

Senate Hearing

San Jose: November 12, 2015, 9:00 am

TESTIMONY

Glen Campora, Assistant Deputy Director, Housing Policy Division
Department of Housing and Community Development

SUBJECT: California Affordable Housing: Funding and Programs

My name is Glen Campora. I am the Assistant Deputy Director of Housing Policy for the California Department of Housing and Community Development (HCD). Thank you for the opportunity to participate in today's hearing.

I will provide an overview of California's housing needs and production, affordable housing programs and challenges, status of HCD funding and current programs (identified in Attachments 1 and 2), and future actions/opportunities.

The Department is one of five California agencies operating affordable housing and finance programs. The other four entities are California's Housing Finance Agency, Tax Credit Allocation Committee, Debt Limit Allocation Committee, and Department of Veterans Affairs.

Housing Need

California currently has 38 million people living in 13 million households. By 2025, HCD estimates a minimum of 1.8 million new units (180,000 annually) will be needed just to accommodate Department of Finance's projected four million population increase. The Legislative Analyst's Office in its March 2015 report indicates annual housing production needs to be above 190,000 units to keep housing cost growth in line with cost escalations. New units needed for population growth don't account for additional units needed to replace substandard housing and remedy existing unmet housing need such as families living in overcrowded units or exposed to hazardous conditions (e.g. asbestos, lead-based paint, etc.).

Nearly 42 percent (5.5 million) of the State's 13 million households fall into low income categories. Approximately 3.8 million or 70 percent lower of income households overpay more than 30 percent of income for housing. Most lower income households, 2.3 million, pay more than half their income for housing.

Housing Production Since 2000

In 2000, 148,000 units were produced. Production peaked at 213,000 units in 2004.. After 2005, production began falling sharply to a low of 36,000 units in 2009. Small production increases have steadily occurred approximating 85,000 new units in 2014.

Affordable Housing Programs and Challenges

California's regions are diverse regarding local economies and housing supply and affordability that require different programs to meet challenges. Housing needs and high costs that are particularly extreme in Bay Area counties and some coastal areas differ compared to housing needs and costs in central valley and rural counties. Statewide, housing affordability continues to worsen due to low production, increases in sale prices and rent levels outpacing income growth of many families, and decreases in governmental funds and programs.

Last decade, the majority of California's public housing investment came from two voter approved bond measures. Propositions 46 (2002) and 1C (2006) approximated \$4.4 billion of funding. In addition to HCD bond and general revolving fund programs, HCD administers some federal program funds to small communities and rural counties, currently more than \$81 million for community development block grants, emergency solutions program, and HOME program.

Housing funding levels (federal, state, and local) have suffered reductions over the last decade, primarily due to federal and state budget cuts, diminishing state bond funds, and reductions in local government programs, particularly redevelopment.

Local redevelopment agencies between FYs 99-00 and 09-10, before dissolution in 2011, reported increasing annual deposits to their housing funds from \$684 million in 2000 to \$1.6 billion in 2010. Annually, the number of moderate and lower income households assisted ranged between 16,000 and 22,000.

Since 2010, the Legislature and voters directed approximately \$600 million for housing. In 2013, the Legislature restructured veteran bond funds for a new Veterans Housing and Homelessness Prevention Program (VHHP) and the voters, in 2014, approved Proposition 41. This program anticipates serving 7,000 veterans and their families in providing housing for lower income veterans and veterans experiencing homelessness.

In addition, the Administration approved use of Greenhouse Gas Reduction (Cap and Trade) funds for a new Affordable Housing and Sustainable Communities (AHSC) Program to encourage affordable housing development near transit hubs to reduce vehicle trips and greenhouse gas emissions. Annual funding could be up to 20 percent of future funds, approximating \$600 million to \$1 billion over the next five years.

California's housing programs typically involve partnering with localities or developers in providing funding for three main activities: (1) direct investment in building affordable homes, (2) tenant based rental assistance (similar to a housing voucher) that is provided to residents to find affordable housing and/or (3) subsidies to assist in operating deeply targeted permanent supportive housing typically serving persons experiencing homelessness. In addition, funding also aids first-time homebuyers with deferred loans or grants to qualify for a mortgage.

Future Actions/Opportunities

HUD is administering the National Housing Trust Fund in which California can receive annual funding. HUD has begun administering a new affordable housing production program for ownership and rental units. In recognition of this important resource, California enacted AB 90 in 2015 designating HCD as the administering agency that will collaborate with the State's Housing Finance Agency to allocate funding.

In 2015, the Legislature and Governor Brown approved AB 2 and SB 107 re-authorizing components of redevelopment property tax financing for local government affordable housing purposes.

In 2016, HCD will complete drafting the 2015-2025 Statewide Housing Plan to inform state and local agencies and interested stakeholders and others of California's housing needs, resources, and action considerations regarding the State's worsening housing crisis.

ATTACHMENT 1

Agencies Operating Affordable Housing Programs *	Program Type *			Program Focus *	
	Ownership	Rental	Supportive Housing	Individuals	Entities
FEDERAL					
Housing and Urban Development (HUD)	Yes	Yes	Yes	Yes	Yes
Department of Agriculture (USDA)	Yes	Yes		Yes	Yes
Tax Credit (HUD)		Yes			Yes
CALIFORNIA					
Dept of Housing and Community Development (HCD)	Yes (some)	Yes (most)	Yes (few)	Yes (few)	Yes (most)
Housing Finance Agency (CalHFA)	Yes	Yes		Yes	Yes
Tax Credit Allocation Committee (TCAC)		Yes			Yes
Debt Limit Allocation Committee (DLAC)		Yes			Yes
Dept of Social Services (DSS)		Yes		Yes	
Dept of Veterans Affairs (CalVet)	Yes		Yes (few)	Yes	Yes (few)
LOCAL					
Public Housing Authorities (PHA)	Yes (few)	Yes (most)	Yes (few)	Yes (most)	Yes (few)
Redevelopment Successors	Yes (few)	Yes (most)		Yes (most)	Yes (few)
Jurisdiction Programs	Yes (most)	Yes (few)	Yes (few)	Yes (most)	Yes (few)

* Comments reflect governmental level operating an ownership and/or rental program(s) assisting individuals and/or entities. Agency contact is necessary for current information subject to program/funding changes.

ATTACHMENT 2

Overview of HCD Funding and Programs

- Administers approximately 20 housing programs.
- Program assistance is rarely directly provided to individuals
- Rental housing units are largest focus of most programs
- Funding Sources (HCD draft 2014-15 report)
- Federal: FY 2014-15: HCD distributed \$89.5 million among 125 awards assisting 1,700 units
- State Bond and General Funds:
 - Bond Funds
 - Prop 46 (2002) \$2.1 Billion: \$13m remaining. All years: 91,000 units assisted including 10,000 shelter spaces. FY 2014-15 awarded \$13m
 - Prop 1C (2006) \$2.3 Billion: \$250m remaining. All years: 92,000 units including 3,000 shelter spaces FY 2014-15 awarded \$189m
 - Prop 41 (2014): \$600 million for Veteran Housing and Homeless Prevention: FY 2014-15 awarded \$63m
 - General Funds
 - New Affordable Housing Sustainable Communities Program (AHSC): FY 2014-15: Awarded \$122 million
 - Established Multifamily Housing / Supportive Housing: Awarded \$47.5 million
 - Revolving Funds: \$2.7 million (\$1.6m Predevelopment Loans and \$1.1m Mobilehome Park Purchases)

Current Funded Programs (November 2015)

- Community Development Block Grants: 3 programs. \$55m
- Affordable Housing & Sustainable Communities Program: \$400m
- Drought Programs. 2 programs \$7m
- Emergency Solutions Program. \$20m
- HOME Program. Grants to jurisdictions and housing development entities. \$6-28m
- Housing Related Parks Program. \$30m
- Mobilehome Park Resident Ownership Program. \$8-12m
- Multifamily Housing Program. \$47.5m
- Project Rental Assistance Program (Section 811). \$22m
- Veterans Housing and Homeless Prevention Program. \$75m