



November 15, 2019

Governor Gavin Newsom  
State Capitol  
Sacramento, CA 95814

**Re: 2020 Investment in Housing Affordability and Homelessness**

Dear Governor Newsom,

As California's leading affordable housing organizations, we share your commitment to tackling the state's housing affordability and homelessness crisis. At a moment when Californians, the media, lawmakers, and business, health, and other sectors are more focused on housing and homelessness than ever before, we have a unique opportunity to make real change. We respectfully urge that in your January budget you make a significant investment in addressing the crisis with a \$5 billion commitment of state resources that will begin to fill the significant gaps in current funding.

We commend you for the meaningful work you have done in this area since taking office. However, this is a crisis decades in the making and it will require ongoing attention and investment commensurate with the magnitude of the problem for years to come. California currently has a gap of 1.4 million homes affordable to those struggling the most and 130,000 people experience homelessness on any given night. More than three out of four extremely low-income households pay more than 50% of their income on rent.

The scale of the need calls for bigger, transformative solutions, including significantly more investment in building, preserving, operating, and ensuring access to affordable homes. Indeed, with a recession looming and market-rate construction dipping, affordable housing is a particularly reliable investment. As long as state resources remain available, affordable housing developers will continue to build even as the economy slows down, ensuring that the construction workforce can remain employed and desperately needed housing units continue to be produced. The proposed 2020 budget funding set forth below represents a down payment on your Marshall Plan to alleviate the crisis. It

would do so by focusing on four key strategies:

**1. Increase New Construction (\$1.4B)**

- Make the expanded state low-income housing tax credit (LIHTC) permanent
- Fill equity gaps due to oversubscription of tax-exempt bonds

**2. Preserve Existing Affordable Housing (\$600M)**

- Set aside additional funding in the state LIHTC program to fund rehabilitation of deeply affordable homes
- Incentivize the sale of existing affordable housing to purchasers who will make units permanently affordable

**3. Rebuild Housing and Communities Impacted by Disaster (\$1B)**

- Create a new revolving loan fund modeled on the Golden State Acquisition Fund to quickly deploy housing-related disaster assistance
- Establish a flexible block grant for disaster assistance similar to CDBG-DR
- Provide climate resilience grants to cities, counties, and tribes seeking to fortify existing homes and reduce the vulnerabilities of new homes

**4. Prevent and End Homelessness (\$2B)**

- Continue to invest in evidence-based solutions to quickly move people experiencing homelessness into permanent housing that meets their needs
- Create new funding devoted to providing housing affordable to extremely low-income households

The scale of the need, and the increased investment to meet this growing need, calls for structural changes that will make affordable housing finance simpler and more efficient. To that end, we propose two specific reforms:

- **Create a State Homelessness and Housing Agency** – A cabinet-level agency devoted to homelessness and affordable housing will highlight the importance of these issues to your Administration and ensure that there is a single point person coordinating and championing your agenda. This change would also streamline the delivery of housing funds and initiatives.
- **Consolidate HCD Funding Programs** – HCD currently administers 22 individual funding programs. Consolidating HCD's various multifamily rental funding programs within the omnibus Multifamily Housing Program

(MHP) would allow developers to apply to a single HCD source for all funding needs and avoid the time-consuming process of applying to multiple HCD programs and allow the state to streamline its legal, underwriting, and compliance obligations.

Thank you for your ongoing leadership and partnership in addressing one of our state's most pressing challenges. We look forward to working together to find effective, ambitious, and feasible solutions.

Sincerely,

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