

FEBRUARY 5, 2021

The 2021-22 Budget: Analysis of Housing and Homelessness Proposals



LEGISLATIVE ANALYST'S OFFICE

Introduction

The Governor's 2021-22 budget includes several major proposals related to homelessness and housing. In this analysis, we describe the major proposals and raise issues for the Legislature's consideration.

LAO Key Takeaways: Homelessness Proposals. While the Governor's budget reflects his commitment to curbing homelessness by once again proposing significant state resources toward these issues, the Governor's response continues to focus on one-time solutions. As we have said previously, a clear, long-term strategy would make it more likely that the state's investments would have a meaningful, ongoing impact on its housing and homelessness challenges. Moreover, fully assessing the potential impact of these one-time proposals is difficult because some of the anticipated legislation to implement them remains unavailable.

Overall, the Governor's homelessness proposals focus on the acquisition and rehabilitation of properties using one-time resources. Ongoing funding for supportive services and maintenance of these properties would need to be provided by local governments and other entities. How the administration would target the resources administered by the Department of Health Care Services (DHCS) and Department of Social Services (DSS) to address homelessness is unclear. In some cases, addressing homelessness might not be the principal benefit of some proposals.

This analysis covers the following proposals:

- Increased Funding for Homekey Program, page 12.
- Support for Residential Facilities Serving Vulnerable Adults and Seniors, page 16.
- Support for Behavioral Health Infrastructure, page 21.



Introduction

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LAO Key Takeaways: Housing Proposals. As with homelessness, the Governor’s budget reflects his commitment to addressing the state’s housing affordability crisis by once again proposing significant state resources toward this issues. While these proposals offer largely one-time solutions, they focus on expanding resources for the state’s long-standing housing programs. The Governor also proposes resources to bolster local governments’ compliance with the state’s housing laws. While complete details regarding how the administration would use these resources have not yet been provided, in concept, this proposal has the potential to help the state in meeting its housing production goals.

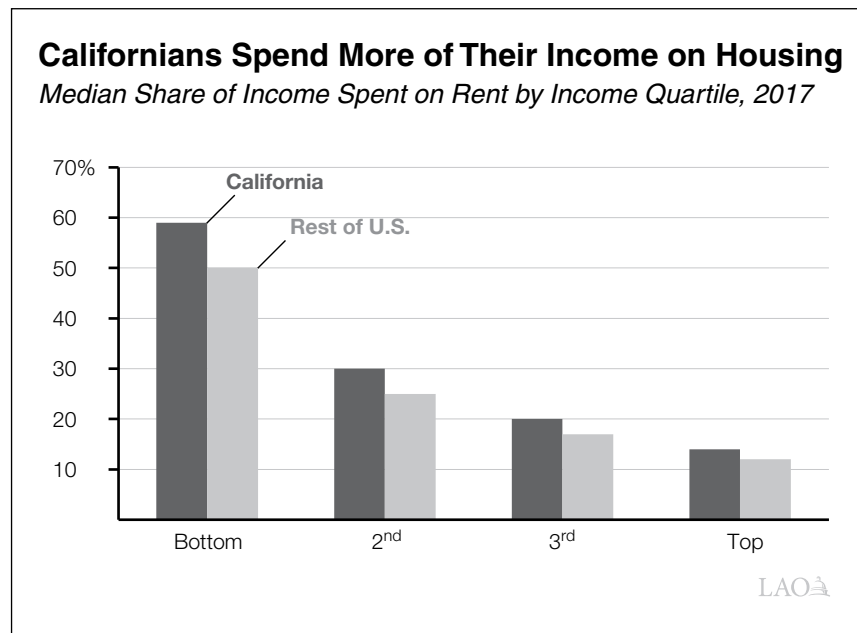
This analysis covers the following proposals:

- Housing-Related Infrastructure, page 28.
- Affordable Housing Tax Credits, page 31.
- Implementation of AB 3088—Eviction Moratorium, page 32.
- Compliance With State Housing Laws, page 34.
- Deferred Maintenance of Farmworker Housing, page 38.



Many Households Have Difficulty Affording Housing in California

- **Housing Affordability Affects Homelessness.** While homelessness is a complex problem with many causes, the high cost of housing is a significant contributor. Rising housing costs that have exceeded growth in wages, particularly for low-income households, put Californians at risk of housing instability and homelessness.
- **Californians Spend More on Housing Than Rest of Nation.** Californians spend a larger share of their income on rent than households in the rest of the nation at every income quartile.



- **Low-Income Households Face Highest Risk of Housing Instability and Homelessness.** In California, around 2.5 million low-income households are cost burdened (spend more than 30 percent of their incomes on housing). Over 1.5 million low-income renters face even more dire cost pressures—spending more than half of their income on housing.



Many Households Have Difficulty Affording Housing in California

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- ***Need for Low-Income Housing Assistance Outstrips Resources.***
The amount of resources supporting existing federal, state, and local affordable housing programs is not sufficient to assist all households in need of assistance. Prior to the pandemic, our office estimated the state would need to provide roughly \$10 billion per year in renter assistance to ensure no low-income renter paid more than 50 percent of their monthly income in rent (a threshold often used to distinguish those who are severely rent burdened).



California's Homeless Population

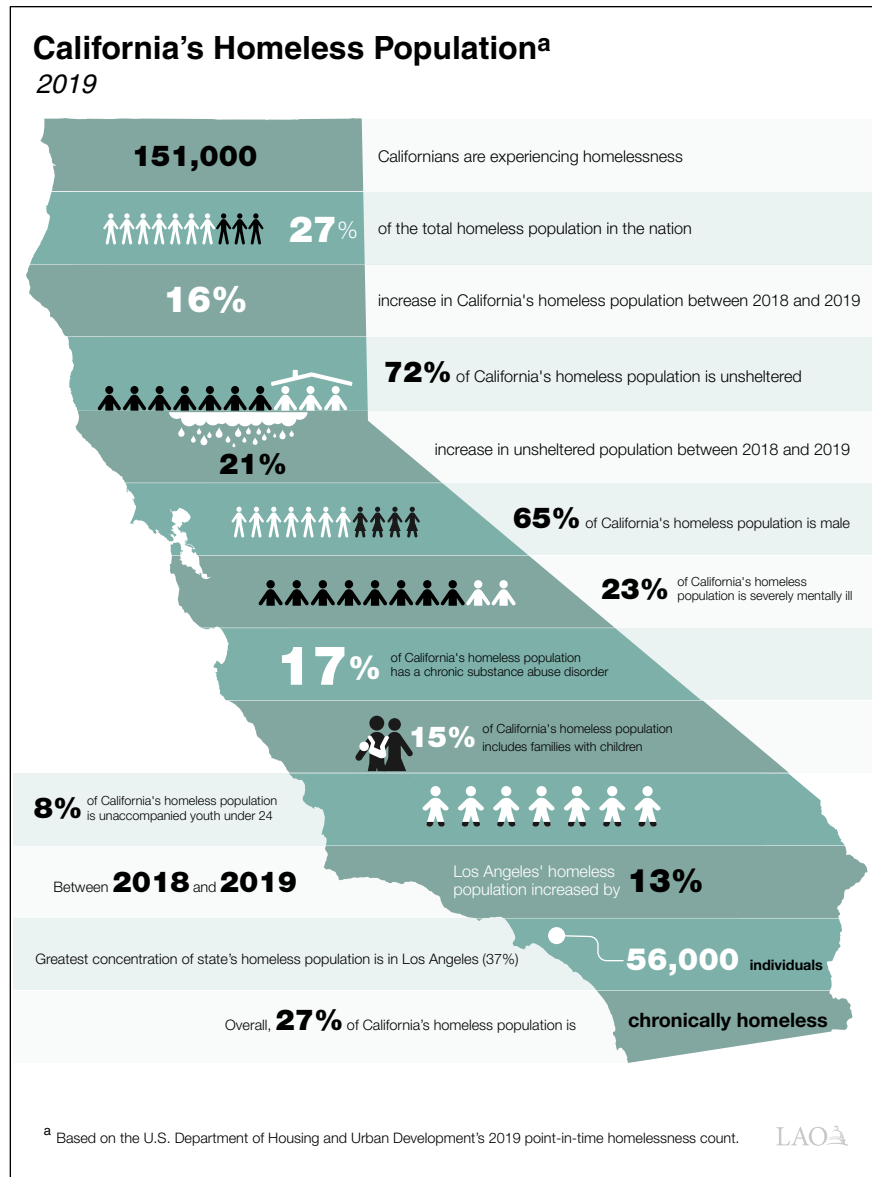
- **Significant Challenges Collecting Accurate and Timely Data.**
 - **Historically, States Have Relied on Point-in-Time Counts.** The U.S. Department of Housing and Urban Development (HUD) requires point-in-time counts of sheltered and unsheltered people experiencing homelessness on a single night in January.
 - **Homeless Population Likely Larger Than Available Data Reveals.** Various factors, including the transitory nature of the individuals experiencing homelessness and limitations on counting all forms of homelessness, complicate efforts to produce an accurate count.
 - **Coronavirus Disease 2019 (COVID-19) Further Complicates Data Availability and Accuracy.** Federal reporting about the January 2020 (before the onset of COVID-19) point-in-time count has been delayed. Further, availability of federal waivers for the 2021 count of unsheltered populations means data about the effect of COVID-19 on homelessness will be further delayed and less accurate than usual.
 - **State In Process of Implementing New Data System.** The Homeless Data Integration System (HDIS), which is expected to become operational in the spring, would allow the state to access and compile standardized data collected by Continuums of Care. While this data would not replace the point-in-time count data, it would provide more information about the delivery of homeless services in the state.



California's Homeless Population

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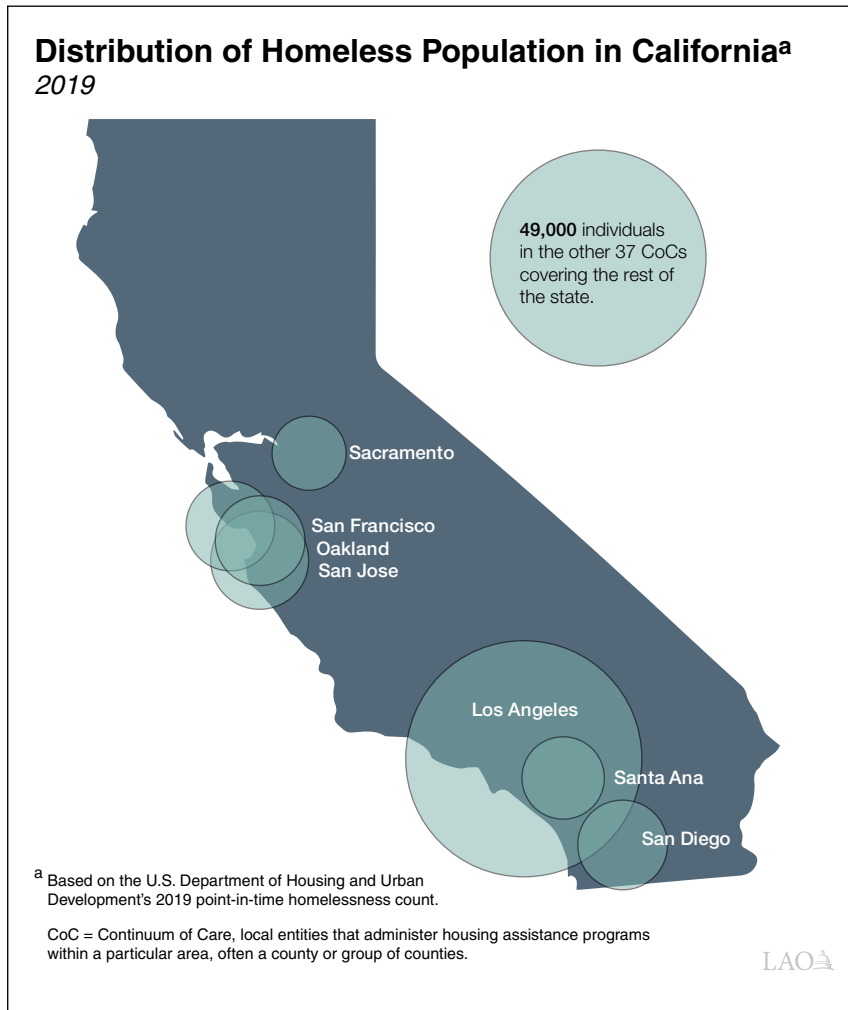
- **In 2019, More People Experienced Homelessness in California Than Any Other State.**



California's Homeless Population

(Continued)

- ***In 2019, Highest Concentration of People Experiencing Homelessness in Most Populated Areas.***



- ***Homeless Population in Los Angeles Continues to Increase.***
Although statewide homelessness data is not available for 2020 from HUD, some local entities have published data on their counts. In January 2020, over 66,000 people in Los Angeles County were experiencing homelessness, a nearly 13 percent increase from 2019. The City of Los Angeles experienced over a 16 percent increase in its homeless population, rising to over 41,000 individuals.



Historical State and Local Efforts to Address Homelessness

Various State Programs Historically Have Helped Address Homelessness...

- ***State Homelessness-Related Programs.*** California, in partnership with the federal government, administers and funds a variety of programs that assist individuals experiencing homelessness or at risk of becoming homeless.
 - Programs that support building new affordably priced housing.
 - Programs that help households afford housing.
 - Health and human services programs that may assist with preventing or overcoming homelessness.
- ***Multiple State Departments Involved in Addressing Homelessness.***
 - Some of the state’s longest standing and/or largest housing and homelessness programs are administered by the Housing and Community Development Department (HCD), California Housing Finance Agency, California Tax Credit Allocation Committee, and the Homeless Coordinating and Financing Council.
 - Other departments either administer the state’s safety net programs and/or have other, more limited, roles in addressing housing and homelessness.
- ***Multiple Funding Sources for Addressing Homelessness.*** Funding for these housing and homelessness programs comes from a variety of state and federal sources.



Historical State and Local Efforts to Address Homelessness

(Continued)

...But Most Homelessness Assistance Has Been Provided at Local Level

- Local governments are most knowledgeable about the specific homelessness-related challenges facing their communities and are well positioned to implement the combination of strategies that will work best for them.
 - Historically, cities and counties have provided most of the homelessness assistance in their jurisdiction, relying in part on federal and state funding.
 - Local governments set their own policies that aim to alleviate homelessness in their communities. For example, passing inclusionary housing and rent stabilization ordinances.



Major Recent State Budget Actions Addressing Homelessness

As the homelessness crisis has become more acute, the state has taken a larger role in funding and supporting local governments' efforts to address homelessness. The state also expanded its support for homelessness programs following the emergence of the COVID-19 pandemic, in response to concerns that the pandemic would place more people at risk of homelessness or further harm people experiencing homelessness.

<i>(In Millions)</i>					
Program	Amount ^a	Year	Funding Type	Eligible Entities	State Administrator
Before COVID-19					
No Place Like Home	\$2,000	2018-19	One time	• Counties	HCD
Homeless Emergency Aid Program	500	2018-19	One time	• 11 most populous cities • CoCs	HCFC
Homeless Housing, Assistance and Prevention (HHAP) Program	650	2019-10	One time	• 13 most populous cities • Counties • CoCs	HCFC
In Response to COVID-19					
COVID-19 Emergency Homelessness Funding	\$100	2019-20	One time	• 13 most populous cities • Counties • CoCs	HCFC
Project Roomkey	112	2019-20 2020-21	One time	• Cities • Counties • Other public entities	DSS
Homekey Program	800	2020-21	One time	• Cities • Counties • Other public entities	HCD
HHAP Continuation	300	2020-21	One time	• 13 most populous cities • Counties • CoCs	HCF

^a All fund source.

COVID-19 = coronavirus disease 2019; HCD = Housing and Community Development Department; CoCs = Continuums of Care; HCFC = Homeless Coordinating and Financing Council; and DSS = Department of Social Services.



Major 2021-22 Homelessness Budget Proposals

Homelessness Proposals. The Governor’s 2021-22 budget proposes \$1.75 billion one-time General Fund for three major proposals related to homelessness.

(In Millions)

Proposal	2020-21 ^a	2021-22	Funding Type	State Administrator
Increased Funding for Homekey Program	\$250	\$500	One time	HCD
Support for Residential Facilities Serving Vulnerable Adults and Seniors	—	250	One time	DSS
Support for Behavioral Health Infrastructure	—	750	One time	DHCS

^a The Governor’s budget requests early action to authorize funding in the budget year.
HCD = Housing and Community Development Department; DSS = Department of Social Services; and DHCS = Department of Health Care Services.

Some Key Details Remain Unavailable. We understand the administration plans to propose legislation related to some of its homelessness proposals that could provide further information about the Governor’s vision. We currently are reviewing the administration’s recently released legislation related to the Homekey proposal. The administration indicates that it does not plan to propose legislation to implement its adults and seniors proposal, while statutory language remains unavailable for the behavioral health proposal. Below, we describe the Governor’s proposals and raise issues for the Legislature to consider based on our current understating. If necessary, we will update our analysis as more details become available.



Increased Funding for Homekey Program

Background

- ***Emergence of COVID-19 Significantly Altered State’s Response to Homelessness.*** In March 2020, the state’s public health and economic situations began to change dramatically because of the emergence of COVID-19. The strategies to address homelessness evolved given the immediate need to prevent the spread of COVID-19 among people experiencing homelessness and at risk of homelessness.
- ***Emergency Action Established Project Roomkey to Address Immediate Housing Needs During Pandemic.*** At the outset of the COVID-19 public health emergency, the state provided \$50 million General Fund (later offset by federal funds) for the newly established Project Roomkey to help local governments lease hotels and motels to provide immediate housing to vulnerable individuals experiencing homelessness that were at risk of contracting COVID-19. Overall, the goal of this effort was to provide non-congregate shelter options for people experiencing homelessness, to protect human life, and to minimize strain on the state’s health care system. In November 2020, the state authorized an additional \$62 million in one-time funding from its Disaster Response Emergency Operations Account to continue operating the program while transitioning people to permanent housing. The program is administered by DSS.
 - ***Status.*** The funding has been nearly fully awarded. Statewide, 14,000 rooms are secured by Roomkey and 70 percent are occupied. The largest concentration of rooms are in Los Angeles County, where 65 percent of the available 3,700 rooms are occupied. Overall, the program has provided short-term housing for 23,000 people in 42 counties



Increased Funding for Homekey Program

(Continued)

- **2020-21 Budget Established Homekey Program.** Building off Project Roomkey, the 2020-21 budget and subsequent action allocated \$800 million in one-time funding for the newly established Homekey Program. The program provides for the acquisition of hotels, motels, residential care facilities, and other housing that can be converted and rehabilitated to provide permanent housing for persons experiencing homelessness or at risk of homelessness, and who also are impacted by COVID-19. Homekey provides grants to local governments to acquire these properties, which are owned and operated at the local level. To promote equitable access to Homekey funding, the program divided the state into eight regions and reserved funding for applicants in each region during the initial priority application period. Each region's share of the Homekey funding was based on its statewide share of (1) persons experiencing homelessness and (2) low-income renter households that are rent burdened. The program also provides some exemptions to the California Environmental Quality Act and local zoning restrictions to expedite the acquisition of Homekey sites. Unlike Project Roomkey, this program is administered by HCD.
 - **Status.** The funding has been fully disbursed through 94 awards to local entities (some entities acquired more than one site). We still are assessing the regional distribution of awarded grants. The administration indicates that the existing Homekey funding will create over 6,000 housing units for individuals and families. The average statewide cost to the Homekey Program per housing unit is \$124,000 and the average local match is \$24,000, making the average total cost per unit \$148,000.



Increased Funding for Homekey Program

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Governor's Budget Proposal

- **Continuation of Homekey Program.** The Governor proposes \$750 million General Fund to continue the Homekey Program administered through HCD. Of the \$750 million, the Governor requests early action from the Legislature to authorize \$250 million in 2020-21. We are reviewing the administration's recently released legislation related to the proposal.

Issues for Legislative Consideration

- **Is the Proposal Time Sensitive?** The administration proposes providing \$250 million to expand Project Homekey in early action. We suggest the Legislature consider whether early action is advantageous. The Legislature has already provided \$800 million towards Homekey in 2020-21. Would early state action provide substantial additional benefits? Does the administration have a list of properties ready for purchase and renovation? Would early action allow individuals experiencing homelessness to move in earlier than they otherwise would?
- **How Would HCD Evaluate Applications for Grant Funding?** The vast majority of the Homekey funding provided in 2020-21 was federal funding. HCD worked quickly to award grants for acquisitions and rehabilitations of properties that could be completed within the tight federal deadline for expenditure of funds. Although the federal deadline later was extended, the state prioritized projects that could be completed quickly when awarding funding through the Homekey Program. Under the Governor's proposal, the state would no longer be under strict federal expenditure deadlines. HCD could give other criteria more weight when evaluating applications for Homekey. For example, HCD could consider applicants' broader plans to address homelessness in their communities.



Increased Funding for Homekey Program

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- ***How Would Local Governments Fund Ongoing Costs Not Included in Proposal?*** Funding for this proposal is intended to be provided on a one-time basis. Accordingly, local entities would be responsible for funding the ongoing costs associated with maintaining the acquired properties and providing any associated services to occupants. Local entities' capacity to fund such new ongoing costs is unclear and calls into question the state's ability to preserve these units in the long term.
- ***How Would HCD Assess Success and Inform the Legislature of Needed Changes to Homekey Program?*** The administration is proposing expanding the Homekey Program without first assessing the successes and challenges associated with the initial \$800 million allocation provided in 2021-22. For example, Project Roomkey has experienced low occupancy rates among leased units. The administration should address how it plans to ensure units purchased through Homekey are effectively utilized. Understanding where Homekey has been successful and where it has faced obstacles will be important if it becomes a cornerstone of the state's approach on homelessness.
- ***How Would Funding for Acquisition of New Facilities Interact With Other Funding for Similar Purposes?*** As we discuss below, all three of the major homelessness proposals in the Governor's budget focus on the acquisition of new facilities. How this funding would be coordinated with the other proposed efforts to reduce homelessness is unclear. Understanding how these resources would be coordinated would help ensure resources are used efficiently.



Support for Residential Facilities Serving Vulnerable Adults and Seniors

Background

- ***ARFs and RCFEs Serve Vulnerable Adults and Seniors.*** Adult Residential Facilities (ARFs) and Residential Care Facilities for the Elderly (RCFEs)—often jointly referred to as board and care facilities or assisted living facilities—are generally privately owned residential facilities that serve adults and seniors who cannot live safely on their own without personal care assistance and nonmedical care. These facilities serve individuals with varying needs, including persons with disabilities, cognitive impairments, and mental and behavioral health needs. Services include meals, housekeeping, medication management, and assistance with daily tasks such as eating, dressing, bathing, and toileting.
- ***CCL Licenses and Oversees Facilities.*** The Community Care Licensing (CCL) Division of DSS licenses and oversees ARFs and RCFEs. Licensees may be individuals or corporations. As of 2019, there were more than 12,000 of these facilities across the state, serving more than 190,000 residents. The majority of facilities are locally owned and smaller, fewer than 15 beds—with many having 4 to 6 beds. Larger facilities (16 beds or more) tend to be corporately owned.
- ***ARFs and RCFEs Charge Monthly Rate For Board and Care.*** The monthly board and care rate that a facility can charge varies by resident. Facilities cannot charge residents receiving a Supplemental Security Income/State Supplementary Payment (SSI/SSP) grant more than the SSI/SSP monthly nonmedical board and care reimbursement rate, which is below the average market rate. (We understand that some counties currently supplement the SSI/SSP board and care rate.) In 2020, California Advocates for Nursing Home Reform estimated the median monthly rate to be around \$4,500, ranging from the SSI/SSP reimbursement rate of \$1,069 to over \$10,000 in some facilities.



Support for Residential Facilities Serving Vulnerable Adults and Seniors

(Continued)

- ***Some ARFs and RCFEs May Close Due to Financial Challenges.*** Reports of recent closures among ARFs and RCFEs have raised concern that former residents could become homeless, and that fewer low-income individuals are served by these facilities. Facilities—especially those serving SSI/SSP recipients or other lower-income populations—may fall into disrepair, while operators simultaneously face rising costs to provide meals and care to residents. While we understand that CCL does not systematically collect data about why facilities close, anecdotally, licensees report that reimbursement rates are insufficient to sustain care and operations and that needed facility repairs and maintenance are too costly to undertake. In addition, the pandemic may exacerbate financial challenges to the extent that licensees experience increased costs related to personal protective equipment, cleaning supplies, and more.

Governor’s Budget Proposal

- ***Expand Residential Facilities Supporting Vulnerable Adults and Seniors Populations.*** The Governor proposes \$250 million General Fund for the acquisition and rehabilitation of ARFs and RCFEs with a focus on preserving and expanding housing for low-income seniors who are experiencing homelessness or are at risk of homelessness. DSS would administer the program and provide grants to local governments. The administration indicates that it does not plan to propose legislation to implement this proposal.

Issues for Legislative Consideration

- ***Lack of Implementing Legislation Raises Concerns and Questions.*** As we have noted, the administration has indicated that they do not intend to introduce trailer bill language that would establish this new program and guide its implementation. We understand that the program would instead be established through budget bill language that will be available in May. How, without trailer bill language, the program would be implemented in a way that lines



Support for Residential Facilities Serving Vulnerable Adults and Seniors

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up with Legislative goals is unclear. Additionally, the Legislature's ability to effectively oversee the program and hold local governments accountable would be significantly constrained without authorizing legislation. Finally, since this program would allocate funding directly to local governments—similar to Homekey where the purchase of RCFEs is already allowed—the Legislature may wish to ask the administration to describe how this proposal is fundamentally different from Homekey.

- **Data Limitations Complicate Assessment of Proposal.** CCL tracks the total number, capacity, and locations of ARFs and RCFEs that close, as well as those that are newly licensed. However, we understand there is no aggregated data available about, (1) why facilities close, for example due to financial challenges, (2) if there are certain traits that are common to facilities that close, such as average monthly rates, and (3) what happens to residents when facilities close, for example whether they become homeless or are able to move into a different facility. Without these details, assessing the impact of closures and the effectiveness of the administration's proposal to support these facilities is difficult.
- **What Is Driving ARF and RCFE Closures?** As part of the rationale for this proposal, the administration has indicated that the number of ARFs and RCFEs has decreased significantly in some parts of the state in recent years, and numbers are expected to continue to decline due to the economic impact of the pandemic. As described above, however, to the best of our understanding, there is no aggregate source of data about, (1) reasons why facilities are closing, (2) how many licensees face financial challenges, and (3) how significant those challenges are.
- **Are One-Time Funds an Effective Tool to Address Closures?** Understanding why facilities are closing should inform the potential solutions. For example, if facilities are closing because they are unable to sustain their operations due to the level of the SSI/SSP grant, the solution may be to reconsider the level of the SSI/SSP grant for all recipients—an ongoing policy intervention. If, however,



Support for Residential Facilities Serving Vulnerable Adults and Seniors

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the issue is one-time infrastructure rehabilitation needs, then one-time funds to make capital improvements could be effective.

- ***What Role Do ARFs and RCFEs Play in Addressing Homelessness?*** While residents of ARFs and RCFEs by definition cannot safely live on their own, to the best of our understanding, there is no aggregate source of data about, (1) how many residents transition from homelessness to ARFs and RCFEs/how many residents would experience homelessness if not for ARFs and RCFEs, (2) how many former ARF and RCFE residents become homeless when facilities close, and (3) specific challenges certain residents, like SSI/SSP recipients, face in finding and retaining board and care placement.
- ***How Has the Administration Assessed the Level of Need for Rehabilitation of Existing Facilities and Acquisition of New Facilities?*** Without aggregated data about financial challenges facing licensees, knowing what amount of funding for facilities repairs would be needed to prevent closures is difficult. In addition, given California's high property costs in general, and in particular in higher-cost urban areas, how many new facilities and total beds could be provided under the Governor's proposal is unclear.
- ***How Would Funding Be Targeted to Prevent Closures and Increase Capacity?*** Whether funds would be targeted specifically for facilities at greatest risk of closure (and how that risk would be measured) is unclear. In addition, as part of the rationale for this proposal, the administration cites an urgent need to increase the supply of residential facilities, in part to house vulnerable adults and seniors transitioning from Project Roomkey. The administration estimates 10 percent of Project Roomkey participants will need residential care settings. We are not clear if the administration's intent is for new ARFs and RCFEs acquired through the proposed \$250 million to serve primarily Project Roomkey participants, or adults and seniors in need of residential care more generally. In addition, whether acquisitions would be targeted in particular counties or regions is unclear.



Support for Residential Facilities Serving Vulnerable Adults and Seniors

(Continued)

- ***What Impact Would Proposed Funds Have?*** Knowing how much funding is intended for each component of the proposal and how funds would be targeted would help the Legislature assess, for example, how many facilities and total beds would be preserved and acquired, and whether individuals most susceptible to homelessness are likely to be reached.
- ***Who Would Own and Operate New Facilities?*** As noted above, ARFs and RCFEs generally are owned and operated by private licensees. Who would own—and bear the ongoing costs of operating—new facilities acquired through the proposed funding is unclear.
- ***What Level of Accountability Would Be Placed on Facilities That Receive Funding?*** Funds could be made contingent on facilities remaining open for a set amount of time or serving SSI/SSP recipients, Project Roomkey participants, or other individuals determined to be at risk of experiencing homelessness.



Support for Behavioral Health Infrastructure

Background

- ***Many Individuals Experiencing Homelessness Have Significant Behavioral Health Needs.*** Estimates vary on exactly how many individuals experiencing homelessness also struggle with behavioral health issues—which include mental illness and substance use disorder—but there is some degree of overlap between these populations. There also is evidence to show that homelessness may lead individuals to develop behavioral health issues, due to the chronic stress associated with living without stable housing. Accordingly, behavioral health services can be an essential component of addressing homelessness.
- ***In California, Public Community Behavioral Health Services Primarily Are Funded and Delivered Through Counties.*** In California, counties play a major role in the funding and delivery of public community behavioral health services. In particular, counties generally are responsible for arranging and paying for community behavioral health services for low-income individuals with the highest mental health needs or a substance use disorders. Counties use a variety of funding sources to finance their behavioral health activities, including (1) several dedicated ongoing funding streams (like realignment revenues and the Mental Health Services Fund), (2) federal funds accessed through the Medi-Cal program, and (3) state and federal grant programs.
- ***Expansion of County Behavioral Health Capacity Likely Is Warranted.*** While comprehensive data on the statewide need for additional behavioral health beds is not available, there are some data available that indicate that an expansion of capacity is likely warranted. For example, the DHCS projects that the number of adult Medi-Cal beneficiaries with severe mental illness receiving crisis stabilization services will grow to around 64,000 by 2021-22. This represents a 27 percent increase over the 2015-16 level.



Support for Behavioral Health Infrastructure

(Continued)

Governor's Budget Proposal

- **Behavioral Health Infrastructure.** The Governor proposes \$750 million General Fund to provide grants to counties for the acquisition and rehabilitation of properties to expand behavioral health treatment resources. Counties would be required to provide matching funds to receive these grants. The program would be administered by DHCS. The administration estimates this proposal would produce at least 5,000 beds to treat persons with behavioral health disorders. The administration has not yet released its proposed legislation for implementing this proposal.

Issues for Legislative Consideration

- **How Would Resources Be Targeted to Address Homelessness?** This proposal is specifically intended to increase counties' capacity to provide behavioral health services. While there are many individuals experiencing homelessness who also have significant behavioral health needs, these populations do not fully overlap. Accordingly, how funding for this proposal would be explicitly targeted for individuals experiencing homelessness is unclear.
- **How Would Local Governments Fund Ongoing Costs Not Included In Proposal?** Funding for this proposal is intended to be provided on a one-time basis. Accordingly, counties would be responsible for funding (1) the ongoing costs associated with maintenance of acquired behavioral health facilities and (2) the ongoing costs to provide services in the acquired facilities. Counties' capacity to increase their levels of funding to pay for such new ongoing costs without displacing existing activities is unclear.



Support for Behavioral Health Infrastructure

(Continued)

- ***How Would Local Match Requirement Impact County Participation?*** The administration has indicated that this proposal will include a required local match in order for counties to receive grant funds. Details about how this match requirement would be determined have yet to be released. Accordingly, how this local match requirement would impact counties' willingness to participate in this grant program is unclear.



Framework for Homelessness Plan

- ***Homelessness Is a Major Challenge Facing the State.*** The scale of the homelessness crisis in California is significant. Over the last several years, the Legislature has demonstrated an interest in increasing the state’s role in addressing homelessness. These funding efforts largely have been one time in nature and, while largely administered at the local level, have been overseen by a variety of state entities.
- ***State Responded Quickly During Pandemic.*** The state acted quickly to establish new programs and expand funding, using one-time resources, to help people experiencing or at risk of homelessness through the COVID-19 crisis. Beyond this pandemic, continued work and resources will be necessary to address the state’s homelessness challenges.
- ***Clear Homelessness Strategy Needed.*** While the Governor’s budget reflects his commitment to curbing homelessness and addressing housing affordability by once again proposing significant state resources toward these issues, the Governor’s response continues to focus on various one-time solutions. As we have said previously, a clear, long-term strategy would make it more likely that the state’s investments would have a meaningful, ongoing impact on its housing and homelessness challenges.
- ***Framework for Homelessness Plan.*** Given the Legislature’s interest in addressing homelessness in California, below we outline issues to consider that could increase the likelihood that the state’s resources are used in a way that results in meaningful reductions in homelessness.
 - ***Identify Goals.*** Setting clear goals would help to structure programs and funding in a way that steadily moves the state towards curbing homelessness.
 - ***Identify Solutions That Align With Goals.*** The structure of the state’s homelessness programs should work towards achieving the identified goals.



Framework for Homelessness Plan

(Continued)

- **Set Clear State and Local Responsibilities.** Having clear state and local responsibilities will deter inefficiencies and foster accountability among all of the entities involved in addressing homelessness statewide.
- **Identify State Governance Structure.** An effective governance model will provide clear leadership and guidance towards accomplishing the identified goals.
- **Establish Funding Strategy.** Identify the revenue sources for the homelessness programs and determine whether funding should be one time or ongoing in nature.
- **Develop Rigorous Oversight Mechanism.** Oversight efforts should assess the performance of state entities that administer homelessness programs and local partners.



Major Recent State Budget Actions Related to Housing

Housing Affordability Crisis. Housing in California has long been more expensive than most of the rest of the country. While many factors have a role in driving California’s high housing costs, the most important is the significant shortage of housing. Today, an average California home costs 2.5 times the national average. California’s average monthly rent is about 50 percent higher than the rest of the country. This crisis is a long time in the making, the culmination of decades of shortfalls in housing construction. Though the exact number of new housing units California needs to build to address housing affordability is uncertain, the general magnitude is enormous. And just as the crisis has taken decades to develop, it will take many years or decades to correct.

Recent Budget Actions. The state has taken several budget actions in recent years to help address the housing affordability crisis.

(In Millions)

Program	Amount ^a	Year	Funding Type	State Administrator
Housing-Related Infrastructure	\$300 ^b	2019-20	One time	HCD
Planning Grants to Local Governments	250	2019-20	One time	HCD
Mixed-Income Loan Program	500	2019-20	One time	CalHFA
Affordable Housing Tax Credits	500	2019-20	One time	CTCAC
Affordable Housing Tax Credits	500	2020-21	One time	CTCAC

^a All fund sources.
^b The 2019-20 budget originally allocated \$500 million for housing-related infrastructure, but the budget later reverted \$200 million due to the overall condition of the state budget.

HCD = Housing and Community Development Department; CalHFA = California Housing Finance Agency; and CTCAC = California Tax Credit Allocation Committee.



Major 2021-22 Housing Budget Proposals

Housing Proposals. The Governor’s 2021-22 budget includes several major proposals related to housing. Below, we describe the major proposals and raise issues for the Legislature’s consideration.

<i>(In Millions)</i>				
Proposal	2020-21 ^a	2021-22	Funding Type	State Administrator
Housing-Related Infrastructure	\$250.0	\$250.0	One time	HCD
Affordable Housing Tax Credits	—	500.0	One time	CTCAC
Implementation of AB 3088—Eviction Moratorium	11.7 ^b	—	One time	Judicial Branch
Compliance With State Housing Laws	—	4.3	Ongoing ^c	HCD
Housing Equity Outreach and Enforcement	—	2.2	Ongoing ^d	DFEH
Deferred Maintenance of Farmworker Housing	—	10.0	One time	HCD

^a The Governor’s budget requests early action to authorize funding in the budget year.
^b Due to recently enacted legislation (SB 91), the administration indicates it is no longer pursuing early action.
^c \$3.8 million is ongoing beginning in 2022-23.
^d \$1.7 million is ongoing beginning in 2022-23.

HCD = Housing and Community Development Department; CTCAC = California Tax Credit Allocation Committee; and DFEH = Department of Fair Employment and Housing.



Housing-Related Infrastructure

Background

- ***Infill Infrastructure Grant (IIG) Program.*** The IIG Program was created in 2007 within HCD to provide funding for infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Under the program, developers and local governments can partner to apply for infrastructure funding, including the development or rehabilitation of parks or open space; water, sewer, or other utility service improvements; streets; roads; sidewalks; and environmental remediation. Originally, bond funding was provided for the program through the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) and the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1). In 2019-20, the budget provided \$300 General Fund for the IIG Program. The 2019-20 allocation for the program included a set aside for small jurisdictions.

Governor's Budget Proposal

- ***Governor Proposes \$500 Million for Housing-Related Infrastructure.*** The Governor proposes \$500 million one-time General Fund for the IIG Program administered by HCD. This new funding would focus on projects with a high percentage of environmental remediation costs. In addition, the administration also proposes to make it easier for smaller jurisdictions (counties with a population below 250,000) to qualify for funding. Of the \$500 million, the Governor requests early action from the Legislature to authorize \$250 million in 2020-21. We are reviewing the administration's recently released legislation related to the proposal.



Housing-Related Infrastructure

(Continued)

- ***Governor Proposes Extension of Liquidation Date for IIG Funding Provided in 2019.*** The Governor proposes budget bill language to extend the liquidation date for the IIG Program in 2019, on a case-by-case basis, from June 30, 2023 to June 30, 2025 to provide sufficient time for grantees impacted by COVID-19 related delays to complete construction of infill infrastructure projects to incentivize housing development.

Issues for Legislative Consideration

- ***Is the Proposal Time Sensitive?*** The administration proposes providing \$250 million for the IIG Program in early action. We suggest the Legislature consider whether early action is advantageous. Previously authorized bond funding from Proposition 1 (2018) provides \$160 million for IIG in 2020-21. Would early state action provide substantial additional benefits? Does the administration have a list local entities ready to participate in the program? Would early action allow housing development projects to move forward that otherwise would not?
- ***How Will Liquidation Period Extension Affect Housing Development?*** How will the option to extend the liquidation period affect the overall completion of housing projects awarded IIG funding? Does the need to extend the liquidation period indicate locals do not have capacity for additional projects at this time? (Recent data on multifamily housing permits issued in the state—[Building Permits Update: November 2020](#)—indicate permit activity remains sluggish. In most months of 2020, permits for multifamily housing remained below prior years' levels.)
- ***Would Additional Resources Spur Housing Development in Communities Most in Need of Additional Housing?*** While households across the state face housing affordability challenges, some regions of the state have a more acute housing crisis. The Legislature may wish to consider how to target IIG resources to spur housing development in communities most in need of additional housing.



Housing-Related Infrastructure

(Continued)

- ***How Would Environmental Remediation Efforts Be Coordinated With State Entities Responsible for Oversight of Toxic Substances?*** The administration proposes to prioritize the IIG resources towards environmental remediation of properties. The Governor also proposes \$300 million one-time General Fund to investigate and remediate brownfields for the Department of Toxic Substances Control. Understanding how these budget proposals would be coordinated will help ensure resources are used efficiently.



Affordable Housing Tax Credits

Governor's Budget Proposal

- ***Governor's Budget Proposes Additional State Housing Tax Credits.*** In addition to the \$100 million annually that the state makes available for housing tax credits, the Governor's budget proposes \$500 million for tax credits to builders of rental housing affordable to low-income households. This is the third consecutive year in which the Governor has proposed a one-time expansion of the state's housing tax credit, for a total of \$1.5 billion in tax credits. As with the prior expansions, up to \$200 million would be available for the development of mixed-income housing projects.

Issue for Legislative Consideration

- ***Status of Prior Tax Credits.*** The state has authorized \$1 billion in low-income housing tax credits over the last two fiscal years. We suggest the Legislature direct the administration to provide an update on the status of the awarded tax credits, the number of units and statewide distribution of housing anticipated due to the tax credits, and any challenges experienced by the program.



Implementation of AB 3088— Eviction Moratorium

Background

- ***AB 3088 Provides Tenants Eviction Protections.*** The Tenant, Homeowner, and Small Landlord Relief and Stabilization Act of 2020 (Chapter 37 of 2020 [AB 3088, Chiu]) provides eviction protections to tenants. Under the legislation, no tenant can be evicted before February 1, 2021 because of rent owed due to a COVID-19-related hardship experienced between March 4, 2020 and August 31, 2020, if the tenant provides a declaration of hardship. The law also specifies that for a COVID-19-related hardship that occurs later—between September 1, 2020 and January 31, 2021—tenants must pay at least 25 percent of their rent due to avoid eviction. Tenants still are responsible for paying unpaid rents to landlords, but those unpaid amounts cannot be the basis for an eviction. Under the legislation, landlords may pursue such unpaid rent in small claims filings.
- ***Recently Enacted Legislation Extended AB 3088 Eviction Protections and Allocates Federal Rental Assistance.*** Chapter 2 of 2021 (SB 91, Committee on Budget and Fiscal Review) extended the eviction protections provided by AB 3088 from January 31, 2021 to June 30, 2021. The statute also allocates federal emergency rental assistance funding and establishes a state rental assistance program (which includes specific factors that must be taken into account in eviction-related proceedings).

Governor’s Budget Proposal

- ***Governor’s Budget Proposes \$11.7 Million to Implement AB 3088.*** The Governor proposes \$11.7 million one-time General Fund to trial courts for the implementation of AB 3088. The administration anticipates an increase in eviction cases (known as unlawful detainers) and small claims filings when the statutory protections expire, resulting in new workload for trial courts. The Governor requests early action from the Legislature to authorize the entire \$11.7 million in 2020-21 in anticipation of the increased workload.



Implementation of AB 3088— Eviction Moratorium

(Continued)

Issue for Legislative Consideration

- **Workload Needs May Differ.** The Governor’s budget proposal was introduced before the enactment of SB 91. The administration indicates that due to the enactment of SB 91, it no longer plans to pursue early action from the Legislature. The extension of the state’s eviction moratorium and establishment of the state’s rental assistance program could meaningfully affect the Judicial Branch’s anticipated workload in 2021-22. The Legislature may want to direct the Judicial Branch to report during the May Revision on its revised workload and budget needs.



Compliance With State Housing Laws

Background

- ***Housing Element Outlines How a Community Will Meet Its Housing Needs.*** State housing laws set requirements for local planning and land use. In particular, every city and county in California is required to develop a general plan that outlines the community’s vision of future development. One component of the general plan is the housing element, which outlines a long-term plan for meeting the community’s existing and projected housing needs as determined by the state. The housing element demonstrates how the community plans to accommodate its “fair share” of its region’s housing needs. To do so, each community (1) establishes an inventory of sites designated for new housing that is sufficient to accommodate its fair share and (2) identifies regulatory barriers to housing development and proposes strategies to address those barriers. State law generally requires cities and counties to update their housing elements every eight years.
- ***Communities Often Reluctant to Plan for Housing.*** The process through which the state establishes housing goals that local governments incorporate into their housing elements and zoning rules has shortcomings. Perhaps the most significant is that residents of many communities are reluctant to accommodate housing growth, fearing that such growth could bring about changes to the nature of their community. Reflecting this reluctance, some communities have not carried out the housing element process in a way that truly facilitates home building. In our December 2016 report, [A Look at Recent Progress Toward Statewide Housing Goals](#), we discuss how the state is behind in meeting its housing production goals.



Compliance With State Housing Laws

(Continued)

- ***HCD Responsible for Monitoring Compliance With State Housing Law.*** HCD is responsible for reviewing every local government's housing element to determine whether it complies with state housing law. In 2017, several bills were enacted that increased HCD's accountability and enforcement authority to review any action or inaction by a local government that HCD determines is inconsistent with state housing element laws or the local jurisdiction's own adopted housing element. HCD can revoke housing element compliance if a local government's actions do not align with state law, which limits access to state housing resources. In addition, HCD can notify the California Office of the Attorney General that the local jurisdiction is in violation for noncompliance with state law.

Governor's Budget Proposal

- ***Housing Law Assistance and Enforcement.*** The Governor's budget proposes \$4.3 million General Fund (\$3.8 million ongoing) and 16 positions to expand HCD's proactive enforcement of state housing laws by assisting local jurisdictions with housing element compliance. The intent of the proposal is to facilitate affordable housing production through monitoring, technical assistance, and enforcement of existing housing productions laws. The proposal envisions using contracted resources to develop outreach and educational materials for local jurisdictions. State staff would address housing element compliance-related investigations. The administration indicates that it does not plan to propose legislation to implement this proposal.
- ***Housing Equity Outreach and Enforcement.*** The Governor proposes \$2.2 million General Fund (\$1.7 million ongoing) and eight positions to the Department of Fair Employment and Housing to support compliance with fair housing laws, including (1) providing education and training efforts to reduce discrimination in housing and employment and (2) studying how COVID-19 has affected housing discrimination.



Compliance With State Housing Laws

(Continued)

Issues for Legislative Consideration

- ***What Are HCD's Current Practices Related to Oversight and Enforcement of State Housing Law?*** Existing resources at HCD provide assistance to local governments and monitor compliance with state housing laws. Challenges with locals' compliance with state housing targets, however, are long standing. How have current oversight and enforcement practices at HCD been informed by lessons learned over why local governments have failed to adequately permit and build housing?
- ***How Would Resources Supplement Current Efforts to Provide Assistance and Monitor Compliance?*** Would the resources proposed by the Governor provide additional capacity to continue HCD's existing practices or would the type of assistance, monitoring, and enforcement mechanisms pursued by HCD differ substantially under the budget proposal? The administration has not indicated that it will pursue legislation to strengthen its existing authority.
- ***How Would HCD Prioritize Assistance and Enforcement Resources?*** Determining whether a site is feasible for a certain type of housing requires a detailed analysis of relevant economic, engineering, and political information. Even with additional resources, it is not practical for HCD to provide assistance and conduct in-depth reviews of the thousands of housing sites slated for development in communities' housing elements.
- ***How Would HCD Determine When to Elevate Enforcement Action to the State Attorney General's Office?*** Would HCD develop consistent standards for determining whether a local jurisdiction's noncompliance with state housing law merits elevation to the Attorney General? What are the potential ramifications of noncompliance for local governments if HCD elevates enforcement in this manner?



Compliance With State Housing Laws

(Continued)

- ***How Would HCD Keep the Legislature Informed of Its Tracking and Monitoring of Compliance?*** Noncompliance with state housing laws impede the state's ability to address its housing affordability challenges. Transparency around HCD's assistance and monitoring work would position the Legislature to more effectively assess progress towards meeting the state's housing goals.



Deferred Maintenance of Farmworker Housing

Background

- ***Maintenance Needs Identified for Farmworker Housing Operated by Office of Migrant Services (OMS).*** The OMS within HCD operates 24 migrant centers with 1,885 housing units and provides housing-related services to more than 11,000 migratory farmworkers and their families. Most of the centers include apartments of between two and four bedrooms per household. While HCD contracts with local housing authorities or nonprofit organizations to operate the centers, HCD is ultimately responsible for repair and maintenance. A 2018 analysis of OMS housing units identified \$10.1 million of critical needs recommended for completion within a year, \$14.8 million in additional repairs, and the need for an ongoing commitment of funds for maintenance to prevent an increase in the backlog of repairs. The 2019-20 budget provided \$1.5 million to address some of the deferred maintenance costs at housing units operated by OMS.

Governor's Budget Proposal

- ***Deferred Maintenance for OMS Facilities.*** The Governor's budget proposes \$10 million one-time General Fund for deferred maintenance and repairs to address critical deficiencies at OMS housing centers throughout the state.

Issues for Legislative Consideration

- ***How Is OMS Prioritizing Deferred Maintenance Projects?*** While the department identifies potential projects, the proposal would only cover a portion of the deferred maintenance backlog. Does the department have a methodology or criteria for prioritizing projects funded by the Governor's proposal? How does the department balance fire and life safety needs, water and energy use, and climate resiliency?



Deferred Maintenance of Farmworker Housing

(Continued)

- ***How Would the Legislature Provide Oversight of Deferred Maintenance Funding?*** Given the uncertainty about the projects that would be funded under the Governor’s proposal, the Legislature could consider supplemental reporting language requiring Department of Finance to report on which projects OMS undertook with the funds provided. This would provide greater transparency and accountability of the funds by ensuring that the Legislature has information on what projects were ultimately implemented and that the funds were spent consistent with any legislative directive given.
- ***What Is the Plan to Address Deferred Maintenance Backlog and Prevent Accumulation of Additional Backlog?*** If repairs and maintenance remain unaddressed, the OMS housing centers could further deteriorate and create hazards for residents. Deferred maintenance could jeopardize the state OMS housing centers and lead to closures. Establishing a plan to address the current backlog of deferred maintenance and providing resources to address routine maintenance on an ongoing basis would help preserve these housing units.

