

Revised July 1, 2005

**A PRIMER ON CALIFORNIA'S HOUSING PROGRAMS**

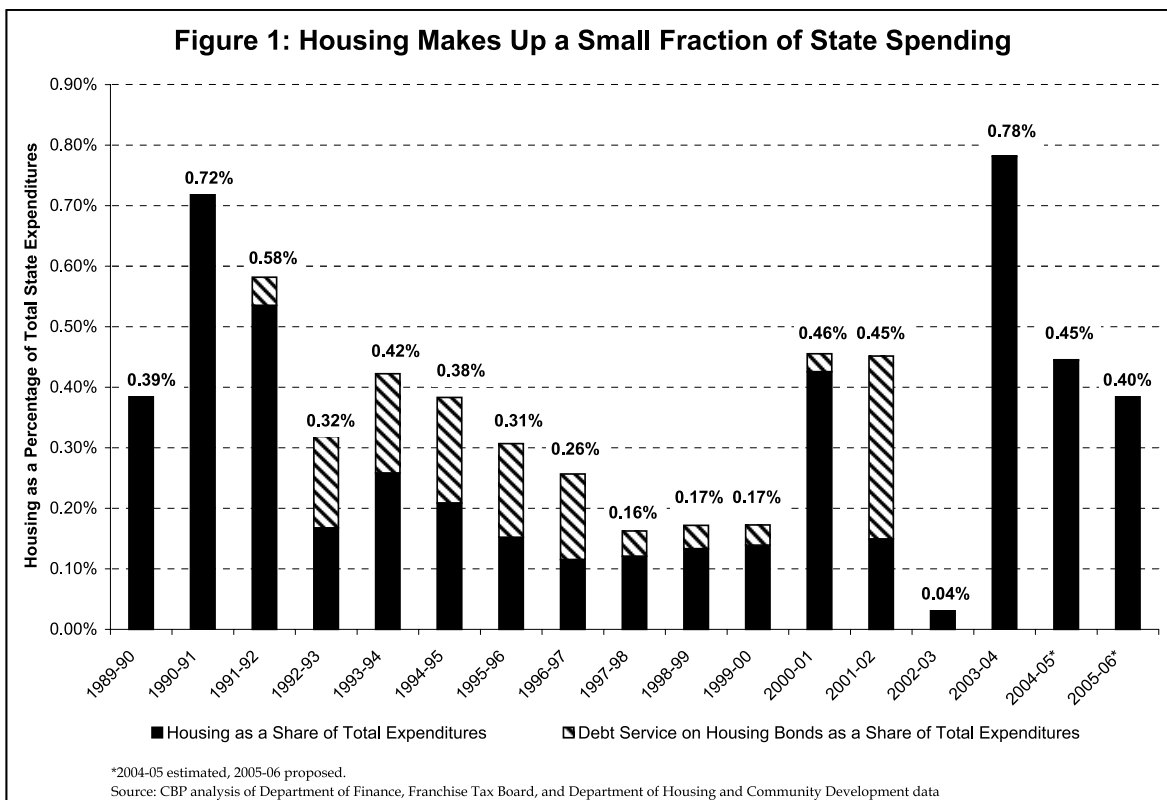
**INTRODUCTION**

California offers more than three dozen programs designed to help families achieve homeownership, increase the state's housing supply, and ensure that individuals with special needs have a roof over their heads. More than two-thirds of these programs are administered by the state Department of Housing and Community Development (HCD) and the California Housing Finance Agency (CalHFA). The remainder are administered by other agencies, such as the California Tax Credit Allocation Committee and the Department of Veterans Affairs. This *Budget Backgrounder* provides a short overview of California's housing programs, examines state spending on housing, and takes a brief look at major local and federal housing programs.

**HOW MUCH DOES THE STATE SPEND ON HOUSING?**

**Housing Spending as a Share of Total Spending**

Since the 1990s, state spending on housing programs has accounted for less than 1 percent



of total state spending (Figure 1).<sup>1</sup> Housing funding as a share of state spending increased substantially in 1990-91 and 2003-04 due to bond measures passed by the voters.

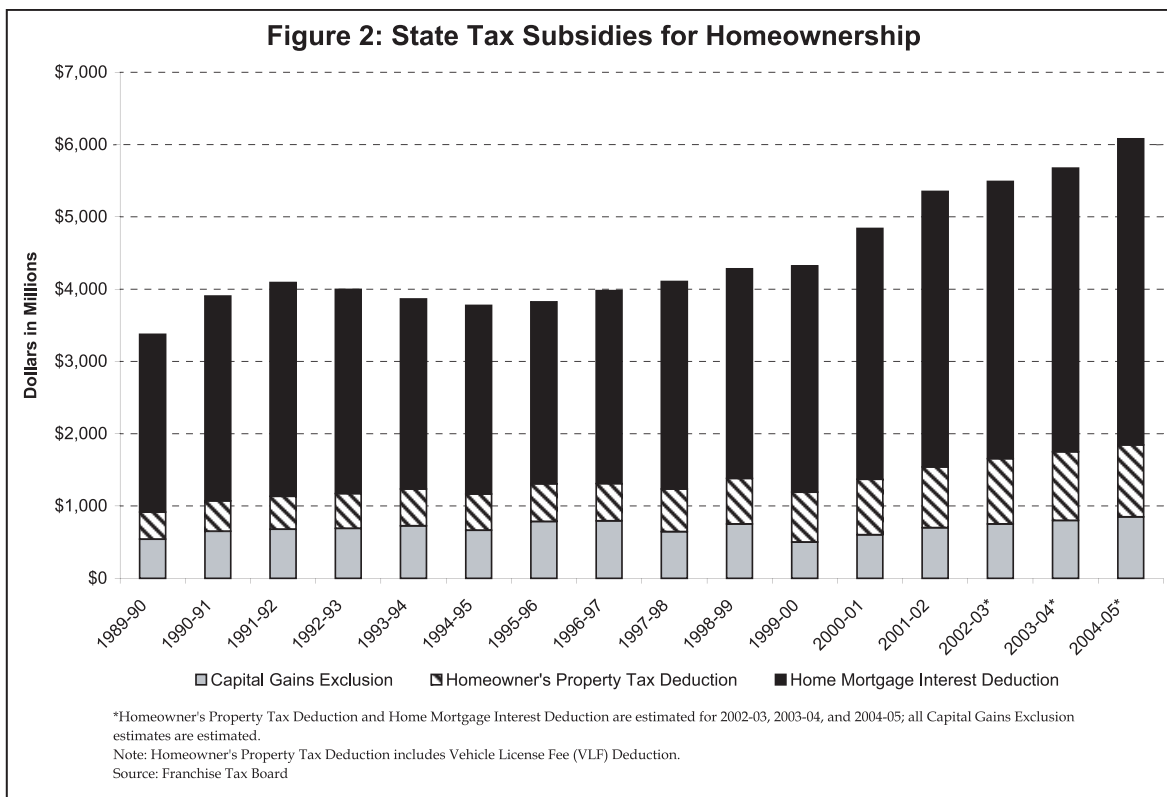
The 2000-01 Budget also provided a significant infusion of state funds for housing. The state's fiscal crisis, however, has since reduced General Fund monies available for housing. To help close the budget gap, the Legislature has largely replaced General Fund monies with Proposition 46 bond proceeds in the past several budgets (see below). For example, the 2003-04 budget agreement transferred \$39.6 million from several HCD programs back to the General Fund, replacing General Fund monies with Proposition 46 funds.

## Historical State Spending on Housing

At one time, California was a leader in innovative state housing policies. In the late 1980s, the state implemented several signature initiatives, including one of the first state housing trust funds in the nation (1985), a state supplement to the federal low-income housing credit (1987), and four bond measures placed on the ballot by the Legislature to provide funding for affordable housing (one in 1982, two in 1988, and one in 1990).<sup>3</sup> Although the California Housing Trust Fund was intended to provide a substantial source of funding for state housing programs administered by the HCD, funding has remained stagnant at approximately \$2 million per year, and even this small amount has been transferred to the General Fund for other purposes in recent years.

## State Tax Subsidies for Homeownership

Tax subsidies for homeowners will cost the state an estimated \$6.1 billion in 2004-05 (Figure 2). The state exempts the first \$7,000 of the assessed value of a homeowner's principal residence from property taxes.<sup>2</sup> Taxpayers can deduct the interest they pay on up to \$1.0 million



of mortgage debt on a first or second home and the property taxes paid on their principal residence from their state and federal income taxes. In addition, both state and federal income tax laws allow taxpayers to exclude up to \$250,000 (\$500,000 for a married couple) of gains from the sale of a principal residence from their income for tax purposes. In contrast, the full value of most other capital gains is taxed, providing preferential treatment for gains earned on the sale of a principal residence. This exemption is intended to encourage taxpayers to invest more of their savings in a home relative to other types of assets.

## The Voters Speak: Proposition 46

In November 2002, California voters approved Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002. This measure authorized a \$2.1 billion General Obligation bond

<b>Program</b>	<b>Total Available*</b>	<b>Awarded as of April 2005</b>
<b>CalHOME Program (HCD)</b>	\$96.4	\$71.4
Building Equity and Growth in Neighborhoods Program (BEGIN)	\$72.0	\$24.0
Self-Help Housing	\$9.5	\$4.1
<b>California Homebuyer's Downpayment Assistance (CalHFA)</b>	\$117.0	\$55.7
<b>Code Enforcement Grant Program (HCD)</b>	\$4.8	\$4.8
<b>Emergency Housing and Assistance Program (HCD)</b>	\$186.0	\$63.8
<b>Exterior Accessibility Grants for Renters (HCD)</b>	\$4.8	\$4.8
<b>Extra Credit Teacher Program (CalHFA)</b>	\$25.0	\$7.1
<b>Homeownership in Revitalization Areas (CalHFA)</b>	\$12.5	\$2.6
<b>Jobs/Housing Balance Incentive Grants and Workforce Housing Reward Program (HCD)</b>	\$100.0	\$25.0
<b>Joe Serna, Jr. Farmworker Housing Grant Program (HCD)</b>	\$106.1	\$93.0
Migrant Housing	\$8.8	\$2.8
Housing with Health Services	\$17.5	\$17.5
<b>Local Housing Trust Fund Matching Grant Program (HCD)</b>	\$23.8	\$23.8
<b>Mortgage Insurance (CalHFA)</b>	\$85.0	\$13.3
<b>Multifamily Housing Program (HCD)</b>	\$779.0	\$363.5
Supportive Housing Program	\$190.0	\$68.0
Space for Supportive Services	\$20.0	\$14.8
Student Housing	\$14.5	\$0.0
<b>Preservation Interim Repositioning Program (HCD)</b>	\$4.8	\$4.8
<b>Preservation Acquisition Program (CalHFA)</b>	\$45.0	\$23.1
<b>School Facility Fee Down Payment Assistance Program (CalHFA)</b>	\$50.0	\$10.1
<b>TOTAL</b>	<b>\$1,972.4</b>	<b>\$897.7</b>

\*Total excludes administrative costs for programs administered by the HCD. Total also excludes \$39.6 million of Proposition 46 funds that replaced General Fund monies for various programs administered by the HCD in response to the budget crisis.

Source: Department of Housing and Community Development and California Housing Finance Agency

for state housing programs. Of this amount, most was allotted to programs administered by the HCD, while the remainder (\$334.5 million) was allotted to programs administered by the CalHFA (Table 1).<sup>4</sup> According to the HCD, the funds awarded through December 31, 2004, will create over 58,000 housing units or shelter beds. At the current rate, all Proposition 46 funds administered by the HCD will be awarded by July 2007.<sup>5</sup>

## WHAT HOUSING PROGRAMS DOES THE STATE ADMINISTER?

### Who Are the Major Players?

California has more than three dozen housing programs, administered by more than half a dozen agencies. The primary state housing agencies are:

- The **HCD**, which administers overall housing policy, various grant and loan programs, migrant farmworker housing, and statewide standards;
- The **CalHFA**, which acts as the state's housing "mortgage bank" and provides subsidized loans for single- and multifamily housing;
- The **California Tax Credit Allocation Committee (TCAC)**, which allocates state and federal low-income housing tax credits; and
- The **California Debt Limit Allocation Committee (CDLAC)**, which allocates tax-exempt bonds for a variety of purposes including housing.

Appendix A provides a detailed list of all housing programs administered by the state, including a brief description, 2004-05 estimated funding, and funding sources for each program.

## WHAT ARE THE MAJOR LOCAL HOUSING PROGRAMS?

### Creating Housing from Blight: The Community Redevelopment Law

Redevelopment is California's largest local housing program. The state's Community Redevelopment Law (CRL) was modeled after federal blight removal programs adopted during the Depression to revitalize deteriorating neighborhoods

### How Does California Assess Its Housing Needs?

The housing element law is California's "primary market-based strategy to increase housing supply."<sup>6</sup> Every local government in California is required by state law to adopt a "general plan" for the development of the city, county, or city and county. The general plan includes seven mandated "elements," one of which is housing. The housing element law, enacted in 1969, requires local governments to adequately plan for existing and projected housing needs for all income levels, including the jurisdiction's share of the regional housing need for all income levels. In recognition of the importance of housing availability, the housing element is subject to detailed statutory requirements and mandatory review by the HCD, and must be updated every five years.

Advocates have vigorously debated the housing element law before the Legislature in recent years. First, while the HCD is required to review local housing elements for compliance with state law and report back to the local government, it does not have the authority to penalize localities for being out of compliance. Second, the housing element law does not require localities to **build** housing, but merely to plan for it. Housing advocates take the "stick" approach, arguing that local governments should be required to actually build the housing included in the housing element, and should be penalized for being out of compliance. Local governments, on the other hand, prefer the "carrot" approach, contending that the state should provide fiscal incentives to localities for housing construction.

and address inadequate housing. Funding, however, was primarily federal, and was inadequate to meet demand.<sup>7</sup> In 1952, California voters approved a constitutional amendment introducing a new financing mechanism, now known as “tax increment financing” (TIF), to redevelop blighted areas. When a redevelopment agency (RDA) forms a project area, it receives the revenues resulting from any subsequent increase in property taxes in that area (above a 2 percent annual inflation factor). This “increment” from increased property tax assessments goes to the RDA because it is deemed to be attributable to improvements made in the project area by redevelopment.<sup>8</sup>

In the 1970s, the CRL was amended to require that 20 percent of an RDA’s annual TIF amount be deposited into the agency’s Low and Moderate Income Housing Fund (LMIHF), with specified exceptions.<sup>9</sup> This fund, often referred to as the “housing set-aside,” is dedicated to “increasing, improving, and preserving the community’s supply of low- and moderate-income housing...” In general, rental units funded by the LMIHF must remain affordable for at least 55 years, while ownership units must remain affordable for at least 45 years.<sup>10</sup>

RDAs, redevelopment project areas, and redevelopment plans are established by cities and counties. In 2002-03, the most recent year for which data are available, there were 414 RDAs in California, with total revenues of \$6.2 billion.<sup>11</sup> Although the state does not directly regulate RDAs, the CRL requires them to undergo annual audits and to file annual reports with their governing body (most commonly the city council), the HCD, and the State Controller.

## **Housing California’s Low-Income Families: Public Housing Authorities**

Public housing authorities (PHAs) are local agencies that administer federal public housing programs, such as the Section 8 Program (see below). Some PHAs also directly administer public housing projects. There are more than 100 PHAs in California. In 12 rural counties, public housing is administered directly by the HCD due to the lack of a local PHA.<sup>12</sup>

## **WHAT ARE THE MAJOR FEDERAL HOUSING PROGRAMS?**

Federal housing programs are primarily administered by the US Department of Housing and Urban Development (HUD). Major federal housing programs include:

- The **Community Development Block Grant (CDBG) Program**, which provides block grants to local entities to fund neighborhood redevelopment, economic development, and community services;
- The **Federal Housing Administration (FHA) Multifamily and Single-Family Programs**, which provide mortgage insurance to enhance the credit of homebuyers and help them qualify for mortgages, as well as to assist privately developed multifamily properties;
- The **HOME Investment Partnerships Program**, which provides block grants to local entities to expand the supply of affordable housing;
- **Homeless Assistance Grants**, which provide funds for emergency shelters, supportive housing, rehabilitation of single-room occupancy developments, and the Shelter Plus Care Program;
- The **Low-Income Housing Tax Credit**, which provides a 10-year tax credit as an incentive to private developers to acquire, build, or rehabilitate low-income rental housing (these credits are often sold to raise capital for housing development);

- The **Section 8 Certificate and Voucher Program**, which provides vouchers to property owners to subsidize qualified tenants' rent (tenants pay 30 percent of their income toward rent; the voucher makes up any difference between that amount and the actual rent); and
- **VA (Department of Veterans Affairs) Loan Guarantees**, which provide incentives to private lenders to make mortgages to veterans by guaranteeing payment on a portion of the loan in case of default.

Federal housing assistance also includes tax deductions for homeowners, private activity bonds, mortgage revenue bonds, tax-exempt multifamily bonds, rural rental and owner programs, fair housing programs, economic development programs such as Empowerment Zones, public housing programs, and programs to assist special needs populations such as seniors, disabled individuals, and Native Americans.

Direct federal spending, which goes primarily to the Section 8 rental voucher program, public housing, and military family housing, totals \$41 billion in federal fiscal year (FFY) 2005 for the nation as a whole. The major federal housing-related tax subsidies, including the mortgage interest deduction, the capital gains exclusion on home sales, the exclusion of net imputed rental income on owner-occupied homes, and the property tax deduction, total \$147 billion for FFY 2005.<sup>13</sup>

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*Erin Riches prepared this Budget Backgrounder. This report would not have been possible without the assistance of staff of the California Debt Limit Allocation Committee, the California Housing Finance Agency, the California Tax Credit Allocation Committee, the Department of Housing and Community Development, the Department of Veterans Affairs, Housing California, and the Senate Transportation and Housing Committee. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the CBP is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP's website at [www.cbp.org](http://www.cbp.org).*

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## **APPENDIX A: CALIFORNIA'S HOUSING PROGRAMS**

The following tables provide an overview of the housing programs administered by the state, including estimated 2004-05 funding for each program.<sup>14</sup> Many of these programs provide grants to local governments, which then provide loans to households, individuals, and/or developers. Other programs provide assistance directly to individuals and families.

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## STATE AGENCY LEGEND

- CalHFA** **California Housing Finance Agency:** Administers programs to assist renters and first-time homebuyers. The CalHFA, which was created in 1975 as the state’s “affordable housing bank,” is self-supporting.
- CDLAC** **California Debt Limit Allocation Committee:** Allocates private activity bonds for single-family and multifamily housing. The CDLAC is a three-member committee composed of the State Treasurer (Chair), the Governor, and the State Controller. The CDLAC was created in 1985 in response to the 1984 Tax Reform Act, which imposed an annual limit on the dollar amount of tax-exempt private activity bonds that may be issued in a state.
- DMH** **Department of Mental Health:** Oversees the state’s mental health system and allocates funds to state and local county mental health departments and four state hospitals.
- DVA** **Department of Veterans Affairs:** Administers benefits for California veterans and their dependents.
- FTB** **Franchise Tax Board:** Administers state personal income taxes and corporation taxes.
- HCD** **Department of Housing and Community Development:** Administers 17 state housing programs. The HCD is the state’s principal housing agency, whose mission is to provide leadership, policies, and programs to expand and pre-serve safe and affordable housing opportunities.
- SCO** **State Controller’s Office:** Provides fiscal control over receipts and disbursements of public funds, reports on financial operations and conditions of state and local government, and helps ensure fair, equitable, and effective tax administration. The State Controller is the state’s chief financial officer, elected by voters every four years.
- TCAC** **California Tax Credit Allocation Committee:** Administers the federal Low Income Housing Tax Credit Program and the state Low Income Housing Tax Credit Program. Created in 1987, the TCAC is a seven-member committee composed of the State Treasurer (Chair), the State Controller, the Governor or Director of the Department of Finance, the Executive Director of CalHFA, and the Director of the HCD.



**Table 1: Encouraging Homeownership**

Program (Agency or Department)	Purpose	Applicants	Estimated 2004-05 Funding and Source
<b>Affordable Housing Partnership Program (CalHFA)</b>	Provides financial assistance to first-time homebuyers through local governments, redevelopment agencies, and housing authorities.	Low- and moderate-income, first-time homebuyers	Self-supporting; bonds are repaid by revenues generated through mortgage loans <sup>15</sup>
<b>Building Equity and Growth in Neighborhoods Program (BEGIN) (HCD)</b>	Reduces local regulatory barriers to homeownership; provides assistance to low- and moderate-income, first-time homebuyers.	Local governments	\$24 million (Proposition 46 funds) <sup>16</sup>
<b>CalHFA Housing Assistance Program (CalHFA)</b>	Provides down payment assistance to low- and moderate-income, first-time homebuyers.	Low- and moderate-income, first time homebuyers	Self-supporting; bonds are repaid by revenues generated through mortgage loans
<b>CalHome Program (HCD)</b>	Enables low- and very-low income households to achieve or retain homeownership.	Local public agencies, nonprofit corporations	\$71.4 million (Proposition 46 funds)
<b>CalHOME Self-Help Technical Assistance Allocation (HCD)</b>	Helps low- and moderate-income households build their own homes.	Local government agencies, nonprofit corporations	\$4.1 million (Proposition 46 funds)
<b>California Homebuyer's Downpayment Assistance Program (CalHFA)</b>	Provides down payment and closing cost assistance to low-and moderate-income, first-time homebuyer households.	Low- and moderate-income, first-time homebuyers	Proposition 46 funds (\$55.7 million) and CalHFA funds
<b>Capital Gains Exclusion (FTB)</b>	Excludes up to \$250,000 (\$500,00 for a married couple) of gains from the sale of a principal residence from income for tax purposes.	Homeowners	\$850 million (General Fund)
<b>Conventional Homeownership Mortgage Insurance (CalHFA)</b>	Provides mortgage insurance on CalHFA conventional loans in the event of borrower default to meet investor and bond requirements.	Low- and moderate-income, first-time homebuyers	Self-supporting; mortgage insurance supports CalHFA loan programs and is funded by premiums
<b>Conventional Mortgage Insurance (CalHFA)</b>	Provides mortgage insurance on non-CalHFA conventional loans in the event of borrower default to meet affordable housing requirements offered by Fannie Mae and Freddie Mac. <sup>17</sup>	Low- and moderate-income homebuyers	Self-supporting; mortgage insurance supports CalHFA loan programs and is funded by premiums

<b>Program (Agency or Department)</b>	<b>Purpose</b>	<b>Applicants</b>	<b>Estimated 2004-05 Funding and Source</b>
<b>Extra Credit Teacher Home Purchase Program (CalHFA)</b>	Provides down payment and closing cost financial incentives to credentialled teachers and other employees who work in "high priority" schools. <sup>18</sup>	First-time homebuyers who agree to work in a "high priority" school for three years	Proposition 46 funds (\$7.1 million) and CalHFA funds
<b>High Cost Area Home Purchase Assistance Pilot Program (CalHFA)</b>	Provides assistance to first-time homebuyers in the highest housing cost areas of the state. <sup>19</sup>	Low- and moderate-income, first-time homebuyers	Self-supporting; bonds are repaid by revenues generated through mortgage loans
<b>Home Mortgage Interest Deduction (FTB)</b>	Allows homeowners to deduct the interest they pay on up to \$1.0 million of mortgage debt on a first or second home from their personal income taxes.	4,572,781 homeowners in 2002 <sup>20</sup>	One-time funding of \$5 million (Proposition 46 funds) awarded in 2002-03
<b>HomeOpeners Mortgage Protection Program (CalHFA)<sup>21</sup></b>	Provides up to six monthly mortgage payments if a CalHFA borrower becomes involuntarily unemployed, is receiving state unemployment benefits, and is seeking re-employment.	CalHFA conventional loans that are mortgage-insured by CalHFA	Self-supporting; part of mortgage insurance support of CalHFA loan programs
<b>Homeowners' Property Tax Deduction (FTB)</b>	Allows homeowners to deduct real property taxes from their personal income taxes.	4,854,604 homeowners in 2002 <sup>22</sup>	\$995 million (General Fund)
<b>Homeowners' Property Tax Exemption (County assessors)</b>	Exempts homeowners from paying property taxes on the first \$7,000 of the assessed value of their principal place of residence. The State Constitution (Article XIII, Section 25) requires the state to reimburse local governments for property tax revenues lost due to this exemption.	5,391,011 housing units in 2003-04 <sup>23</sup>	\$433 million (General Fund)
<b>Homeownership in Revitalization Areas Program (CalHFA)</b>	Provides down payment and closing cost assistance to lower-income, first-time homebuyers in community revitalization areas.	Low- and moderate-income, first-time homebuyers	Proposition 46 funds (\$2.6 million) and CalHFA funds
<b>Homeownership Mortgage Loan Program (CALHFA)</b>	Provides below-market, fixed-rate loans to low- and moderate-income, first-time homebuyers.	Low- and moderate-income, first-time homebuyers	Self-supporting; bonds are repaid by revenues generated through mortgage loans

Program (Agency or Department)	Purpose	Applicants	Estimated 2004-05 Funding and Source
<b>Interest Only Plus Program</b> (CalHFA)	Provides assistance to low- and moderate-income, first-time homebuyers by offering below-market, fixed-rate loans. Borrowers pay only the interest on the loan for a fixed period of time, then pay principal and interest at the same low rate.	Low- and moderate-income, first-time homebuyers	Self-supporting; bonds are repaid by revenues generated through mortgage loans
<b>School Facility Fee Down Payment Assistance Program</b> (CalHFA)	Provides assistance to moderate-income, first-time homebuyers of newly constructed homes and to households buying homes in economically distressed counties. <sup>24</sup>	Low- and moderate-income, first-time homebuyers	Proposition 46 funds (\$10.1 million) and CalHFA funds
<b>Single Family Programs</b> (CDLAC)	Provides financial assistance to income-qualified, first-time homebuyers through tax-exempt mortgage revenue bonds or mortgage credit certificates issued by state and local public agencies and joint powers authorities (JPAs).	Developers apply to public agencies and JPAs, who apply to CDLAC for authority to issue the bonds or certificates	CDLAC is fee-based and receives no funds from the state budget <sup>25</sup>

**Table 2: Increasing California's Housing Supply**

<b>Program (Agency or Department)</b>	<b>Purpose</b>	<b>Applicants</b>	<b>Estimated 2004-05 Funding and Source</b>
<b>Ownership Housing</b>			
<b>Builder-Lock Program (Cal-HFA)</b>	Enables builders and developers to lock in a fixed mortgage rate for construction and marketing of single-family, new home developments.	Builders and developers reserving takeout financing for low-and moderate-income, first-time homebuyers <sup>26</sup>	Self-supporting; bonds are repaid by revenues generated through mortgage loans
<b>Rental Housing</b>			
<b>Multifamily Housing Program (HCD)</b>	Provides funding for construction, rehabilitation, and preservation of permanent and transitional rental housing for lower-income households.	Local public entities, for-profit and nonprofit corporations, limited equity housing cooperatives, individuals, Indian reservations, limited partnerships	\$363.5 million (Proposition 46 funds)
<b>Multifamily Programs (CalHFA)</b>	Provides a wide range of financing assistance for new and existing housing developments, including low-cost construction financing to reduce the cost of construction for affordable housing projects and permanent financing for newly constructed and existing rental housing.	For-profit, nonprofit, or public agency sponsors	Self-supporting; bonds are repaid by revenues generated through mortgage loans
<b>Predevelopment Loan Program (HCD)</b>	Provides start-up capital for low-income housing projects.	Local government agencies, nonprofit corporations, cooperative housing corporations, limited partnerships, limited liability companies	\$3 million (self-supporting) <sup>26</sup>
<b>Qualified Residential Rental Projects (CDLAC)</b>	Provides financial assistance to developers to acquire, construct, or rehabilitate multifamily rental housing for low-and very low-income households, through tax-exempt housing revenue bonds issued by state and local government agencies and JPAs.	Developers apply to public agencies and JPAs who apply to CDLAC for authority to issue bonds	CDLAC is fee-based and receives no funds from the state budget <sup>27</sup>

<b>Program (Agency or Department)</b>	<b>Purpose</b>	<b>Applicants</b>	<b>Estimated 2004-05 Funding and Source</b>
<b>Self-Help Builder Assistance Program (CalHFA)</b>	Provides construction financing to self-help nonprofit corporations, as well as “takeout” financing to families and individuals who utilize the mutual self-help method (“sweat equity”) of construction. <sup>28</sup>	Nonprofit self-help corporations and low-income, first-time homebuyers	Self-supporting; bonds are repaid by revenues generated through mortgage loans
<b>State Low Income Housing Tax Credit Program (TCAC)</b>	Provides financial incentives to developers to build affordable rental housing. Augments the Federal Low Income Housing Tax Credit Program.	Local governments, for-profit and nonprofit corporations, joint ventures	Approximately \$70 million (annual state tax credit)
<b>Workforce Housing Reward Program (HCD)</b>	Provides financial incentives to local governments to issue residential building permits for housing that is affordable for very low- or low-income households.	Local governments	\$23 million (Proposition 46 funds)
<b>Other Housing Supply Programs</b>			
<b>Downtown Rebound Capital Improvement and Planning Grants Programs (HCD)</b>	Provides funding for conversion of vacant or underused commercial and industrial structures, residential infill, and transit-oriented development.	Local governments, for-profit and nonprofit corporations, limited liability companies, limited equity housing cooperatives, Indian reservations, limited partnerships	Program currently not issuing grants or loans
<b>Jobs-Housing Balance Incentive Grants (HCD)</b>	Provides financial incentives to local governments to issue residential building permits.	Local governments	One-time funding of \$25 million (Proposition 46 funds) awarded in 2002-03
<b>Housing Enabled Through Local Partnerships (HELP) (CalHFA)</b>	Provides affordable housing opportunities through program partnerships with local government entities, consistent with their affordable housing priorities. Program funds must be used to produce affordable housing units, but local agencies can determine whether to use funds for acquisition, development, rehabilitation, or preservation of affordable rental or owner housing.	Local governments	Self-supporting; two funding cycles per year
<b>Local Housing Trust Fund Matching Grant Program (HCD)</b>	Provides funding for local housing trust funds targeted to creating or preserving affordable housing.	Local governments, charitable nonprofit organizations	One-time funding of \$25 million (Proposition 46 funds) awarded in 2003-04

**Table 3: Preserving Affordable Housing**

Program (Agency or Department)	Purpose	Applicants	Estimated 2004-05 Funding and Source
<b>Mobilehome Park Resident Ownership Program (HCD)</b>	Helps preserve affordable mobilehome parks.	Resident organizations, nonprofit entities, local public agencies	\$6 million (self-supporting) <sup>29</sup>
<b>Preservation Interim Repositioning Program (HCD)</b>	Helps preserve subsidized rental housing developments that are at risk of conversion to market rents.	Nonprofit corporations	One-time funding of \$5 million (Proposition 46 funds) awarded in 2003-04
<b>Preservation Acquisition Program (CalHFA)</b>	Helps preserve at-risk affordable housing by providing low-cost acquisition financing.	For-profit, nonprofit, or public agency sponsors	Proposition 46 funds (\$23.1 million) and CalHFA funds

**Table 4: Helping Special Needs Populations**

<b>Program (Agency or Department)</b>	<b>Purpose</b>	<b>Applicants</b>	<b>Estimated 2004-05 Funding and Source</b>
<b>California Indian Assistance Program (HCD)</b>	Helps California Indian tribal governments obtain and manage state and federal funds for housing, infrastructure, and related projects.	Tribal governments, Indian communities	Program currently not issuing grants
<b>Cal-Vet Home Loan Program (DVA)</b>	Provides home, farm, construction, and rehabilitation loans to veterans meeting specified requirements.	Honorably discharged veterans	\$183.3 million (revenue bonds, veterans general obligation bonds) <sup>30</sup>
<b>Emergency Housing and Assistance Program Capital Development and Operating Facility Grants (HCD)</b>	Provides funding for development, rehabilitation, and operation of emergency shelters and transitional housing.	Local government agencies, nonprofit corporations	\$63.8 million in Proposition 46 funds, \$4.0 million General Fund
<b>Exterior Accessibility Grants for Renters (HCD)</b>	Helps lower-income renters with disabilities make their apartments more accessible.	Local governments, nonprofit organizations	One-time funding of \$5 million (Proposition 46 funds) awarded in 2003-04
<b>Farmworker Housing Assistance Program (TCAC)</b>	Provides tax credits for the construction and rehabilitation of farmworker housing.	Local governments, for-profit and nonprofit corporations, joint ventures	\$500,000 annual state tax credit
<b>HomeChoice Program (CalHFA)</b>	Helps low- and moderate-income households with a disabled individual to become first-time homebuyers.	Borrowers who are disabled or have a family member with disabilities living with them	Self-supporting; bonds are repaid by self-generated funds
<b>Joe Serna, Jr. Farmworker Housing Grant Program (HCD)</b>	Provides funding for construction, rehabilitation, and acquisition of owner and renter housing for farmworkers, with a priority for lower-income households.	Local government agencies, nonprofit corporations, cooperative housing corporations, limited partnerships, Indian tribes	\$93.0 million (Proposition 46 funds)

Program (Agency or Department)	Purpose	Applicants	Estimated 2004-05 Funding and Source
<b>Office of Migrant Services (HCD)</b>	Provides funding for construction, rehabilitation, maintenance, and operation of seasonal rental housing for farmworkers.	Local government agencies, housing authorities, nonprofit corporations, school districts, health agencies	\$8.8 million (General Fund and Proposition 46 funds)
<b>Senior Citizens and Disabled Property Tax Assistance Program (FTB)</b>	Refunds a percentage of property taxes paid (maximum \$473 for 2004) by low-income homeowners who are age 62 or above or who are blind or disabled.	154,000 homeowners in 2003-04	\$40.5 million (General Fund)
<b>Senior Citizens and Disabled Property Tax Postponement Program (SCO)</b>	Allows low-income homeowners who are age 62 or above, or who are blind or disabled persons of any age, to defer payment of some or all of their residential property taxes. The loan is repaid when the taxpayer dies, sells the home, moves, or allows certain liens to become delinquent.	8,500 homeowners in 2003-04	\$11.9 million (General Fund)
<b>Senior Citizens and Disabled Renters' Tax Assistance Program (FTB)</b>	Refunds a percentage of a property tax equivalent amount (maximum \$348 for 2004) to low-income renters age 62 or above or who are blind or disabled.	475,000 renters in 2003-04	\$142.6 million (General Fund)
<b>Supportive Housing (DMH)</b>	Provides permanent, affordable housing with appropriate services to very low-income individuals with one or more disabilities.	Local governments, nonprofit service or housing agencies	\$0 <sup>31</sup>



**Table 5: Other State Housing Programs**

Program (Agency or Department)	Purpose	Applicants	Estimated 2004-05 Funding and Source
<b>Code Enforcement Grant Program</b> (HCD)	Provides funding for existing or proposed local building code enforcement programs.	Local governments	One-time funding of \$5 million (Proposition 46 funds) awarded in 2002-03
<b>Redevelopment</b> (Local redevelopment agencies)	Provides funding to local governments to eliminate blight through development, reconstruction, and rehabilitation of residential, commercial, industrial, and retail districts.	Local redevelopment agencies administer, and must submit annual reports to the State Controller, HCD, and local governing body	\$6.2 billion in tax increment financing (property tax revenues) in 2002-03
<b>Renters' Credit</b> (FTB)	Provides a non-refundable personal income tax credit to renter households with qualified income levels. For 2004, a \$120 credit is available to married taxpayers filing jointly, heads of household, and surviving spouses (adjusted gross income must be \$59,910 or less). A \$60 credit is available to single taxpayers and married taxpayers filing separately (adjusted gross income must be \$29,555 or less).	1,291,847 renters in 2002 <sup>32</sup>	\$99 million (General Fund)

**Table 6: Federal Housing Programs Administered by the State**

<b>Program (Agency or Department)</b>	<b>Purpose</b>	<b>Applicants</b>	<b>Estimated 2004-05 Funding and Source</b>
<b>Federal Emergency Shelter Grant Program (HCD)</b>	Provides funding for emergency shelters, transitional housing, supportive services, and homeless prevention assistance.	Local government agencies, nonprofit organizations	\$6.4 million (federal funds)
<b>Federal Low Income Housing Tax Credit Program (TCAC)</b>	Provides financial incentives to developers to build affordable rental housing.	Local governments, for-profit and nonprofit corporations, joint ventures	\$66.4 million (annual federal tax credits)
<b>HOME Investment Partnerships Program (HCD)</b>	Helps create and retain affordable housing through assistance with acquisition, rehabilitation, construction, and renter assistance.	Local governments	\$68.5 million (federal funds)
<b>Housing Assistance Program (HUD Section 8 Certificate and Voucher Program) (HCD, CalHFA)</b>	Provides rental assistance to extremely low- and very low-income households in rural counties without housing authorities. Also provides monthly assistance with homeownership expenses.	Income-eligible families and households; public housing authorities (ownership program)	\$3.6 million (federal funds) <sup>33</sup>
<b>State Community Development Block Grant Program (HCD)</b>	Provides funding to qualified cities and counties for affordable housing, economic development, infrastructure, and community facilities. At least 51 percent of this funding must be used for affordable housing.	Small cities and rural counties	\$49.9 million (federal funds)

## ENDNOTES

<sup>1</sup> State housing spending includes HCD spending (excluding federal funds and funds for child care facilities), the Substandard Housing tax deduction denial, State Low-Income Housing Tax Credits, the School Facilities Fee Assistance Program, and the Supportive Housing Program under the Department of Mental Health, as well as debt service on Proposition 5 (1982), Proposition 84 (1988), Proposition 107 (1990), and Proposition 46 (2002). “Total Expenditures” includes General Fund and special funds; spending from bond funding is counted when the bonds are repaid through principal and interest payments.

<sup>2</sup> The State Constitution requires the state to reimburse local governments for property tax revenues lost due to this exemption.

<sup>3</sup> Proposition 5, the First-Time Homebuyers Bond Act of 1982, authorized \$200 million in general obligation bonds for housing mortgage loans to first-time homebuyers. Proposition 77, the California Earthquake Safety and Housing Rehabilitation Bond Act of 1988, authorized \$150 million in general obligation bonds for housing rehabilitation programs. Proposition 84, the Housing and Homeless Bond Act of 1988, authorized \$300 million in general obligation bonds for state housing programs. Proposition 107, the Housing and Homeless Bond Act of 1990, authorized \$150 million in general obligation bonds for state housing programs. Downloaded from the California Ballot Propositions Database of the University of California, Hastings College of the Law, Hastings Law Library at <http://holmes.uchastings.edu/library/index.html> on February 22, 2005.

<sup>4</sup> Presentation by William J. Pavão, Deputy Director, Financial Assistance Division, “2005 Department of Housing and Community Development,” p. 3, downloaded from <http://www.hcd.ca.gov/ca/prop46.html> on April 26, 2005 and personal communications with officials at the CalHFA and the HCD.

<sup>5</sup> HCD handout at February 9, 2005 hearing of the Assembly Housing and Community Development Committee.

<sup>6</sup> Housing Element Working Group, *Final Report to the Assembly and Senate Housing Committees* (April 2004), p. 3, downloaded from <http://www.hcd.ca.gov/hpd/hrc/plan/he/> on February 22, 2005.

<sup>7</sup> California Redevelopment Association, *Introduction to Redevelopment* (1996), p. 1.

<sup>8</sup> Michael Dardia, *Subsidizing Redevelopment in California* (Public Policy Institute of California: January 1998), pp. 1-2.

<sup>9</sup> AB 3674, Montoya, Chapter 1337 of 1976. Senate Housing and Land Use Committee, *End or Means? Redevelopment Agencies' Housing Programs (Revised): The Briefing Paper for the Interim Hearing* (November 13, 1996), p. 2 and Health and Safety Code, Section 33334.2(a).

<sup>10</sup> Health and Safety Code, Sections 33334.2(a) and 33334.3(f).

<sup>11</sup> State Controller, *Community Redevelopment Agencies Annual Report, 2002-03* (May 2004), downloaded from <http://www.sco.ca.gov/pubs/index.shtml#locgovrep> on February 17, 2004.

<sup>12</sup> Downloaded from Department of Housing and Community Development at <http://www.hcd.ca.gov/hpd/hrc/tech/contacts.htm> on February 22, 2005. The counties without a PHA are Alpine, Amador, Calaveras, Colusa, Glenn, Inyo, Modoc, Mono, Sierra, Siskiyou, Trinity, and Tuolumne.

<sup>13</sup> Adam Carasso, C. Eugene Steuerle, and Elizabeth Bell, “The Trend in Federal Housing Tax Expenditures,” *Tax Notes* (Tax Policy Center: February 28, 2005), p. 1081.

<sup>14</sup> The Department of Fair Employment and Housing and the Fair Employment and Housing Commission are not included since this report focuses primarily on the supply of housing. The information included in this Appendix comes from various state agency websites; personal communications with staff of various state agencies; *Governor's Proposed 2005-06 Budget*; California Debt Limit Allocation Committee, “2005 Ceiling Pools with Reservation Amounts,” downloaded from [http://www.treasurer.ca.gov/cdlac/programyear/2005/01\\_State\\_Ceiling\\_and\\_Pool\\_Reservations.pdf](http://www.treasurer.ca.gov/cdlac/programyear/2005/01_State_Ceiling_and_Pool_Reservations.pdf) on April 13, 2005; Department of Housing and Community Development, “Funds Available Calendar” (updated March 17, 2005), downloaded from <http://www.hcd.ca.gov/ca/> on March 24, 2005; Assembly Committee on Revenue and Taxation, *Revenue and Taxation Reference Book 2004* (January 2005), pp. 163-180; State Controller, *Community Redevelopment Agencies Annual Report, 2002-03* (May 2004), downloaded from <http://www.sco.ca.gov/pubs/index.shtml#locgovrep> on February 17, 2004; Franchise Tax Board, *State Tax Expenditure Estimates, Fiscal Years 2002-03 through 2004-05* (March 2004); and California Department of Veterans Affairs, Division of Farm and Home Purchases, *CalVet Home Loans Strategic Business Plan 2004-09 FY* (July 2004), pp. 11, 39-40.

<sup>15</sup> Total 2004-05 estimated CalHFA spending is \$32.6 million.

<sup>16</sup> Funding for HCD programs is primarily from Proposition 46 bond funds, although a small amount of General Fund and Housing Trust Fund monies are included. Proposition 46 funding amounts refer to total funds awarded as of April 2005. See Table 1 in the text for Proposition 46 allocation.

<sup>17</sup> Fannie Mae and Freddie Mac are federal government-sponsored enterprises (GSEs) created by Congress to create a secondary market for residential mortgage loans.

<sup>18</sup> A “high priority” school is a K-12 school that ranks in the bottom 50 percent of all schools based on the most recent Academic Performance Index (API) or one in which at least 70 percent of the students are eligible for free or reduced price meals.

<sup>19</sup> The highest housing cost counties are Alameda, Contra Costa, San Diego, San Francisco, San Mateo, Santa Clara, Sonoma, and Ventura.

<sup>20</sup> Number of tax returns filed that claimed this deduction. Franchise Tax Board, *Annual Report 2003* (December 2004).

<sup>21</sup> HomeOpeners is a service mark of GE Mortgage Holdings, LLC.

<sup>22</sup> Number of tax returns filed that claimed this deduction. Franchise Tax Board, *Annual Report 2003* (December 2004).

<sup>23</sup> Board of Equalization, *2002-03 Annual Report*, downloaded from <http://www.boe.ca.gov/annual/statindex0203.htm#pt> on May 3, 2005.

<sup>24</sup> “Economically distressed counties” include Fresno, Imperial, Kern, Kings, and Madera.

<sup>25</sup> CDLAC allocations for calendar year 2004 totaled \$2.9 billion; of this, \$2.3 billion went to housing projects and programs.

<sup>26</sup> This program makes loans from a dedicated revolving fund that was originally started with General Fund monies and is now renewed by loans repayments and interest.

<sup>27</sup> CDLAC allocations for calendar year 2004 totaled \$2.9 billion; of this, \$2.3 billion went to housing projects and programs.

<sup>28</sup> Takeout financing is post-construction financing, permanent debt on the project, or the mortgage.

<sup>29</sup> This program makes loans from a dedicated revolving fund that was originally started with General Fund monies and is now renewed by loan repayments and interest.

<sup>30</sup> Funding amount includes the CalGuard Program, which has been absorbed by the CalVet Program. As of June 30, 2004, loan funds available totaled \$423.9 million, while authorized loan funds available totaled \$605.6 million.

<sup>31</sup> The Supportive Housing program was funded by General Fund monies, but has not received any funding since 2001-02.

<sup>32</sup> Number of tax returns filed that claimed this credit. Franchise Tax Board, *Annual Report 2003* (December 2004).

<sup>33</sup> Refers to funding that is allocated to HCD; most Section 8 funds are allocated directly to local public housing authorities. Total Section 8 funding to California in the current federal fiscal year is \$2.8 billion. Source: Center on Budget and Policy Priorities.