

# SUBCOMMITTEE NO. 4

# Agenda

---

Senator Richard D. Roth, Chair  
Senator Steven M. Glazer  
Senator Scott Wilk



Wednesday, May 16, 2018  
10:30

State Capitol - Room  
2040

Consultant: James Hacker

## Vote Only Calendar

<u>Item</u>	<u>Department</u>	
2240	Department of Housing and Community Development	
Issue 1	Affordable Housing and Sustainable Communities Program	2

## Items Proposed for Discussion

<u>Item</u>	<u>Department</u>	
2240	Department of Housing and Community Development	
Issue 1	Affordable Housing and Homelessness Proposals	4
Issue 2	No Place Like Home Program	7
Issue 3	Southern California Disaster Planning Assistance	8

Public Comment

---

*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.*

---

**VOTE-ONLY CALENDAR****2240– Department of Housing and Community Development (HCD)**

1. **Affordable Housing and Sustainable Communities Program.** The budget requests \$2,782,000 in 2018-19 and \$2,622,000 ongoing from the Greenhouse Gas Reduction Fund (GGRF) for 16.0 positions to implement the later phases of the Affordable Housing and Sustainable Communities (AHSC) program. It is reasonable to believe that HCD’s workload will increase as the number of projects reaching to later stages of the project cycle increase. While construction loan closings are anticipated to decrease in 2018-19 and 2019-20, the Administration has indicated that this is largely due to a decline in GGRF revenues in prior years. The Administration has indicated that the recent reauthorization of the cap and trade program is anticipated to increase GGRF funding available to the program in out years. This item was first heard in subcommittee on March 15, 2018.

**Staff Recommendation**

Approve as Budgeted.

## Issues Proposed for Discussion

### 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 that 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 budget provides \$1.2 billion and supports 856 positions at HCD in 2018-19, including roughly \$39 million and 255 positions at the California Housing Finance Agency. This is an increase of roughly \$470 million from 2017-18, mostly due to the implementation of the statewide housing package passed in 2017.

#### 3-YR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
1660 Codes and Standards Program	191.4	166.2	170.2	\$30,502	\$34,445	\$34,803
1665 Financial Assistance Program	188.2	201.6	274.1	486,602	653,034	994,883
1670 Housing Policy Development Program	14.8	17.1	39.1	36,798	4,532	130,405
1675 California Housing Finance Agency	235.3	254.9	254.9	35,605	38,822	38,689
1680 Loan Repayments Program	-	-	-	-2,969	-1,944	-1,944
1685 HPD Distributed Administration	-	-	-	-141	-150	-150
9900100 Administration	147.4	107.0	117.5	14,753	16,893	20,216
9900200 Administration - Distributed	-	-	-	-14,753	-16,893	-20,216
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>777.1</b>	<b>746.8</b>	<b>855.8</b>	<b>\$586,397</b>	<b>\$728,739</b>	<b>\$1,196,686</b>

---

**Issue 1: Homelessness and Affordable Housing Proposals**

**Governor's Proposals:** The Governor's January budget requested \$16 million and 81.0 positions 2018-19, \$21 million and 128.0 positions in 2019-20, and \$23 million and 146.0 positions ongoing for State Operations to implement the 2017 Statewide Housing Package. HCD also requests Local Assistance authority of \$522 million in 2018-19 and \$773 million in out years.

The May Revision requests an additional \$359 million in homelessness funding in 2018-19, including:

- \$500,000 ongoing for three positions to staff the Homeless Coordinating and Financing Council.
- \$250 million, one-time, for Emergency Homeless Aid Block Grants.
- \$50 million, one-time, for DHCS mental health outreach.
- \$47.3 million for several programs at the Department of Social Services focusing on youth, domestic violence, and homeless seniors.
- \$11 million for several programs at CalOES focusing on homeless youth and domestic violence.

The May Revision includes trailer bill language transferring the Homeless Coordinating and Financing Council into the Business, Consumer Services, and Housing Agency (BCSH).

**Staff Comments:** In 2017 the Legislature passed a package of 15 bills aimed at increasing the affordability of housing in California. The package included proposals to place a general obligation bond on the November 2018 ballot, create a permanent funding source for affordable housing by levying a transaction fee on new real estate transactions, and a variety of regulatory reforms to speed up development and construction of new housing. SB 2 (Atkins), Chapter 364, Statutes of 2017, imposes a fee on recording of real estate documents, excluding sales, for the purposes of funding affordable housing. This fee is to be collected by county recorders and remitted to the state on a quarterly basis. Collections began on January 1, 2018. The first remittances occurred in April of 2018. The Administration has estimated that this fee will raise roughly \$129 million in 2017-18 and \$258 million in 2018-19.

The Homeless Coordinating and Financing Council was created by SB 1380 (Mitchell), Chapter 847, Statutes of 2016. The Council is tasked with a number of statutory goals, including (but not limited to) identifying and seeking funding opportunities, serving as a statewide facilitator, coordinator, and policy development resource, and creating a statewide data system to match data on homelessness to programs impacting recipients of state programs. While statute directed HCD to provide staff for the Council, statute does not create dedicated positions to carry out these goals.

**Senate Proposal:** The Senate is proposing a comprehensive homeless and affordable housing package that allocates \$5 billion to a variety of programs over four years. Specifically, the program allocates \$1 billion in SB 2 revenue, \$2.5 billion in General Fund revenue, and \$1.5 billion in Proposition 2 infrastructure funds. These funds are split between three overall policy goals: increasing the construction of affordable housing, providing long-term solutions to the state homelessness crisis, and providing emergency funding to local governments to address the most immediate homelessness issues.

Specifically, the package provides the following funding.

<b>2018-19 Senate Affordable Housing and Homelessness Proposal</b>	
<b>Affordable Housing Construction</b>	<b>\$2.1 billion over four years</b>
Multifamily Housing Program	\$1.9 billion
State Low Income Housing Tax Credit	\$200 million
<b>Long-Term Homelessness</b>	<b>\$1 billion over four years</b>
Housing for a Healthy California	\$1 billion (includes \$62.5 million of year one SB 2 dollars)
Homeless Coordinating and Financing Council	\$4 million
<b>Short Term Homelessness</b>	<b>\$1 billion over four years</b>
Homeless Emergency Aid Block Grant	\$450 million
California Emergency Solutions Grant (ESG)	\$62.5 million in year one SB 2 dollars (one-time)
Homeless Youth and Exploitation Program	\$1 million (one-time)
Domestic Violence Shelters and Services Program	\$200 million
CalWorks Housing Support Program	\$169 million
CalWorks Homeless Assistance Program	\$54 million
HomeSafe Program for Homeless Seniors	\$15 million (one-time)
Homeless Mental Illness Outreach	\$50 million (one-time)
<b>Other SB 2 Programs</b>	<b>\$875 million over four years per existing statute</b>
<b>TOTAL</b>	<b>\$5 billion over four years*</b>

\*Numbers do not tie due to rounding.

This proposal builds on the Governor's budget, which made notable investments with an eye towards mitigating the state's homelessness crisis. The Senate proposal is intended to strike a balance between:

- 1) Immediate and impactful aid for acute homelessness initiatives that cast a broad net;
- 2) Providing funding that is deeply-targeted towards moving chronically homeless individuals most likely to utilize high-cost services like emergency care into permanent supportive housing; and
- 3) Investing in the construction of affordable housing to ease the state's affordable housing crisis, particularly for California's low-income families living on the edge of homelessness.

It is also designed to give local jurisdictions maximum flexibility to address homelessness and affordable housing issues on their own terms, while providing for a statewide focus on long-term solutions.

This proposal strikes the appropriate balance between recognizing the urgent and immediate need that jurisdictions face as they attempt to address homelessness at a local level, while also making the proper investments to ensure that time-limited interventions will eventually lead to a sustainable solution such as housing with wraparound supportive services (where appropriate) or housing affordable to low-income families and individuals.

This proposal invests in the construction of affordable housing via the Multifamily Housing Program and Low Income Housing Tax Credit, which will allow the state to assist in financing additional housing units while leveraging federal investments. For every 70 cents California invests in MHP, it is able to realize \$2.85 in additional federal funds. Additionally, these investments will help off-set recent and substantial reductions in federal housing funds.

This proposal also provides for long-term solutions to the state homelessness crisis by both expanding the Housing for a Healthy California program and fully resourcing the Homeless Coordinating and Financing Council. This will allow the Council to perform its statutory role of strategic planning and policy coordination. It will also allow the council to add additional staff to focuses on identifying housing solutions and funding for homeless youth. In addition, the Senate proposal includes a 12 percent set-aside within the Emergency Aid Block Grant program for homeless youth issues, as well as \$5 million for homeless services in the Central Valley.

Finally, this proposal will complement the implementation of the No Place Like Home program, discussed in the next item, which develops permanent supportive housing for individuals who are in need of mental health services and are experiencing homelessness or are at risk of chronic homelessness. The program is financed with up to \$2 billion in bond proceeds secured from Proposition 63 Mental Health Services Act revenue. The Administration has proposed putting the program on the 2018 statewide ballot for voter approval, which would allow the program to begin distributing funds in early 2019.

**Staff Recommendation:**

Approve the Senate Affordable Housing and Homelessness Package. Adopt placeholder trailer bill for necessary policy changes.

---

**Issue 2: No Place Like Home Program**

---

**Governor's Proposal:** The May Revision proposes trailer bill language to place the No Place Like Home program on the ballot for the November 2018 statewide general election. Additionally, the May Revision requests a loan of \$1.2 million from the General Fund to fund 14 existing positions at HCD for the development of the first notice of funding availability (NOFA) for the program.

**Background:** AB 1618 (Committee on Budget), Chapter 43, Statutes of 2016, and AB 1628 (Committee on Budget) established the NPLH program, which develops permanent supportive housing for individuals who are in need of mental health services and are experiencing homelessness or are at risk of chronic homelessness. The program is financed with up to \$2 billion in bond proceeds secured from Proposition 63 Mental Health Services Act revenue.

Voters approved Proposition 63 in 2004, imposing a 1% tax on that portion of a taxpayer's income above \$1,000,000 to fund county mental health programs. NPLH is funded by Proposition 63 because housing is a key stabilizing factor in ensuring individuals suffering from mental illness who are also homeless receive the support services they need for recovery.

The Administration has been working to legally validate bonds secured by Proposition 63 revenue. To mitigate risks in court validation, HCD worked to develop the program before beginning the validation process. In order to perform this work, the enacting legislation authorized a General Fund loan of up to \$2 million for program development.

**Staff Comments:** This proposal is very similar to SB 1206 (de Leon), which is currently working through the policy process. Putting the NPLH program to voters would allow the state to legally implement the program faster than if the state worked through the court validation process. Should the voters approve the program, no further court action would be required.

The administration has indicated that the bulk of the \$2 million General Fund loan authorized in 2016 has already been spent in developing program guidelines and other stand-up activities. The additional \$1.2 million requested in this proposal would allow HCD to develop the initial NOFA, preparing HCD to release program funds in a timely manner should the proposal succeed in the November statewide general election.

**Staff Recommendation:**

Approve the \$1.2 million General Fund loan as budgeted. Adopt placeholder trailer bill language.

---

**Issue 3: Southern California Disaster Planning Assistance**

---

**Governor's Proposal:** The May Revision requests \$480,000 in one-time General Fund resources to address planning and community development workload related to the 2017 Southern California wildfires.

**Background:** The December 2017 wildfires were the largest in the state's history, impacting communities in Los Angeles, San Bernadino, San Diego, Santa Barbara, Riverside, and Ventura counties. Pursuant to the State of California Emergency Plan, HCD is responsible for leading housing and community development disaster recovery work, whether by leading a task force or engaging directly in program delivery.

For the October Northern California fires, HCD secured a contract to provide technical assistance to impacted jurisdictions, develop a needs assessment, and build recovery and response capacity in local jurisdictions. Resources to address these disasters were proposed in the 2018-19 budget, and an Executive Order allocated \$652,000 via the Disaster Response Emergency Operations Account.

**Staff Comments:** The department has indicated that this request would allow HCD to extend an existing contract to provide technical assistance and other services in response to the Northern California wildfires to jurisdictions in Southern California. Specifically, it would include \$271,000 for recovery and a housing needs assessment in the impacted communities, \$159,000 for implementation workload, and \$50,000 for an additional contract to develop templates for local disaster planning that could be integrated into local General Plans.

**Staff Recommendation:**  
Hold Open.