

HOUSING AND HOMELESSNESS

California has implemented a comprehensive set of housing and homelessness reforms that have accelerated housing production, reduced development timelines and costs, and strengthened accountability. Through streamlined approvals, modernized review processes, and targeted enforcement of state housing laws, the state is supporting faster housing delivery while supporting efforts to address homelessness and encampments. Collectively, these efforts have resulted in increased planning, permitting, and production across the state, helping more Californians access stable, affordable homes.

Building on this progress, the Governor's Budget and May Revision propose policies that reduce development costs and accelerate construction over the long term—an approach that is critical to maximizing the use of both existing and future resources for affordable housing.

Housing is paramount to the lives of all Californians. Through the Governor's Reorganization Plan (2025), the state has been building a structure for a more streamlined, responsive housing finance system in an effort to move toward a more efficient and effective use of state dollars. The Administration looks forward to working with the Legislature in the coming weeks to continue to prioritize the state's investments in addressing the housing and homelessness crisis.

CALIFORNIA HOUSING AND HOMELESSNESS AGENCY IMPLEMENTATION

In connection with the Governor's Reorganization Plan, the Administration is streamlining and aligning state housing finance programs through a "one-stop shop" for affordable housing production. Streamlining access to state financing will support the state's efforts to reduce costs and accelerate construction. Building on these efforts, the May Revision includes a proposal to reduce development costs by addressing fees imposed by local jurisdictions that add to the cost of state-funded affordable housing projects.

ALIGNING LOCAL POLICIES TO LOWER COSTS FOR STATE-FUNDED HOUSING PROGRAMS

To better leverage state dollars and promote the production of affordable housing, the May Revision proposes statutory language to advance targeted policies that align local actions with efforts to reduce development costs. The proposal encourages local governments to provide development fee waivers by recognizing those waivers as a form of local contribution in state affordable housing programs. In addition, as a condition of receiving state funding, the proposal prohibits local governments—when serving as a lead- or co-applicant—from imposing development impact fees on projects receiving state funding.

This proposal does not require local jurisdictions to change their underlying fee structures and establishes clear expectations for the use of state funds. The proposal helps direct state investments toward building affordable housing rather than offsetting locally imposed costs, while reducing overall development costs for state-funded affordable housing.

RESOURCES IN SUPPORT OF THE GOVERNOR'S REORGANIZATION PLAN

The establishment of the California Housing and Homelessness Agency (CHHA) under the Governor's Reorganization Plan requires strategic alignment across multiple departments to maintain continuity of operations and strengthen statewide coordination. The May Revision proposes transferring additional necessary positions and associated resources to support that realignment, including communications capacity for CHHA, information technology and administrative support for the Department of

Housing and Community Development, and leadership for the Housing Development and Finance Committee.

DISASTER REBUILDING FUND

The Administration remains focused on supporting residential rebuilding across California, especially in communities impacted by the 2025 Los Angeles wildfires. Consistent with actions taken over the past year to clear debris at a record pace, expedite permitting, and support the development of affordable housing, the state continues to prioritize helping homeowners affected by these wildfires to recover and rebuild as quickly as possible.

To further help stabilize finances for impacted homeowners, the state has provided mortgage payment assistance through the CalAssist program, which has already delivered relief to more than 1,000 homeowners. Despite these efforts, many survivors continue to face a significant gap between insurance proceeds and the cost to rebuild, compounded by limited access to affordable financing.

To help address this challenge, the May Revision proposes the creation of a Disaster Rebuilding Fund to expand access to construction and renovation financing for disaster-impacted homeowners. The proposal includes a \$100 million investment, including \$56 million General Fund and \$44 million in existing National Mortgage Settlement funds. This investment will be used to reduce borrowing costs and facilitate access to private financing through a combination of a loan loss guarantee program, an interest rate buydown program, and additional tools. Together, these tools will lower monthly construction and mortgage loan costs, expand loan eligibility, and enable more homeowners to secure the financing needed to rebuild.

The Administration is working with philanthropy, non-profits, and lenders and has secured a philanthropic commitment to enhance the impact of the fund, as well as commitments from several lenders to participate in the fund.

HOMELESS HOUSING, ASSISTANCE AND PREVENTION ACCOUNTABILITY

The state continues to deploy significant resources to prevent and reduce homelessness. This includes a sixth round of Homeless Housing, Assistance and

Prevention (HHAP) funding totaling \$1 billion that can be utilized by eligible grantees over multiple years, with a final expenditure deadline of June 30, 2029.

In addition, there is a seventh round of HHAP funding totaling \$500 million planned, contingent on enhanced accountability and performance requirements. The May Revision proposes detailed statutory changes, such as maintaining a compliant general plan housing element, aligning with state guidance to address encampments, advancing pro-housing policies, and leveraging local resources to scale HHAP investments. Because local housing policies directly shape the availability and affordability of housing, aligning these policies with state investments is critical to preventing homelessness, supporting exits from homelessness, and increasing placements in permanent housing. These enhanced conditions of HHAP funding are designed to reinforce the connection between local funding and housing policies, as well as regional homelessness outcomes, with the overall goal of maximizing the impact of state resources and outcomes.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Resources for Enforcement Investigation and Conciliation Workload**—The May Revision includes permanent position authority for six positions and \$838,000 in 2026-27, 2027-28, and 2028-29 for the Civil Rights Department to reduce complainant wait time and increase settlements of employment and housing complaints.
- **Reappropriation of Infill Infrastructure Grant Program Funds**—The May Revision reflects a reappropriation that is estimated to make approximately \$7 million of previously awarded and currently uncommitted funds available for the Department of Housing and Community Development to assist the construction of additional infill infrastructure and housing projects.