentivize investments and progress in addressing homelessness and keeping people housed, and developing the necessary capacity and partnerships to connect their members to needed housing services. Plans are required to submit plans to DHCS to map the continuum of services with a focus on homelessness prevention, interim housing (particularly for the aging or individuals with a disability), rapid re-housing, and permanent supportive housing. Plans earn funds based on their performance meeting specified housing support-based metrics.

Six Months Transitional Rent Payments. In addition to the community supports benefits already implemented under CalAIM, the Governor's January Budget includes expenditure authority of \$17.9 million (\$6.3 million General Fund) in 2025-26, increasing to \$116.6 million (\$40.8 million General Fund) when fully implemented, to allow up to six months of rent or temporary housing for individuals experiencing, or at risk of, homelessness and transitioning out of institutional care and at risk of inpatient hospitalization or emergency department visits. This benefit would be delivered through Medi-Cal managed care plans that elect to offer it as a community support.

Department of Social Services Programs

CDSS' Housing and Homelessness Branch (HHB) team has designed and stood up pilot programs to support critical needs in local communities through the development of the Housing Support Program (HSP), Bringing Families Home (BFH), Housing and Disability Advocacy Program (HDAP), Home Safe and Project Roomkey. Currently, California Department of Social Services (CDSS) develops, implements, monitors, and supports seven statewide housing programs with more than 250 program grantees. These programs serve a significant portion of the population of Californians experiencing homelessness. In 2020, CDSS HHB programs served over 100,000 individuals experiencing homelessness or housing instability, or at risk of homelessness.

The 2021 state budget invested \$2 billion into CDSS housing and homelessness programs. The table below provides a summary of Housing and Homeless Program budgets.

CDSS Housing and Homelessness Program Budgets

Program	Prior to FY 21-22	FY 2021-22	FY 2022-23	Accepted Funds as of September 2022
CalWORKs Homeless Assistance (HA)	\$66.5 million spent in FY 19-20	Entitlement Program	Entitlement Program	All 58 Counties Tribes are not eligible
CalWORKs Housing Support Program (HSP)	\$95 million (Ongoing annually)	\$285 million • \$95 million annual appropriation • \$190 million one-time	\$285 million • \$95 million annual appropriation • \$190 million one-time	55 Counties Tribes are not eligible
Bringing Families Home (BFH)	\$25 million (Pilot July 2019 - June 2022)	\$92.5 million + Pilot funds remaining • Remainder of 2019 pilot funds available through June 2022	\$92.5 Million	51 Counties 1 Tribe
Housing and Disability Advocacy Program (HDAP)	\$25 million (Ongoing annually)	\$175 million • \$25 million annual appropriation • \$150 million one-time	\$175 million • \$25 million annual appropriation • \$150 million one-time	57 Counties 2 Tribes
Home Safe	\$15 million (Pilot July 2018 - June 2021)	\$92.5 million + Pilot funds remaining • Remainder of 2018 pilot funds available through June 2022 (extended from June 2021)	\$92.5 million	58 Counties Tribes eligible but not yet participating
Project Roomkey (PRK)	\$59 million (one-time FY 20-21)	\$150 million (one-time)	• Unspent funds reappropriated to FY 2022-23	43 Counties 3 Tribes
Community Care Expansion (CCE)	N/A	\$805 million (one-time)	\$55 million (one-time)	34 Counties participating in CCE Preservation 19 Projects funded under Capital Expansion (includes 2 tribes)



CalWORKs Homeless Assistance (HA) Program. The CalWORKs HA program was established to help families in the CalWORKs program meet the costs of securing or maintaining permanent housing or to provide emergency shelter when a family is experiencing or at risk of homelessness. The program is an entitlement benefit available in all 58 counties. Assistance can be temporary or permanent. Temporary assistance provides a daily payment for families to secure housing for up to sixteen calendar days in twelve months. Permanent assistance can be provided via security deposit costs or up to two months of rent arrearages. In 2020-21, the program approved temporary assistance for 30,863 families and permanent assistance for 1,683 families.

CalWORKs Housing Support Program (HSP). The CalWORKs HSP is intended to foster housing stability for families experiencing or at risk of homelessness in the CalWORKs program. The program provides assistance as quickly as possible without preconditions. Supports include financial assistance as well as housing-related wraparound support services. Currently, 55 counties participate in the

program. In 2020-21, over 3,400 families were housed through the program. More than 30,500 families have been permanently housed through the program since its inception in 2014.

Bringing Families Home (BFH) Program. The BFH program aims to reduce the number of families in the child welfare system experiencing or at risk of homelessness, increase the number of families reunifying, and prevent foster care placement. Currently, 51 counties and one tribe participate in the program. The program offers financial assistance and housing-related wraparound services. From the start of the program in 2016 through June 2022 more than 3,900 families have been served and over 2,000 have been permanently housed. Participants have reported that the program provides the stability families need to reunify and better achieve their child welfare case plan goals.

Housing and Disability Advocacy Program (HDAP). HDAP assists people experiencing or at risk of homelessness, who are also likely eligible for disability benefits. The program provides outreach, case management, benefits advocacy, and housing supports. Fifty-seven counties and two tribes participate in the program. Since 2017-18, the program has helped 2,600 people find permanent housing and 6,000 disability applications have been submitted (only 1,800 disability applications have been approved). Notably, grantees have integrated the program's services into Project Roomkey.

Home Safe Program. The Home Safe program supports the safety and housing stability of people involved in Adult Protective Services, or those in the process of intake by providing homeless assistance and prevention. The program provides a range of housing interventions including housing-related intensive case management, housing-related financial assistance, legal services, eviction prevention, and landlord mediation. All counties participate in the program. As of June 2022, over 4,300 people have received assistance through the program. According to an interim report by UC San Francisco, housing was retained for 85 percent of Home Safe participants for whom data was available six months post-program exit.

Project Roomkey. Project Roomkey was established in March 2020 in response to the COVID-19 pandemic. The program provides safe shelter for vulnerable populations that need to quarantine. The Project Roomkey and Rehousing Strategy provides support for participants to make permanent transitions to safe and stable housing while continuing to provide ongoing, non-congregate shelter. Rehousing services may include direct financial assistance, housing navigation, and housing case management. One hundred percent reimbursement for shelter costs from the Federal Emergency Management Agency (FEMA) is available for counties and tribes that demonstrate eligible expenses through at least April 1, 2022. Over the lifetime of the program, 16,000 rooms have been secured and over 60,000 individuals have been sheltered.

To-date, eight communities reported successfully transitioning over 80 percent of Roomkey participants to permanent housing or other interim housing on a path to permanent housing; 19 communities reported a 70-79 percent success rate, and 15 communities reported a 60-69 percent success rate.

Community Care Expansion (CCE) Program. The CCE program funds the acquisition, construction, and rehabilitation of adult and senior care facilities that serve applicants and recipients of Social Security Income (SSI) or Cash Assistance Program for Immigrants (CAPI) including individuals who are at risk of or experiencing homelessness. The program also provides operating reserves for existing licensed adult residential facilities (ARF) and residential care facilities for the elderly (RCFE). The CCE Preservation Program is intended to immediately preserve and prevent the closure of existing licensed residential adult and senior care facilities, including RCFEs, ARFs, or Residential Care Facilities for the Chronically Ill (RCFCI).

The 2021 Budget Act provided a total of \$805 million General Fund over three years for the CCE program. \$55 million of that total is set aside to provide operating funds to existing licensed Adult Residential Facilities (ARFs) and Residential Facilities for the Elderly (RCFEs). \$450 million of the funding for the program is from the federal American Rescue Plan Act (ARPA) and the Coronavirus Fiscal Recovery Fund. These federal funds must be obligated by June 2024 and liquidated by December 2026.

Under the CCE program, qualified grantees will administer projects for the acquisition, construction, or rehabilitation of property to be operated as residential adult and senior care facilities, or to promote the sustainability of existing licensed residential adult and senior care facilities through the provision of capitalized operating subsidy reserves. The department awards funds to grantees that may include, but are not limited to, counties, tribes, or jointly applying counties and tribes.

Approximately 75 percent of funds will be made available for capital expansion projects including acquisition, construction, and rehabilitation of residential care settings. Approximately 25 percent of the funds will be made available for rehabilitation to preserve settings that serve the target and prioritized populations, including \$55 million for COSRs for existing licensed facilities, including but not limited to those facilities that receive rehabilitation funding. This funding intends to immediately preserve licensed facilities currently serving SSI/SSP or CAPI recipients.

To date, CDSS has issued two rounds of awards for a total of \$100.27 million for 19 projects to produce 668 beds/units.

Governor's Budget Proposals Related to Homelessness

The Governor's proposed 2023-24 Budget includes \$3.4 billion General Fund in 2023-24 to maintain the state's efforts to address homelessness, as committed to in prior budgets. This includes:

- \$400 million for a third round of encampment resolution grants.
- \$1 billion for a fifth round of HHAPP grants, conditional on proposed statutory changes requiring greater accountability in the planning and expenditure of these critical homelessness resources.
- The budget also includes funding to allow up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness and maintains funding for the Behavioral Health Bridge Housing Program.

In addition, the Administration will seek to condition eligibility for any future homeless-related grants and competitive programs through the Business, Consumer Services and Housing Agency and the Health and Human Services Agency, on compliance with state housing law.

II. HOUSING AFFORDABILITY BACKGROUND

The state supports the acquisition, construction, and rehabilitation of affordable housing in a variety of ways, with programs administered primarily by the Department of Housing and Community Development (HCD), and the California Housing Finance Agency (CalHFA), with additional financing through tax credits administered by the California Tax Credit Allocation Committee (CTCAC) and tax-exempt bonds provided through the California Debt Limit Allocation Committee (CDLAC).

The 2022-23 budget included \$1.55 billion in 2022-23, and \$1.5 billion in 2023-24, in investments to provide affordable housing and combat homelessness statewide, including but not limited to:

- \$300 million in 2022-23 and \$400 million in 2023-24 for Encampment Resolution grants, to help local governments with resolving critical encampments and transitioning individuals into permanent housing.
- \$400 million over two years for Adaptive Reuse of non-residential structures and parcels for residential purposes.
- \$425 million over two years for the Infill Infrastructure Grant Program.
- \$350 million over two years for the CalHOME program.
- \$250 million for the Housing Accelerator Program.
- \$325 million over two years for the Multifamily Housing Program.

Housing Spending Across Agencies: The chart below from the Legislative Analyst’s Office displays funding for housing programs in the 2022-23 Budget Act.

Housing Investments in the 2022-23 Budget Act

Department	Proposal	2021-22	2022-23	2023-24	Total
Major Housing-Related Augmentations					
HCD	Emergency Rental Assistance	\$1,950	—	—	\$1,950
HCD	California Dream for All Program	—	\$500	—	500
CTCAC	State Low-Income Housing Tax Credit Program	—	500	—	500
HCD	Infill Infrastructure Grant Program	—	200	\$225	425
HCD	Adaptive Reuse	—	150	250	400
HCD	CalHome	—	250	100	350
HCD	Multifamily Housing Program	—	100	225	325
HCD	Housing Accelerator Program	—	250	—	250
HCD	Portfolio Reinvestment Program	—	50	100	150
HCD	State Excess Sites Development	—	25	75	100
HCD	Manufactured Housing Opportunity and Revitalization Program	—	25	75	100
HCD	Veteran Housing and Homeless Prevention Program	—	50	50	100
HCD	Transitional Housing Program ^a	—	25	25	51
CalHFA	Accessory Dwelling Unit Financing	—	50	—	50
HCD	Joe Serna Jr. Farmworker Housing Grant Program	—	50	—	50
HCD	Los Angeles County/USC General Hospital Campus Reuse	—	50	—	50
HCD	Housing Navigators Program ^a	—	9	9	17
Subtotals		(\$1,950)	(\$2,284)	(\$1,134)	(\$5,368)

Source: Legislative Analyst’s Office

Department of Housing and Community Development (HCD) Programs

The HCD's mission is to promote safe, affordable homes and strong vibrant communities throughout California by (1) administering housing finance, economic development, and community development programs, (2) developing housing policy and advocating for an adequate housing supply, and (3) developing building codes and regulating manufactured homes and mobile home parks. HCD also provides technical and financial assistance to local agencies to support community development. Programs administered by HCD include:

MultiFamily Finance Super NOFA (Notice of Funding Availability). Pursuant to legislation (AB 434 (Daly), Chapter 192, Statutes of 2020) HCD has consolidated and streamlined the following programs into a coordinated single application and award process:

- 1) **MultiFamily Housing Program (MHP).** MHP provides financing for affordable multifamily rental housing developments. The 2022-23 budget provides HCD with an augmentation of \$325 million General Fund over two years (\$100 million in 2022-23 and \$225 million in 2023-24) for MHP. Historically, the program has been supported through bond funding. Most recently, the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1) authorized the issuance of bonds in the amount of \$1.5 billion for the program.
- 2) **Infill Infrastructure Grant (IIG) Program.** This program provides grants to cities and counties to fund infrastructure improvements like water, sewer, other utility service improvements, streets, roads, other transit linkages, sidewalks, and other streetscape improvements to reduce the cost of developing infill housing. The program has been in place since 2007, funded through bond funds. The 2019-20 budget provided \$300 million one-time General Fund and the 2021-22 budget provided \$250 million one-time General Fund and reallocated \$284 million in remaining Proposition 1 (2018) funds for the IIG Program. As noted in the chart above, the 2022-23 budget provided \$425 million one-time General Fund.
- 3) **Veteran Housing and Homeless Prevention Program.** This program provides long-term loans for the acquisition, construction, rehabilitation, and preservation of affordable multi-family housing for veterans and their families. The program is bond funded.
- 4) **Joe Serna, Jr. Farmworker Housing Grant Program.** This program finances the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households through loans or grants. The 2022-23 budget provides an increase of \$50 million one-time General Fund for the program. Historically, the program has been supported through bond funding.

Project Homekey. The Project Homekey program provides funds for purchase and rehabilitation of housing, including hotels, motels, vacant apartment buildings, and other types of innovating housing, to convert them into permanent, long-term housing for people experiencing or at-risk of homelessness. (Additional information on this program is included in the Homelessness Background section).

Housing Accelerator Program. This program provides funds to fill funding gaps in shovel-ready projects that have received funding under other HCD programs and have been unable to access low-income housing tax credits. In other words, this program reduces the backlog of projects “stuck” in the funding pipeline to accelerate the development of housing for those most in need. The 2022-23 budget

provides HCD an additional \$250 million General Fund one time to expand the Housing Accelerator Program. The 2021-22 budget established the program with \$1.75 billion one-time American Rescue Plan (ARP) fiscal relief funds.

Local Early Action Plan (LEAP) and Regional Early Action Plan (REAP) Grant Programs. This program provides regions, cities, and counties with grant funding to update their planning documents, implement process improvements to facilitate the acceleration of housing production, and develop and implement housing projects that meet both housing and vehicle miles traveled goals. The state provided \$250 million one-time General Fund in 2019-20, and \$600 million (\$100 million one-time General Fund) in 2020-21 for these purposes, Funds are to be expended by June 30, 2024.

Foreclosure Intervention Housing Program. This program provides grants or loans to qualifying nonprofits, community land trusts, or qualifying LLCs to purchase smaller housing properties (one to 25 units) either out of foreclosure or after the property has defaulted on its loans but before it enters foreclosure. Specifically, the program requires the preservation of units acquired through this funding for use as affordable housing. The 2021-22 budget provided \$500 million in one-time General Fund for this program, with funds available through December 31, 2025.

Portfolio Reinvestment Program / Affordable Housing Preservation. This program provides loans, grants, or both, to rehabilitate, capitalize operating subsidy reserves for, and extend the long-term affordability of HCD-funded housing projects that have affordability restrictions that have expired or are otherwise at-risk for conversion from affordable to market rate. The 2021-22 budget provides HCD \$300 million one-time federal funds for this program. The 2022-23 budget provides HCD \$150 million General Fund over two years for the Portfolio Reinvestment Program. The funding provided in the 2021-22 budget was intended to support developments with covenants expiring within five years, while this new funding would support developments with covenants expiring within ten years.

Adaptive Reuse Program. The 2022-23 budget provides HCD with \$400 million General Fund over two years (\$150 million in 2022-23 and \$250 million in 2023-24) for a new adaptive reuse incentive grant program. Adaptive reuse is the process of adapting and rehabilitating unutilized or under-utilized, generally commercial, buildings for housing. According to the administration, the program would prioritize projects located in infill and low-Vehicle Miles Traveled areas.

CalHOME. The 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 provides HCD an additional \$350 million General Fund over two years (\$250 million in 2022-23 and \$100 million in 2023-24) for CalHome.

Golden State Acquisition Fund. This program makes up to five-year loans to developers for the acquisition or preservation of affordable housing. The 2021-22 budget provided HCD \$50 million one-time General Fund to the Golden State Acquisition Fund, which will be matched by various community development financial institutions in a revolving fund to leverage additional capital for the acquisition or preservation of affordable housing.

State Excess Sites Development. This program provides grants to developers and local governments to support and accelerate selected affordable housing projects on excess state sites. The 2022-23 budget provides HCD \$100 million General Fund over two years (\$25 million in 2022-23 and \$75 million in 2023-24) for affordable housing on state excess land sites. This funding builds on \$45 million provided for the program in 2021-22.

Manufactured Housing Opportunity and Revitalization (MORE) Program. This program makes loans or grants available to mobilehome park resident organizations, nonprofit entities, and local public agencies for the reconstruction and replacement of mobilehome parks, including to address health and safety deficiencies. The 2022-23 budget provides HCD \$100 million General Fund over two years (\$25 million in 2022-23 and \$75 million in 2023-24) for the program.

Transitional Housing Program. This program allocates funding to counties for helping young adults – aged 18 to 24 years – secure and maintain housing, with priority given to young adults formerly in the foster care or probation systems.

Housing Navigators Program. This program allocation funding to counties to provide housing navigation services directly or through a contract with other housing assistance programs in the county in order to help young adults – aged 18 to 21 years – secure and maintain housing. Priority is provided for young adults in the foster care system.

Emergency Rental Assistance Program. The Emergency Rental Assistance Program (ERAP) provides funds to pay for rental arrears, prospective rental payments, utility and home energy cost arrears, utility and home energy costs, and other expenses related to housing incurred during or due, directly or indirectly, to the novel coronavirus disease (COVID-19) outbreak as to be determined by the Secretary of the United States Department of the Treasury. California has already received about \$5.2 billion in federal Emergency Rental Assistance funds. Around \$2.5 billion funding was provided to the state while the remaining balance was provided either directly to local jurisdictions with populations above 200,000, or to the state to operate programming on behalf of those jurisdictions. Additional legislation (SB 115 (Skinner), Chapter 2, Statutes of 2021) authorized the Department of Finance to provide local governments with cashflow loans in 2021-22 in order to more expeditiously administer qualifying applications seeking assistance through the federal emergency rental assistance programs established as a response to the COVID-19 public health emergency. While the state anticipates some additional federal funding could be available to offset the cashflow loans, the 2021-22 budget provided HCD up to \$1.95 billion using emergency spending that is routed from the General Fund through the California Emergency Relief Fund to cover the cashflow loans. The program accepted applications through March 31, 2022. As of January 31, 2023, \$4.4 billion has been paid for assistance to 355,988 households.

California Housing Finance Agency (CalHFA) Programs

The CalHFA's mission is to create and finance progressive housing solutions, the Agency's Multifamily Division finances affordable rental housing through public and private partnerships, while its Single Family Division finances first mortgage loans and down payment assistance loans to first-time homebuyers through a network of preferred lenders. Programs administered by CalHFA include:

1st-Time Homebuyer Downpayment Assistance – Provides loans through approved lenders to assist income eligible families to achieve homeownership. Under this program, eligible individuals may receive a loan for down payment or closing cost assistance. The 2021-22 budget provided \$100 million for this purpose.

Mixed Income Program (MIP). This program provides long-term financing for new construction of affordable multifamily developments that provide housing for Californians earning between 30 percent and 120 percent of the Area Median Income (AMI). The state provided \$500 million one-time General Fund in 2019-20 and an additional \$45 million one-time General Fund in 2020-21 for this program.

Accessory Dwelling Unit (ADU) Grant Program. The ADU Grant provided funds towards pre-development and non-reoccurring closing costs associated with the construction of the ADU. Predevelopment costs include site prep, architectural designs, permits, soil tests, impact fees, property survey, and energy reports. The first round of ADU grants, \$100 million in total, was awarded in 2022. The 2022-23 budget included an additional \$50 million for the program, and required CalHFA to convene a working group to identify and recommend changes to the ADU program. Work is underway, and recommendations are due July 1, 2023 for consideration by CalHFA.

California Dream For All. The California Dream For All program was established in the 2022-23 budget to make homeownership more achievable for first time homebuyers, a critical first step to thriving in the middle class and building generational wealth. Under the program, the state will partner annually with approximately 8,000 first-time homebuyers in an shared appreciation agreement which results in homebuyers being able to purchase a home with a low down payment and with more than a 1/3 reduction in monthly mortgage payments, saving a typical homebuyer more than \$12,000 per year. The 2022-23 budget provided \$500 million in General Fund resources to establish and implement the program. CalHFA is still working to build an operational program and no funds have gone out to homeowners.

Other Programs

California Tax Credit Allocation Committee (CTCAC). Under the State Treasurer's Office, the CTCAC administers the federal and state Low-Income Housing Tax Credit Programs. Both programs were created to promote private investment in affordable rental housing for low-income Californians. CTCAC allocates federal and state tax credits to the developers of these projects. The state tax credits finance the new construction of multifamily housing projects that receive federal four percent tax credits. Corporations provide equity to build the projects in return for the tax credits. CTCAC verifies that the developers have met all the requirements of the program and ensures the continued affordability and habitability of the developments for the succeeding 55 years. In addition to the \$100 million annually that the state makes available for housing tax credits, the 2022-23 budget makes available an additional \$500 million in 2022-23, \$500 million was also made available for each of 2019-20, 2020-21, and 2021-22, for a total of \$2 billion in tax credits.

California Debt Limit Allocation Committee (CDLAC). Under the State Treasurer’s Office, the CDLAC administers the State’s tax exempt bond program and awards tax exempt bonds to allocate debt authority under federal law. CDLAC’s programs are used to finance affordable housing developments for low-income Californians, build solid waste disposal and waste recycling facilities, and to finance industrial development project.

Governor’s Budget Proposals Related to Housing

The Governor’s proposed 2023-24 budget includes \$350 million in reductions related to housing programs that were included as part of the 2022 Budget Act. Even with these reductions, funding for these housing programs remains at approximately 88 percent of the allocations made in 2022-23 and proposed for 2023-24 (\$2.85 billion). These reductions are subject to a proposed trigger mechanism - if there is sufficient General Fund in January 2024, these reductions will be restored. These reductions include:

- **California Dream For All**—The 2022 Budget Act included \$500 million one-time General Fund to the California Housing Finance Agency for the Dream for All program, to provide shared-appreciation loans to help low- and moderate-income first-time homebuyers achieve homeownership. The budget proposes to revert \$200 million of the \$500 million one-time General Fund in 2023-24. This proposal will not impact the Administration’s commitment or timeline for implementing the program.
- **CalHome**—The 2022 Budget Act included \$350 million one-time General Fund (\$250 million in the 2022 Budget Act and \$100 million committed for 2023-24) for the Department of Housing and Community Development’s CalHome program, to provide local agencies and nonprofits grants to assist low- and very-low-income first-time homebuyers with housing assistance, counseling and technical assistance. The budget proposes to remove \$100 million one-time General Fund in 2023-24.
- **Accessory Dwelling Unit Program**—The 2022 Budget Act included \$50 million one-time General Fund for the California Housing Finance Agency’s Accessory Dwelling Unit program. The budget proposes to revert \$50 million one-time General Fund in 2022-23.

Major Housing Programs Changes in Other Areas

The Governor’s budget proposes to change timing of funding for both student housing grants and the housing revolving loan fund.

As part of a previously adopted multi-year agreement, the state planned to provide \$750 million in 2023-24 for the third year of the Higher Education Student Housing Grant Program. The Governor now proposes to reduce this funding to \$500 million in 2023-24 and shifts \$250 million to 2024-25.

In addition, the Budget Act of 2022 included a total of \$1.8 billion General Fund over two years (\$900 million in 2023-24 and \$900 million in 2024-25) for a new revolving loan program focused on housing. The Governor’s budget now proposes delaying all funding in 2023-24, with \$650 million shifted to 2024-25 and \$1.15 billion shifted to 2025-26.