



September 30, 2022

The Honorable Gavin Newsom
Governor of California
1021 O St., Ste. 9000
Sacramento, CA 95814

Re: 2023-24 Housing Budget Blueprint for Addressing Housing Affordability and Homelessness

Dear Governor Newsom,

We write to you as a united coalition of California's leading affordable housing and homelessness advocacy organizations to propose a set of investments that may serve as a blueprint for the housing priorities in the 2023-24 budget.

Collectively, we are made up of and work on behalf of the broad community of affordable housing and homelessness stakeholders – from affordable housing builders to service providers to community-based organizations, as well as affordable housing residents and other low-income Californians. We have seen firsthand the essential role affordable housing has played during the pandemic, and our members provide shelter, support, and community to our state's most vulnerable communities—including seniors and veterans, teachers and firefighters, disabled persons and the far too many working families that cannot afford the rising cost of market rents. Affordable housing remains a critical piece of the state's safety net, as well as an essential element of our climate strategy.

Through these multifaceted challenges, your administration has continued to build on a historic record and effort to address California's housing and homelessness needs, and we share your commitment to ensuring everyone in every community has access to a safe, affordable home. We are proud to have worked closely with your office and our legislative partners to streamline the production of affordable

housing, prioritize dense, infill housing, and maximize the potential of affordable housing funds, all with the aim of reducing homelessness and housing insecurity.

Per the Statewide Housing Plan, released earlier this year by the California Department of Housing and Community Development (HCD), we must plan for more than 2.5 million homes over the next eight years, and per our studies in the Roadmap Home 2030, we need 1.2 million of those units to be deed-restricted affordable to meet resident needs on the ground. As you consider these goals and your priorities for the next fiscal year, we urge your consideration of the following budget allocations. Targeting this set of investments will both support meeting the goals of our statewide housing plans and complement the legislative and budgetary progress of the last four years.

\$8 Billion Investment Strategy to Make Progress on California's Affordable Housing Goals

- **\$4 billion (50 percent) for three key affordable housing production programs: Low-Income Housing Tax Credit program (LIHTC), Multi-Family Housing Program (MHP), and the California Housing Accelerator Program (CHAP).**
 - The California LIHTC has proven to be an effective and most efficient way to close funding gaps in a one-stop manner for shovel ready developments, and the lack of these resources is preventing California from fully utilizing our tax-exempt bond volume cap at CDLAC and therefore leaving precious 4% federal tax credits on the table. In fact, in CDLAC's second round of 2022, 43 developments were denied bonds due to a lack of state LIHTC, resulting in close to \$700 million of bonds going unused this year. We propose doubling the current \$500 million allocation in 2023-24. This will multiply the number of affordable housing developments we can move quickly to construction and take full advantage of existing federal resources.
 - MHP will issue its final Proposition 1-funded NOFA this spring. Absent any major new investment, the future affordable housing pipeline will stall. Per our internal analysis of the most recent SuperNOFA, MHP is oversubscribed 10 to 1, meaning 9 out of 10 developments will not be able to advance without funding support.
 - Due to federal inaction, there is also a severe shortage of tax-exempt bonds for affordable housing developments, which impacts access to federal 4% LIHTC. A recent analysis of the shovel-ready affordable housing pipeline in California found that there is still a backlog of over 13,000 shovel-ready affordable homes that will stall without supplemental investment in the CHAP.
 - We propose that, after the state LIHTC is doubled, \$2 billion be appropriated to MHP and \$1.5 billion to the Housing Accelerator and that HCD be given the authority, with DOF approval, to transfer amounts between these two programs in line with demand.
- **\$2 billion (25 percent) in additional funding for the Homeless Housing, Assistance, and Prevention (HHAP) Program in 2023-2024, leading to \$3 billion ongoing funding for future years.**
 - This funding will provide local jurisdictions and Continuums of Care (CoC's) with adequate resources, with programmatic changes to drive successful long-term outcomes, eliminate racial disparities, and advance workforce capacity and equity across local homeless response systems.
- **\$1 billion (12.5 percent) for Affordable Housing Preservation and Anti-Displacement, including the Community Anti-Displacement and Preservation Program (CAPP).**
 - Preservation is a key pillar of the "4 Ps" of housing and a priority of the Statewide Housing Plan. CAPP would preserve "naturally" occurring affordable housing, where the vast majority of lower income Californians live. There are over 1 million of these unsubsidized affordable homes throughout California. Both cost-efficient and able to make an immediate impact in communities, a \$500M invest in CAPP, for example,

would provide the resources necessary to acquire an estimated 4,500 homes – providing stability and preventing displacement for the households that live there today, while also preserving these homes as permanently affordable for generations to come. These homes are owned and stewarded by public agencies, community organizations, and nonprofits, advancing the goals of alternative, social housing models. Additional anti-displacement programs may also be necessary.

- **\$800 million (10 percent) for CalHOME and other home ownership support.**
 - CalHOME assists in the production of new deed-restricted owner-occupied homes for qualifying families and this allocation should support programs prioritizing homeownership in various forms for low- income families so they can build equity, increase community stability, and gain the multi-generational benefits of owning a home.
- **\$200 million (2.5 percent) to support the affordable housing needs of farmworker and tribal communities.**
 - \$100 million for farmworker housing development through the Joe Serna Farmworker Housing Grant Program. Farmworkers face significant housing disparities and have unique housing needs. It’s critical that we provide quality affordable homes that support migrant families and make a life-changing difference in their children’s health and educational outcomes.
 - \$100 million for a new Tribal Housing Grant Program to help finance homes for rent or purchase on tribal trust and fee land and meet the unique housing, land, and sovereignty conditions of California tribes that are not being met by existing State housing programs.

We realize that top line budget numbers for affordable housing and homelessness may not align perfectly with our proposal. To the extent the top line number changes, we nonetheless urge the administration to adjust each category above proportionally. The percentages above represent the affordable housing community’s view on the relative needs and priorities within the housing and homelessness sector.

Thank you for your ongoing leadership and partnership in addressing our state’s most pressing crises. As we continue to engage a growing coalition of partners around these budget priorities, we look forward to working closely with you and the Legislature to develop a budget framework for California that will also serve as a state and national blueprint for addressing housing and homeless challenges.

Sincerely,

Ray Pearl
California Housing Consortium

Matt Schwartz
California Housing Partnership

Amie Fishman
Non-Profit Housing Association of Northern California

Rob Wiener
California Coalition for Rural Housing

Chris Martin
Housing California

Alan Greenlee
Southern California Association of NonProfit Housing

Stephen Russell
San Diego Housing Federation

Heather Hood
Northern California
Enterprise Community Partners

Jimar Wilson
Southern California
Enterprise Community Partners

Sharon Rapport
Corporation for Supportive Housing

Stephanie Klasky-Gamer
LA Family Housing

Bill Pickel
Brilliant Corners

Jennifer Hark-Dietz
People Assisting the Homeless (PATH)

Anne Miskey
Union Station Homeless Services

Alex Visotzky
National Alliance to End Homelessness

CC: Lourdes Castro Ramirez, Secretary, Business, Consumer Services, and Housing Agency
Gustavo Velasquez, Director, Department of Housing and Community Development