HOUSING AND LOCAL GOVERNMENT

California is ranked near the top in the number of cost-burdened households nationwide, and the high and rising costs of housing is the defining concern for homeowners and renters across the state. The Budget makes significant investments in state resources and support to local governments to reduce barriers to accelerate housing production, protect renters, and preserve much-needed affordable housing in the state.

The Budget includes a comprehensive $1.75 billion package to increase housing supply. This includes planning and infrastructure grants to local governments, an investment in the state's housing loan program, an expanded housing tax credit program, opportunities for innovative housing projects on excess state property, legal assistance for renters, strategies to improve regional housing needs planning, and a framework that holds local governments accountable for building an adequate supply of housing to meet their needs.

SHORT-TERM PLANNING AND INFRASTRUCTURE GRANTS

The Budget includes $750 million in one-time General Fund to support local governments to increase and accelerate housing production. It establishes the Local Government Planning Supports Grant Program to provide $250 million to regional jurisdictions for technical assistance, preparation of planning documents, and process improvements to meet ambitious housing goals in the next regional housing needs assessment.

The Budget also establishes the Infill Infrastructure Grant Program of 2019 and provides $500 million in competitive and non-competitive grants for capital improvement projects to develop housing projects in infill areas. Local governments and developers can partner to apply for grants to provide gap financing for infrastructure projects, such as water, sewage, utility improvements, sidewalks, and roads. Moreover, these funds will be able to leverage additional investments for projects located in federal Opportunity Zones that qualify for tax benefits for investors to spur development in economically distressed communities. Overall, this program will remove barriers to building housing and support projects that will ultimately drive high-density development in areas where building is most sustainable.

INVESTMENT IN STATE HOUSING LOAN PROGRAM

The California Housing Finance Agency (CalHFA) provides loans to developers for mixed-income developments that include housing for moderate-income households at a lower subsidy level than traditional state programs. The Budget makes a sizable investment of $500 million one-time General Fund to bolster further development of low- and moderate-income housing throughout the state. This additional investment will pair with annual revenues provided by real estate transaction fees dedicated for this purpose, and further pair with the proposed tax credit program targeting households with incomes between 30 and 120 percent of Area Median Income (see below).

EXPANDED STATE HOUSING TAX CREDIT PROGRAM

Tax credits attract private investment in affordable housing by offering a dollar-for-dollar credit against an investor's state or federal taxes owed. The state currently has a tax credit program that, when paired with federal credits, can reduce a given housing development project's remaining funding gap.

The Budget expands state tax credits up to $500 million, and up to $500 million annually thereafter upon appropriation. The additional authority includes a state tax credit program targeted at new construction of qualified residential rental developments (for households with an average Area Median Income of 60 percent). These state credits would pair with an underutilized 4-percent federal tax credit program. Up to $200 million of the expanded tax credit program is also available for the development of mixed-income housing projects serving a broader range of incomes (between 30 and 120 percent of Area Median Income). Scoring criteria for these credits is also being redesigned to focus on housing production and cost containment.

Currently, developers using state tax credits may sell "certificated" credits to investors, without requiring an ownership interest in the properties being built. This has the effect of broadening the investor pool. The Budget repeals the sunset for this program to continue to build a wide investor pool and further the success of the expanded tax credit programs.

Additionally, the Budget includes deeper subsidies for specified preservation projects through the current program. This will continue important preservation efforts of affordable housing units across the state.

INNOVATIVE DEVELOPMENT OF EXCESS STATE PROPERTY

In January, the Governor issued Executive Order N-06-19 requiring departments to identify excess state properties for developing demonstration housing projects. Since then, the state has compiled an inventory of potential parcels. The Budget includes $3.4 million one-time General Fund and $782,000 ongoing to solicit affordable housing developers to build projects that use creative and streamlined approaches to building affordable and mixed-income housing (for example, using modular construction). Affordable housing developers selected through a competitive process will receive low-cost, long-term ground leases of excess state property. As they will not need upfront capital to purchase the land and will not need to wait for local review processes, affordable housing developers will have greater flexibility to use innovative techniques to produce units more quickly and cost-efficiently than a traditional project.

LONG-TERM STATEWIDE HOUSING PRODUCTION STRATEGY

The Budget initiates an improved statewide assessment of regional housing needs to address the state housing shortage in the long-term. The Department of Housing and Community Development, along with the Office of Planning and Research, will engage with stakeholders and develop a recommended process and methodology that promotes and streamlines housing development. Working with local governments, an improved regional housing needs assessment will help maximize the number of homes that cities zone and plan.

To bolster long-term housing production, the Budget provides incentives for jurisdictions to implement pro-housing policies that facilitate planning and construction of housing, such as reduced parking requirements, reduced development impact fees, and by-right zoning. Jurisdictions that enact pro-housing policies receive additional points or scoring preferences when applying for certain competitive state grant programs.

Additionally, the Budget gives courts new powers to hold persistently non-compliant cities and counties accountable to meet their housing goals, including escalating fines and authority to appoint an agent of the court to take actions necessary to bring a jurisdiction into compliance.

LEGAL ASSISTANCE FOR RENTERS

Recognizing the need for stable housing among renters, the Budget doubles funding to nonprofit service organizations to provide rental legal assistance. The Budget invests an additional $20 million one-time General Fund to the Judicial Council to provide grants to over 100 legal services projects and support centers that offer legal services to renters. These services include pre-eviction and eviction legal services, counseling, advice and consultation, mediation, training, renter education, and representation. Of this investment, $5 million is available for legal aid agencies that serve rural or underserved communities, including renters who are undocumented. Funding for these services will help protect renters' legal rights and mitigate evictions for renters throughout the state.

FOSTER YOUTH TRANSITIONAL HOUSING

Lastly, the Budget includes $13 million General Fund in 2019-20 and $8 million General Fund ongoing for counties to provide housing assistance to current and former foster youth. The increased funding for foster youth transitional housing will be suspended on December 31, 2021. The suspension will be lifted if the Administration determines through the 2021 Budget Act process that there is sufficient General Fund revenue to support all suspended programs in the subsequent two fiscal years.