

# HOUSING AND HOMELESSNESS

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## HOUSING

The COVID-19 Pandemic exacerbated California's already existing housing crisis. The Administration remains focused on addressing the housing crisis and fostering an equitable economic recovery through targeted investments and reforms, continued resources to increase the supply of very-low, low- and moderate-income housing, and focused provision of stability for households most impacted by the COVID-19 Pandemic.

### RECENT ACTIONS AND INVESTMENTS

The state has invested billions of dollars and taken other actions in recent years to bolster housing production through dedicated revenue sources, low-income housing tax credits, planning and infrastructure grants, mixed-income construction loans, and opportunities to build affordable housing on state excess lands. Recent investments include ongoing revenue for affordable housing through real estate transaction fees (approximately \$277 million in 2021-22), a \$4 billion voter-approved housing bond to finance existing housing programs, including infill infrastructure grants and the Multifamily Housing Program, and \$1 billion to provide housing purchase assistance for veterans. In 2014, the state also began investing 20 percent of Cap and Trade auction proceeds (\$426 million in 2021-22) in the Affordable Housing and Sustainable Communities program to fund land-use, housing, transportation, and land preservation

projects to support infill and compact development that reduces greenhouse gas emissions.

In addition, the 2019 Budget Act made significant one-time investments of \$1.75 billion to support efforts to accelerate housing production statewide. This included \$500 million for infrastructure grants, \$500 million to finance the production and preservation of low- and moderate-income housing, and \$250 million for technical assistance and planning. Additionally, the 2019 and 2020 Budget Acts allocated a total of \$1 billion in expanded state housing tax credits. These investments spurred production and bolstered preservation of low- and moderate income housing across the state.

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### **COVID-19 PANDEMIC IMPACTS ON HOUSING**

The COVID-19 Pandemic created a historic disruption in the economy that has had a disproportionate impact on low-wage workers. As of December, over 4 million were on some form of unemployment benefits and many households were closer to exhausting benefits as economic impacts continued because of the pandemic. As a result, in a November survey, more than one in four renter households in California were uncertain whether they would be able to pay December rent.

### **PREVENTING EVICTIONS AND FORECLOSURES**

The COVID-19 Pandemic has resulted in losses of income negatively impacting renters and some homeowners across California, particularly low-wage workers and communities of color. Direct federal assistance and expanded and extended unemployment insurance have helped individuals to pay rent. Some local governments have also allocated Coronavirus Relief Funds towards additional housing supports. Homeowners, including landlords, have also been impacted and many have been able to obtain a forbearance of up to one year due to financial hardship; for all federally backed loans, a loan servicer may not foreclose until the end of February. In addition, interest rates have remained at historically low levels, allowing many landlords and homeowners to refinance at lower rates and with lower payments. There are also multiple federal and state loan programs that have provided assistance to impacted property owners.

Last August, Chapter 37, Statutes of 2020 (AB 3088) was enacted—the nation's strongest statewide eviction protections. While this measure prevented California from experiencing a wave of evictions that other states are now facing by protecting many tenants from evictions, many provisions of this law expire on January 31, 2021. The Budget includes \$11.7 million one-time General Fund in 2020-21 for trial courts to process

the anticipated increase in unlawful detainer and small claims filings resulting from AB 3088. (More information can be found in the Judicial Branch Chapter.)

AB 3088 also charged Business, Consumer Services and Housing Agency (BCSH) with engaging stakeholders on strategies and approaches the state can take to direct potential future federal stimulus funding to most effectively provide relief to distressed tenants, landlords, and property owners. Most stakeholders advocated for prioritizing assistance to low-income households and small landlords.

In late December, a federal COVID-19 relief bill was enacted that included \$25 billion in rental assistance, approximately \$2.6 billion of these funds are estimated to be directed to California, split between the state and local governments with populations over 200,000. This rental assistance will be used to support low-income tenants under 80 percent of Area Medium Income (AMI), with a priority for those under 50 percent of AMI. These resources can be used to address rent and past due utilities as well as future rental payments.

The bill also expanded and extended unemployment benefits by an additional 11 weeks and provides \$600 economic impact payments to certain individuals. These resources will be critical for households to pay rent.

More needs to be done to protect low-income renters. The Administration is seeking an immediate extension to AB 3088 to extend eviction protections past January 31, 2021. This will allow the state to implement new federal resources to be allocated in an effective and equitable manner while allowing individuals and families to remain housed.

The Budget is also asking the Legislature to take immediate action to refund \$600 to all 2019 taxpayers who received a California Earned Income Tax Credit (Cal EITC) in 2020 as well as to 2020 taxpayers with individual tax identification numbers (ITINs) who will receive a Cal EITC in 2021 to help pay rent. (More information on this proposal can be found in the COVID-19 Pandemic Response Chapter.)

## **OTHER EFFORTS**

- Fair Housing Enforcement—The Administration seeks to further fair housing and equity principles to assist Californians impacted by housing instability caused by the pandemic. To this end, the Budget proposes \$2 million General Fund for the Department of Fair Employment and Housing, the state's civil rights agency, to

conduct outreach education campaigns, housing surveys, and prosecute violations of anti-housing discrimination laws.

- National Mortgage Settlement Program—\$331 million in National Mortgage Settlement funds are helping to prevent avoidable foreclosures and evictions. In 2020-21, the Judicial Council provided \$31 million to local legal service organizations and the California Housing Finance Authority (CalHFA) has recently provided the remaining funds to more than 90 certified housing counselors throughout California. CalHFA also plans to provide mortgage assistance funds in 2021-22, helping homeowners keep their homes during the COVID-19 Pandemic and beyond.

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## ECONOMIC RECOVERY INVESTMENTS

The Budget proposes investments and continued reforms to stimulate economic recovery and bolster long-term fair and affordable housing production, building on successful legislative and Administration initiatives in recent years.

### INFILL INFRASTRUCTURE GRANT PROGRAM

The Budget includes \$500 million General Fund for the Infill Infrastructure Grant Program to accelerate economic recovery through the creation of jobs and long-term housing development. The Administration is asking the Legislature to take early action on \$250 million of the Infill Infrastructure Grant investment in 2020-21. This will provide needed funds for investments that will stimulate housing construction as developers navigate a housing market impacted by the COVID-19 Pandemic. Furthermore, the proposed investment could be available for housing projects that also include necessary site remediation, ultimately unlocking additional sites for affordable housing, and enhancing the state's broader environmental and equity goals.

### LOW-INCOME HOUSING TAX CREDITS

Tax credits attract private investment in affordable housing by offering a dollar-for-dollar credit against an investor's state or federal taxes owed. The 2019 and 2020 Budget Acts authorized an additional \$500 million in low-income housing tax credits each year. To maximize the allocation of these credits, the California Tax Credit Allocation Committee and the California Debt Limit Allocation Committee adopted regulations aimed at increasing affordable housing production, containing costs, and maximizing public subsidy and benefit of the credits. To continue this valuable

investment in affordable housing production, the Budget proposes a third round of \$500 million in low-income housing tax credits. This will further reduce funding gaps in affordable housing units statewide.

### **EXCESS STATE LAND DEVELOPMENT**

The Administration is committed to using excess state lands more effectively to address the housing crisis. The state has solicited affordable housing developers to build projects that use innovative, creative, and streamlined approaches to build affordable housing on identified state excess lands. Currently, three projects are underway in Sacramento, Stockton and South Lake Tahoe, and the state has an additional nine sites in the pipeline in the coming calendar year. The Budget proposes statutory changes to encourage additional innovative development, including authorizing market-rate and commercial development that will provide flexibility and financial feasibility to subsidize fair and affordable housing production on excess lands.

### **CONSTRUCTION APPRENTICESHIPS**

Housing can be developed in alignment with workforce development goals as a comprehensive strategy to support equitable economic recovery and resiliency. The Budget proposes \$8.5 million one-time General Fund through the California Workforce Development Board to expand access to state-approved construction apprenticeships through multi-craft pre-apprenticeship programs and High Road Training Partnerships. See the Equitable and Broad-Based Recovery Chapter for further information.

### **MAXIMIZING HOUSING PRODUCTION AND ACCOUNTABILITY LAWS**

#### **LOCAL ACCOUNTABILITY FRAMEWORK**

The state has enacted a variety of planning and zoning laws in recent years to increase and streamline production and to encourage local pro-housing decision-making, thereby making progress on the state's housing and equity goals. With these strong laws in place, more must be done to hold local governments accountable for meeting their obligations by assisting them in complying with state law and enforcing these laws through existing powers, so that communities build housing to meet the needs of their residents.

Local governments must fully implement their duties under existing housing laws like density bonuses, streamlining, and requirements to plan for adequate new housing. These strong laws, many of which have been enacted in the past several years, already enable streamlining and approval for millions of units. The Administration will work

closely with local government partners to provide technical assistance and education about local responsibility to plan for and permit housing. In the rare case that a local government disregards its obligations, the state intends to engage in a cohesive and comprehensive process to pursue legal remedies available under existing state law.

The Budget includes resources to create a Housing Accountability Unit at the Department of Housing and Community Development (HCD) to further facilitate affordable housing production through monitoring, technical assistance, and enforcement of existing housing production laws. This includes \$4.3 million General Fund for HCD to provide technical assistance to help local governments meet planning and zoning requirements to provide proactive engagement before enforcement becomes necessary. These additional resources will allow HCD to act as an ombudsman and help local governments navigate and comply with state housing laws and make sufficient progress toward their Regional Housing Needs Allocation (RHNA).

Meanwhile, the state continues to work to improve the overall RHNA process to set more ambitious housing planning goals. HCD continues to work with local governments to pursue pro-housing policies such as reduced parking requirements, reduced development impact fees, and by-right zoning, by providing additional points or scoring preferences in various competitive state grant programs. Promulgation of the pro-housing regulations is targeted for early 2021.

### **TARGETED ENVIRONMENTAL EXEMPTIONS**

While many important streamlining and exemption provisions already exist in current law, incongruent definitions or processes sometimes make these benefits complicated, if not impossible, to access. One-time California Environmental Quality Act streamlining for Homekey projects in 2020 demonstrated the importance of clear, usable streamlining provisions. The Homekey exemptions enabled the state and local jurisdictions to bring an unprecedented number of new affordable housing units online in record time. Continued strategic and targeted use of CEQA exemptions will be an important component of making affordable housing production more objective, aligning key definitions and administrative processes, reducing costs and time spent in CEQA litigation, all while not limiting the fundamental purpose of environmental protections.

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### **IMPROVING AFFORDABLE HOUSING FUNDING PROCESSES**

The Administration is committed to improving the efficient allocation of affordable housing funding. The state has many different housing funding programs, each with its

own scoring criteria and timelines. While steps have been taken to begin to improve coordination across all state housing agencies, more work remains. This includes:

- **Improving HCD's Funding Process**—The Administration continues to streamline housing funding programs to facilitate an efficient allocation of recent significant state investments. Recently enacted legislation, Chapter 192, Statutes of 2020 (AB 434) directed HCD to align its major rental housing programs with a single application and scoring system by 2022. To assist in these streamlining efforts, the Budget includes \$2.7 million General Fund for HCD to implement AB 434.
- **Harmonizing State Programs**—In addition to actively implementing AB 434, BSCSH and the Treasurer's Office have established a working group to improve and coordinate a variety of housing finance programs. HCD also implemented a short pause on issuing new Notices of Funding Availability so that the billions of dollars awarded to affordable housing projects around the state align with the regulations promulgated by the California Debt Limit Allocation Committee and Tax Credit Allocation Committee.

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## HOMELESSNESS

Recent state budgets have provided local jurisdictions with historic levels of funding to address homelessness. Since 2018, \$1.45 billion has been provided 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.

However, to find solutions to homelessness and achieve housing for all, there must be increased attention to solving—and not just mitigating—this crisis. To truly achieve a functional end to homelessness, it is imperative that both state and local governments, with support from the federal government, focus on the following five components of an effective framework to end homelessness: prevention, shelter, housing, long-term supportive services, and conservatorship.

### HOMELESS COORDINATING AND FINANCING COUNCIL

The Homeless Coordinating and Financing Council (HCFC), within BCSH, is continuing to build the first-ever statewide homelessness data warehouse with cooperation from all 44 California Continuums of Care. In October 2020, the HCFC adopted a two-year

framework and goals to strengthen coordination across state, regional and local partners with a focus on strengthening homelessness systems, people experiencing unsheltered homelessness, sheltering and interim housing, permanent housing, and homelessness prevention.

### **HOUSING VULNERABLE POPULATIONS DURING THE PANDEMIC**

Early in the COVID-19 Pandemic, the state acted swiftly by partnering with local governments to provide safe, non-congregate shelter through the securing of hotel and motel rooms for vulnerable individuals experiencing homelessness to avoid being exposed or prevent the spread of the COVID-19 virus in a congregate setting. In March 2020, \$150 million in federal Coronavirus Relief Funds (CRF) was allocated to HCFC and the Department of Social Services (DSS) to assist local jurisdictions with securing hotel and motel rooms, acquiring trailers to safely house homeless populations most at risk, and providing hygiene stations and outreach to unsheltered individuals. This was followed by \$300 million in flexible grants to local governments to address homelessness during the pandemic. Then in November 2020, an additional \$62 million was made available from the Disaster Response-Emergency Operations Account for continued Project Roomkey site operations and to begin transitioning those residents to permanent housing. Since March 2020, Project Roomkey has successfully provided medically necessary interim housing for over 23,000 people over 42 counties.

As part of the state's continued response to the public health emergency, the 2020 Budget Act allocated \$550 million of the state's direct allocation of federal CRF to purchase hotels, motels, residential care facilities, and other housing that can be quickly converted and rehabilitated to provide permanent housing for persons experiencing homelessness, and who are also at risk of COVID-19. The HCD provided grants to local jurisdictions to acquire these facilities, which are owned and operated at the local level. Due to unprecedented demand from local jurisdictions, an additional \$200 million CRF was subsequently provided to enable counties and tribes to acquire additional sites for permanent housing. In addition, \$50 million one-time General Fund and \$45 million in philanthropic funding was directed to this effort. As of December 2020, HCD has awarded \$846 million to 51 local agencies for 94 projects, providing over 6,000 housing units for individuals or families and helping to stop the spread of COVID-19 among this vulnerable population.

## EXPANDED FACILITIES TO SUPPORT HOUSING FOR ALL

Building upon the success of Homekey, the Budget proposes \$1.75 billion one-time General Fund to further develop a broader portfolio of housing needed to end homelessness through continued acquisitions and creation of new units.

- **Continued Homekey Acquisitions**—The successful pace of the first round of Homekey funding demonstrates the need for additional investments, particularly in the midst of a pandemic. The Budget includes \$750 million one-time General Fund for HCD to continue to provide competitive grants for local governments to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings, and convert them into interim or permanent long-term housing. To sustain this momentum and meet local governments' demand for additional funding, the Administration is asking the Legislature to take early action to approve \$250 million one-time General Fund in 2020-21 to continue funding Homekey projects. As part of this early action, the Administration proposes the same streamlining benefits provided by the Legislature in 2020 be extended to all future Homekey acquisitions and rehabilitation projects so that local governments can continue to successfully expend funds at the pace necessary to match the urgency of the homelessness crisis.
- **Behavioral Health Continuum Infrastructure**—As the state broadens the range of services provided through California Advancing and Innovating Medi-Cal (CalAIM) and the Serious Mental Illness/Serious Emotional Disturbance Waiver, the Department of Health Care Services aims to reduce homelessness, incarceration, unnecessary hospitalizations, and inpatient stays by appropriately utilizing community-based models of care. Increased investment in behavioral health continuum infrastructure is a key part of these efforts. Infrastructure is critical to make outpatient treatment options more widely available and to help counties treat individuals in less restrictive, community-based, residential settings of care. The Budget proposes \$750 million one-time General Fund, available over three years, for the Department of Health Care Services to provide competitive grants to counties for the acquisition and rehabilitation of real estate assets to expand the community continuum of behavioral health treatment resources. These resources seek to improve the comprehensive continuum of services by providing short-term crisis stabilization, acute needs, peer respite, and other clinically enriched longer-term treatment and rehabilitation opportunities for persons with behavioral health disorders, in the least-restrictive and least-costly setting. The Administration estimates that this proposal will result in the addition of at least 5,000 beds, units, or rooms.

Counties will be required to provide a match of local funds. The Administration is also exploring opportunities to repurpose relinquished adult jail bond financing to invest in short-term residential mental health facilities. (See the Criminal Justice Chapter for additional information.)

- Expanded Facilities to Support Housing—The Budget proposes \$250 million one-time General Fund for the Department of Social Services to counties for the acquisition or rehabilitation of Adult Residential Facilities (ARF) and Residential Care Facilities for the Elderly (RCFE) with a specific focus on preserving and expanding housing for low-income seniors.

### **TOTAL HOUSING AND HOMELESSNESS INVESTMENTS**

The state continues to make progress in meeting its Housing for All goals through a multi-pronged approach including housing grants, loans, tax credits, property acquisitions, and supportive services. In total, the Governor's Budget includes more than \$8 billion in housing resources and \$2 billion in homelessness resources, as detailed below.

**2021-22 Affordable Housing Funding**  
(Dollars in Millions)

<i>Department</i>	<i>Program</i>	<i>Amount</i>
Department of Housing and Community Development	Veterans and Affordable Housing Bond Act Programs (Prop 1)	\$490.0
	No Place Like Home Program	\$400.0
	Building Homes and Jobs Fund Programs (SB 2)	\$277.0
	Infill Infrastructure Grant Program Economic Recovery Investment	\$500.0 <sup>1/</sup>
	Federal Funded Programs for Housing	\$78.6 <sup>2/</sup>
	Veterans Housing and Homelessness Prevention	\$75.0
	Various	\$17.0
California Housing Finance Agency <sup>3/</sup>	Single Family First Mortgage Lending	\$3,000.0
	Multifamily Conduit Lending	\$1,200.0
	Multifamily Permanent Lending	\$410.0
	Mixed-Income Loan Program	\$40.0
	Single Family Down Payment Assistance	\$95.0
	Special Needs Housing Program	\$15.0 <sup>4/</sup>
Tax Credit Allocation Committee	Low Income Housing Tax Credits (State)	\$602.7
	Low Income Housing Tax Credits (Federal)	\$330.9 <sup>5/</sup>
	Farmworker Housing Assistance Tax Credits	\$4.2
Strategic Growth Council	Affordable Housing and Sustainable Communities	\$426.0 <sup>6/</sup>
Department of Veterans Affairs	CalVet Farm and Home Loan Program (Prop 1)	\$170.0
Office of Emergency Services	Domestic Violence Housing First Program	\$23.0
	Transitional Housing Program	\$18.0
	Specialized Emergency Housing	\$10.0
	Domestic Violence Assistance, Equality in Prevention and Services, Human Trafficking Victim Assistance, North American Domestic Violence and Sexual Assault	- <sup>7/</sup>
California Department of Corrections and Rehabilitation	Specialized Treatment of Optimized Programming, Parolee Service Center, Day Reporting Center, Female Offender Treatment and Employment Program, Proposition 47 Grant Program	- <sup>7/</sup>
Department of Social Services	CalWORKS Housing Support Program	\$95.0
	CalWORKS Family Stabilization, Housing Component	\$6.4 <sup>8/</sup>
Department of Public Health	Housing Opportunities for Persons with AIDS (HOPWA)	\$5.0
	Housing Plus Program	\$1.0
	HIV Care Program	- <sup>7/</sup>
<b>Total</b>		<b>\$8,289.8</b>

<sup>1/</sup> Of this amount, \$250 million is proposed for early action in 2020-21, for the Infill Infrastructure Grant Program to stimulate economic recovery.

<sup>2/</sup> This amount reflects programs that receive federal funds, such as the Community Development Block Grant program. Unawarded COVID-19 related relief funds (e.g., CARES Act) are not reflected. Additional federal funds related to COVID-19 response may become available in 2021-22.

<sup>3/</sup> CalHFA is self-supporting and its single family and conduit lending programs do not rely on the state General Fund. Funding estimates are based on lending activities from 2019-20, available program resources, volume cap allocation, and multifamily lending pipeline projections.

<sup>4/</sup> Funding estimate represents voluntary allocations of local Proposition 63 funds from 16 participating counties.

<sup>5/</sup> This represents the estimated 9 percent tax credits to be allocated in 2021 and the estimated amount of 4 percent credits to be awarded in 2021 based on current data and remaining bond cap. Most disaster credits were allocated in 2020 and excluded from 2021 9 percent tax credits estimate.

<sup>6/</sup> The Affordable Housing and Sustainable Communities program amount reflects 20 percent of projected Cap and Trade revenues.

<sup>7/</sup> The state provides a number of wrap-around supportive services through these programs including housing, which cannot be separated from the program's overall budget.

<sup>8/</sup> Of the \$48.5 million available for CalWORKs Family Stabilization in 2020-21, \$6.4 million is estimated to be spent on housing.

**2021-22 Homelessness Funding**  
(Dollars in Millions)

<i>Department</i>	<i>Program</i>	<i>Amount</i>
	Continued Homekey Acquisitions	\$750.0 <sup>1/</sup>
Department of Housing and Community Development	Federal Funded Programs for Homelessness	\$43.0 <sup>2/</sup>
	Transitional Housing Program	\$8.0
	Various Homeless Youth Programs	\$1.0
Office of Emergency Services	Youth Emergency Telephone Network	\$0.6
	Expanded Facilities to Support Housing	\$250.0
Department of Social Services	CalWORKS Homeless Assistance Program	\$38.5 <sup>3/</sup>
	Housing and Disability Advocacy Program	\$25.0
	Behavioral Health Continuum Infrastructure	\$750.0
Department of Health Care Services	Project for Assistance in the Transition from Homelessness	\$8.8
	Homeless Encampment Cleanup on the State Highway System	\$12.4
Department of Transportation	Homeless Encampment Cleanup on the State Highway System	\$12.4
	Basic Needs Funding - Student Hunger and Homelessness Programs	\$100.0 <sup>4/</sup>
California Community Colleges	Rapid Rehousing	\$9.0
	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15.0 <sup>4/</sup>
California State University	Rapid Rehousing	\$6.5
	Basic Needs Funding - Student Hunger and Homelessness Programs	\$15.0 <sup>4/</sup>
University of California	Rapid Rehousing	\$3.5
<b>Total</b>		<b>\$2,036.3</b>

1/ Of this amount, \$250 million is proposed for early action in 2020-21, for continued Homekey acquisitions.

2/ This amount reflects programs that receive federal funds, such as the Emergency Solutions Grant program. Unawarded COVID-19 related relief funds (e.g., CARES Act) are not reflected.

3/ Amount reflects cost of recent policy changes, but not base funding since program expenditures are embedded within the overall CalWORKs grants expenditures and cannot be extracted.

4/ These programs support basic needs partnerships for low-income students facing housing or food insecurity. These amounts exclude basic needs funding provided to address student mental health and digital equity needs.