

HOUSING AND HOMELESSNESS

HOUSING

Rising housing costs and housing supply challenges in California and across the nation limit opportunity, equity, and economic stability for millions of households of all incomes, and disproportionately impact low-income renter households that spend more than half of their income on housing.

California continues to take actions to help limit the effects of these housing challenges while jurisdictions across the state plan for and are held accountable for their fair share of housing. However, to tackle these issues immediately and make lasting change, the state needs each level of government to prioritize housing preservation and production; allocate additional resources; and continue to collaborate across sectors to meet shared housing, transportation, infrastructure, and climate goals. To assist local governments with these goals and the implementation of recently enacted housing laws, the Governor's Budget includes resources for the Office of Planning and Research to update the General Plan guidelines.

Given the scale of California's housing shortfall, the state has invested billions of dollars in the past two years for housing production incentives, with 2021 and 2022 Budget Act housing packages totaling \$21.5 billion combined. Importantly, the state has continued to deploy a comprehensive set of strategies, including improving existing housing financing programs; targeting housing investments; providing technical assistance to rural, tribal, and urban communities; and leveraging land use tools. These efforts will

only be effective when there are corresponding actions at the local level that facilitate housing production that meets the urgency of the need and is reinforced using the state's housing accountability authority. The Administration remains committed to working with the Legislature to develop policies that strengthen state housing law and strategically leverage existing resources and lower per-unit costs. Accordingly, the Administration puts forth the following policy principles of accountability and innovation.

ACCOUNTABILITY

To meet the housing needs of all Californians, cities and counties must plan for more than 2.5 million homes over the next eight years, and continue zoning for and permitting housing to serve all household income levels. Without sustained efforts and resolve from cities and counties, they run the risk of violating state housing laws and failing to deliver housing opportunities across their communities and across our state. To that end, the state will continue providing a range of technical assistance to support local jurisdictions in complying with applicable housing laws.

INNOVATION

Innovation The state remains focused on using new tools and scaling existing efforts that unlock residential and community development in alignment with the state's climate goals. This includes practical innovations in land use, construction, and finance that can lower housing production costs. The Administration will continue identifying administrative or statutory barriers that delay housing production and increase housing costs, with a priority on removing barriers for extremely-low-income housing and permanent supportive housing. The state will continue pursuing federal resources that support housing construction and rental assistance to make units affordable to low-income households, and explore opportunities to increase voucher utilization rates and maximize federal funding for rental assistance.

SIGNIFICANT BUDGET ADJUSTMENTS

The 2022 Budget Act included a housing package of \$11.2 billion over multiple years with a focus on affordable housing production and homeownership opportunities. With interest rates fluctuating and homeownership inventory low, the state is approaching homeownership programs with additional care to safeguard opportunities for first-time homebuyers while not putting them into an untenable and unaffordable situation.

Due to declining General Fund revenues, the 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). If there is sufficient General Fund in January 2024, these reductions will be restored. See the Introduction Chapter for further information on this trigger.

- **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.

HOMELESSNESS

California continues to face the consequences of persistent increases in the number of people experiencing homelessness, particularly unsheltered individuals. The 2022 Budget Act allocated \$10.2 billion, in addition to the \$7.3 billion provided in 2021, for homelessness solutions. This signifies a continued priority in providing investments to support the state's comprehensive homelessness strategy, including resources to provide long-term permanent housing options, services, and supports for individuals experiencing homelessness, or who are at risk of experiencing homelessness.

Despite unprecedented resources from the state and record numbers of people being served by the homelessness response system, the population of unhoused individuals grows faster than the population exiting homelessness. Additionally, homelessness

disproportionately affects people of color, LGBTQ+, individuals with disabilities and other marginalized groups.

To reverse these trends, cities and counties must work together to increase affordable housing options, continue to deliver behavioral health services, resolve encampments, and work across systems to focus on prevention strategies. Given the clear nexus between housing affordability and homelessness, the state's housing efforts—including the focus on accountability—cannot be distinct from the strategies to prevent and end homelessness.

LOCAL HOMELESSNESS ACTION PLANS AND ACCOUNTABILITY

The California Interagency Council on Homelessness (Cal ICH) is charged with advancing California's coordinated response to the homelessness crisis, including holding grantees accountable for effectively expending state homelessness resources. The Administration has provided \$3 billion to local governments through four rounds of the Homeless Housing, Assistance and Prevention (HHAP) Program. A newly enacted requirement within HHAP requires local governments to submit local action plans that reflect outcome goals that grantees commit to achieving over the specified funding period. The first iteration of these plans made clear that more ambition is required—and more direction from the state is necessary. Accordingly, the Administration plans to work with the Legislature this year to advance homeless accountability legislation.

Pending further discussion with the Legislature to meaningfully increase outcomes and accountability on local HHAP spending, the Administration intends to focus HHAP on highest priority needs, especially reducing unsheltered homelessness. As such, the Administration intends to pursue statutory changes to the HHAP program to prioritize spending on activities such as encampment resolution, Homekey operating sustainability, and Community Assistance, Recovery and Empowerment (CARE) Act housing supports. This focus may also be accompanied by expanded housing streamlining provisions.

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. Jurisdictions that are not compliant with their legal responsibilities will be disqualified from receiving specified homelessness funding, and instead, other overlapping jurisdictions, such as cities, counties, or administrative entities, such as Continuums of Care, will be eligible to receive those funds and provide those

services in the respective community. If local jurisdictions fail to adhere to state housing law, it calls into question whether they have the intention or capacity to address homelessness in a comprehensive and efficient manner.

SIGNIFICANT BUDGET ADJUSTMENTS

The 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 and \$1 billion for a fifth round of HHAP 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 (for more information, see the Health and Human Services Chapter).