

CALIFORNIA LEGISLATURE

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GOVERNOR’S REORGANIZATION PLAN: BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY

**Joint Informational Hearing
Assembly Committee on Business and Professions and
Assembly Committee on Housing and Community Development
Tuesday, May 13, 2025**

BACKGROUND PAPER

Overview of the Executive Reorganization Process

The California Constitution provides that the Governor may be authorized through statute “to assign and reorganize functions among executive officers and agencies and their employees.”¹ This authority is granted in the Government Code, which establishes a process for the Governor to propose a “reorganization plan” to the Legislature for consideration, including proposals involving “the establishment of a new agency to perform the whole or any part of the functions of an existing agency or agencies.” The Government Code specifically lists the following purposes that may be accomplished through the reorganization of an agency:

- (a) To promote the better execution of the laws, the more effective management of the executive and administrative branch of the state government and of its agencies and functions and the expeditious administration of the public business;
- (b) To reduce expenditures and promote economy to the fullest extent practicable consistent with the efficient operation of the state government;
- (c) To increase the efficiency of the operation of the state government to the fullest extent practicable;
- (d) To group, consolidate and coordinate agencies and functions thereof as nearly as possible according to major purposes;
- (e) To reduce the number of agencies by consolidating those having similar functions under a single head and to abolish such agencies or functions thereof as may not be necessary for the efficient operation of the state government;
- (f) To eliminate overlapping and duplication of effort.

This statute further provides that “the Legislature declares that the public interest requires the carrying out of the purposes set forth in this section, and that such purposes may be accomplished more speedily and effectively under this article than by the enactment of specific legislation.”²

¹ California Constitution, Article V, § 6

² Government Code, § 12080

Pursuant to the Government Code, when the Governor wishes to reorganize a state agency, the Governor is required to prepare and transmit to the Legislature a reorganization plan in the form of bill language. Statute further requires the Governor to include declarations to “explain the advantages which it is probable will be brought about by the taking effect of the reorganization included in the plan, and shall specify with respect to each abolition of a function included in the plan the statutory authority for the exercise of the function.” Upon receipt of a reorganization plan, both houses of the Legislature are required to “refer the plan to a standing committee of their respective houses for study and a report.” The Legislature has 60 calendar days to reject the reorganization plan by a majority vote in either house; each committee report is required to be published at least 10 days prior to that 60-day deadline.³

At least 30 days prior to submitting a reorganization plan to the Legislature, the Governor is required to submit the plan to the Little Hoover Commission for study and recommendation.⁴ Formally known as the Milton Marks “Little Hoover” Commission on California State Government Organization and Economy, the Little Hoover Commission was established in 1961 to serve as an independent state oversight agency tasked with promoting efficiency, economy, and improved service in state government. The Little Hoover Commission holds public hearings, accepts written comments, and produces a formal report as part of this additional review process.

Governor’s Reorganization Plan 2025

On January 10, 2025, Governor Gavin Newsom released his 2025-26 budget plan, which was accompanied by an announcement of intent to submit a reorganization plan to bifurcate the Business, Consumer Services, and Housing Agency (BCSH) into two distinct entities. As described in the Governor’s Proposed Budget Summary, the reorganization plan would “establish a new California Housing and Homelessness Agency to create a more integrated and effective administrative framework for addressing the state’s housing and homelessness challenges.” The reorganization plan would additionally establish “a dedicated agency for consumer services and business oversight” to “enhance how consumers and businesses interact with government processes, offering innovative solutions that foster trust, efficiency, and equity.”⁵

On April 4, 2025, the Governor formally sent his proposed reorganization plan to the Little Hoover Commission. The Governor’s transmittal letter to the chair of the commission stated that the intent of this reorganization would be “to improve coordination, streamline operations, and advance progress on housing, homelessness, and consumer protection.” As outlined in the Governor’s proposal, the BCSH would be split into two agencies with the following responsibilities:

- *California Housing and Homelessness Agency (CHHA)*: Housing, homelessness, and civil rights functions.
- *Business and Consumer Services Agency (BCSA)*: Consumer protection and business regulation.

The Little Hoover Commission subsequently held two public hearings on the reorganization plan; its report will be submitted to the Governor and the Legislature no later than June 4, 2025.

³ Government Code, § 12080

⁴ Government Code, § 8523

⁵ <https://ebudget.ca.gov/2025-26/pdf/BudgetSummary/FullBudgetSummary.pdf>

On May 5, 2025, the Governor officially submitted his reorganization plan to the Legislature. The preamble to the reorganization plan explains that the size and scope of the BCSH has grown significantly since its creation, “reflecting California’s increased focus on addressing our state’s housing and homelessness challenges, and expanding consumer protections.” The reorganization plan acknowledges that when the BSCH was created, “the Legislature noted concerns with combining departments with minimal policy or functional overlap into a single agency.” The Governor’s reorganization plan is intended to “strengthen and better align the missions and functions of the two agencies and the respective departments they oversee.”

Business, Consumer Services, and Housing Agency

The BCSH was first established through a prior reorganization plan implemented under Governor Jerry Brown. This reorganization merged components of two prior agencies: the Business, Transportation, and Housing Agency and the State and Consumer Services Agency. Governor Brown submitted the proposed reorganization plan in 2012, and it took effect on July 1, 2013.

Currently, the BCSH has over 8,000 employees and operates with a \$4.6 billion budget across the various departments, boards, and programs it oversees. The BCSH is led by Secretary Tomiquia Moss, and its executive team includes an undersecretary and various deputy secretaries, including deputies specifically focused on the respective areas of business and consumer relations; housing and consumer relations; and homelessness. While the BCSH’s purview encompasses a myriad of policy topics ranging from civil rights enforcement to financial services to professional licensing, its recent leadership has primarily consisted of appointees with extensive experience in housing and homelessness issues.

The following is a list of entities contained within the BCSH’s organizational structure, divided to reflect which of the new agencies each entity is proposed to be included under:

Business and Consumer Services Agency (BCSA)

- Department of Consumer Affairs (DCA)
- Department of Real Estate (DRE)
- Department of Cannabis Control (DCC)
- Cannabis Control Appeals Panel (CCAP)
- Department of Alcoholic Beverage Control (ABC)
- Alcoholic Beverage Control Appeals Board (ABCAB)
- California Horse Racing Board (CHRB)
- Department of Financial Protection and Innovation (DFPI)

California Housing and Homelessness Agency (CHHA)

- Department of Housing and Community Development (HCD)
- California Housing Finance Agency (CalHFA)
- California Interagency Council on Homelessness (Cal-ICH)
- Civil Rights Department (CRD)

The Governor’s reorganization plan additionally proposes to create a new Housing Development and Finance Committee within the CHHA.

Entities Under Proposed BCSA

Department of Consumer Affairs. The DCA consists of 36 distinct regulatory entities, including 26 boards, seven bureaus, one committee, one commission, and one program. In total, the DCA oversees more than 3.4 million licensees across 280 license types falling within the respective jurisdiction of each board, bureau, or other licensing entity, ranging from physicians licensed by the Medical Board of California to hairstylists licensed by the California Board of Barbering and Cosmetology. The DCA also administers the Arbitration Certification Program, which certifies and monitors third-party arbitration programs to ensure compliance with vehicle warranty laws.

The DCA primarily exists to provide administrative support services to the various individual boards, bureaus, and other entities that fund the department through a pro rata assessment against revenue received from licensing and regulatory fees. Support services provided by the DCA include human resources, information technology, investigations, communications, professional examinations, training, strategic planning, and fiscal operations. In addition to providing support services to individual licensing entities, statute requires the DCA to receive complaints from consumers and to transmit any valid complaints to the local, state, or federal agency that is appropriate to assist the complainant. The DCA's Consumer Information Center (CIC) includes a Call Center and a Correspondence Unit. During Fiscal Year 2021-22, the CIC received over 400,000 calls and provided correspondence to consumers in over 38,000 instances. The DCA has also produced an estimated 370 publications, providing guidance to both consumers and licensees.

Department of Real Estate. The DRE is responsible for enforcing the Real Estate Law, the Subdivided Lands Act, and the Vacation Ownership and Timeshare Act of 2004. First enacted in 1917, the Real Estate Law provides for real estate licensing in California. The Real Estate Law requires licensure of persons who represent sellers and buyers of real property or business opportunities; represent and tenants landlords in the rental or leasing of real property or business opportunities; assist persons involved in land transactions with the federal or state government; solicit for, negotiate, or service mortgage loans; or represent buyers and sellers in exchanges of real property sales contracts and provides services to those who are contract holders.

The Subdivided Lands Act protects consumers who purchase or lease new homes or subdivided interests in California. The law requires the developer of subdivided interests to seek and obtain a Subdivision Public Report from the DRE. This report is designed by law to protect the public from fraud and misrepresentation by documenting the developer's commitments to consumers. Correspondingly, the Vacation Ownership and Timeshare Act of 2004 provides parallel consumer protections relating to the sales of timeshare interests to consumers in California.

The DRE has five program-focused divisions in place to satisfy its statutory obligations: Enforcement, Audits, Legal, Licensing, and Subdivisions. Additionally, the DRE participates in the Association of Real Estate License Law Officials, which is an international organization comprised of government agencies and other organizations charged with regulating licensing real estate practice and enforcing real estate law, and the American Association of Residential Mortgage Regulators, which promotes the exchange of information and education concerning the licensing, supervision, and regulation of the residential mortgage industry. The DRE's Enforcement Division staff regularly participates in task force meetings with district attorney offices, local real estate associations, and law enforcement agencies to discuss real estate fraud, mortgage fraud, and financial/economic crimes, including wire fraud.

Department of Cannabis Control. The Medical Cannabis Regulation and Safety Act (MCRSA), first enacted in 2015, established a comprehensive statewide licensing and regulatory framework for the cultivation, manufacture, transportation, testing, distribution, and sale of medicinal cannabis to be administered by a newly established Bureau of Cannabis Control within the DCA; the California Department of Public Health; and the California Department of Food and Agriculture, with implementation relying on each agency's area of expertise. Not long after the Legislature enacted MCRSA, California voters passed Proposition 64, the Adult Use of Marijuana Act (AUMA), which made use of the regulatory framework and authorities set out by MCRSA. The two systems were subsequently reconciled in 2017 through the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA).

In January 2019, the state's three cannabis licensing authorities announced the approval of the state's final cannabis regulations promulgated by the three agencies respectively. In early 2021, the Department of Finance released trailer bill language to create the DCC, with centralized authority for cannabis licensing and enforcement activities. This new department was created through a consolidation of the three prior licensing authorities' cannabis programs. As of July 1, 2021, the DCC has been the single entity responsible for administering and enforcing the majority of MAUCRSA. New regulations went into effect on January 1, 2023 to effectuate the organizational consolidation and make other changes to cannabis regulation.

Today, the DCC oversees the licensing and enforcement of all commercial cannabis activity in the state. The DCC issues licenses to entities engaged in cannabis cultivation, manufacturing, distribution, testing, retail sales, microbusinesses, and cannabis events. As of February 2025, California has approximately 6,800 annual license holders and 1,600 provisional license holders. The DCC also partners with state and local law enforcement to identify and take action against unlicensed operators and engages in public awareness campaigns to promote safe cannabis use. Like other licensing entities, the DCC derives the majority of its funding through license fees.

Cannabis Control Appeals Panel. Established through the passage of the AUMA, CCAP is a quasi-judicial entity responsible for appeals of any decision by state cannabis licensing authorities relating to the order of any penalty assessment, issuing, denying, transferring, conditioning, suspending or revoking any license provided under MAUCRSA. CCAP consists of five members: three appointed by the Governor, one by the Senate Committee on Rules, and one by the Speaker of the Assembly. Each member appointed by the Governor is required to be a resident of a different county from the other two at the time of their initial appointment. Each member of CCAP may be removed by their appointing authority. CCAP meets as needed.

Department of Alcoholic Beverage Control. In 1955, the California Constitution established the ABC and granted it exclusive authority to administer the provisions of the Alcoholic Beverage Control Act in accordance with laws enacted by the Legislature. This involves licensing over 95,000 individuals and businesses associated with the manufacture, importation, and sale of alcoholic beverages in California and the collection of license fees. The ABC is primarily funded by fees collected from alcohol licenses. License fees are categorized as application fees and annual fees, and the ABC is authorized to increase fees to keep pace with inflation. The ABC's workload is divided into three elements: administration, licensing, and compliance. The department's headquarters in Sacramento consists of the Director's office and other offices performing licensing, fiscal management, legal, trade practices, training, and personnel/labor relations and other administrative support functions for the department.

ABC agents also enforce laws related to underage drinking, over-service of alcohol, and illegal sales. Through its licensing and compliance activities, the department seeks to maintain a fair and orderly market while minimizing alcohol-related harm in communities. In addition to regulation and enforcement, the ABC provides educational outreach and training to licensees and the public to promote compliance and awareness. Programs such as LEAD (Licensee Education on Alcohol and Drugs) and Responsible Beverage Service training aim to prevent alcohol-related issues before they occur by educating sellers and servers. The ABC also works with local law enforcement and community organizations to address alcohol-related concerns and support community safety initiatives. Through these combined efforts, the ABC plays a crucial role in balancing economic interests with public health and safety.

Alcoholic Beverage Control Appeals Board. The quasi-judicial ABCAB is independent of the ABC. The Board consists of three members appointed by the Governor and confirmed by the California State Senate. The Board hears appeals from final decisions of the ABC regarding the issuance of alcoholic beverage licenses, license conditions, protests against the issuance of licenses, and violations of law by licensees. In 2012, the Board was placed under the BCSH by operation of Senate Bill 1039, effective July 1, 2013.

The questions that may be considered by the ABCAB are limited by the California Constitution and by statute. The Board determines appeals solely on the record of the ABC and any briefs filed by the parties. No additional evidence may be received by the Board. However, the parties to appeal may present oral argument during the ABCAB's monthly hearings. The Board issues written decisions with order affirming, reversing, and/or remanding the ABC's decisions. Judicial review of the Board may be obtained by filing a petition for writ of review with the California Supreme Court or the Court of Appeal.

California Horse Racing Board. Established in 1933, the CHRB has regulatory authority over horse racing and pari-mutuel wagering at licensed racetracks throughout California. The mission of the CHRB is to ensure the integrity, viability, and safety of the California horse racing industry by regulating pari-mutuel wagering for the protection of the public, promoting horse racing, breeding, and wagering opportunities, and fostering safe racing through the development and enforcement of track safety standards and regulations for the health and welfare of all participants. The CHRB has seven commissioners, who are appointed to four-year terms by the Governor of California and confirmed by the Senate.

Since 2009, California's horse racing industry is required to cover all costs associated with regulatory oversight. For the 2024-2025 fiscal year, the CHRB's budget was set at \$20.4 million. In 2013, following the implementation of Governor Jerry Brown reorganization plan, the CHRB became part of the BCSH.

In 2019, the CHRB implemented an unprecedented set of regulations aimed at enhancing training methods, veterinary practices, and racetrack operations. These measures led to a significant decline in racehorse fatalities in California and fostered a cultural shift, encouraging licensees to take greater responsibility for equine safety. In 2020, the Horseracing Integrity and Safety Act (HISA) was enacted, establishing federal oversight for the development and enforcement of uniform safety and integrity regulations in thoroughbred racing in the United States. Today, the CHRB collaborates closely with HISA to implement and uphold these rules for thoroughbreds, while continuing to enforce CHRB regulations for all other breeds.

Department of Financial Protection and Innovation. The DFPI is California's primary financial regulator, charged with licensing and supervising a broad range of financial services and products. The department's name and purpose have expanded and changed over the years. Pursuant to the Governor Jerry Brown's reorganization plan in 2012, the Department of Corporations and the Department of Financial Institutions were combined to create the Department of Business Oversight. The name was changed again, and its authority was expanded by Assembly Bill (AB) 1864 in 2020, which established the California Consumer Financial Protection Law (CCFPL).

In the fall of 2020, AB 1864 and AB 107 implemented the CCFPL—strengthening the department's enforcement, regulatory, and subject-matter authority along the lines of the federal Consumer Financial Protection Bureau (CFPB)—and formally renamed it the Department of Financial Protection and Innovation. At the same time, Senate Bill (SB) 908 (the Debt Collection Licensing Act) imposed state licensure on debt collectors, requiring application fees, annual reporting, examinations (at cost), and background checks.

Core functions of DFPI include:

- **Consumer Protection:** Enforcing laws against unfair, deceptive, or abusive financial practices.
- **Licensing & Examinations:** Overseeing banks, non-bank lenders, money transmitters, broker-dealers, debt collectors, virtual-currency businesses, and other entities under the California Financial Code.
- **Enforcement:** Investigating violations, levying fines, and pursuing legal actions to protect consumers and maintain market integrity.
- **Rulemaking & Outreach:** Adopting regulations, issuing guidance, and educating both industry and the public on their rights and responsibilities.

Entities Under Proposed CHHA

Department of Housing and Community Development. HCD serves several functions for the state pertaining to a broad range of housing and community development activities. The department provides financial support, through the award of loans and grants, to public and private housing developers, nonprofit agencies, cities, counties, and state and federal partners. This money supports the construction, acquisition, rehabilitation, and preservation of affordable rental and ownership homes, and provides permanent supportive housing options as well as stable, safe shelter for those experiencing homelessness. In the 2022-23 Fiscal Year, the last year for which there is Annual Report data available, HCD awarded \$3.85 billion to 597 projects, facilitating the construction of 12,230 new homes and 2,741 rehabilitated homes, including 7,559 assisted homes.

HCD also develops and implements statewide housing policies, maintains and updates housing-related building codes, and regulates factory-built and manufactured homes as well as mobilehome parks. HCD's Housing Policy Development Division plays a critical role in the regional housing needs allocation (RHNA) process. HCD reviews and approves local housing elements of the general plan, and works with regional Councils of Governments to assign the regional housing needs determination to local governments, which is the basis for how much housing each jurisdiction must plan for in their housing element to accommodate current and future housing needs.

As of May 2025, HCD reports an 82% compliance rate with Housing Element Law for the current cycle. HCD also has enforcement authority over the state's various other housing laws, providing technical assistance and enforcement, when necessary, to local governments, often in close collaboration with the Attorney General. HCD reports having unlocked 8,385 housing units, including 2,952 affordable units, through enforcement efforts. HCD's Codes and Standards Division reviews and develops building standards for residential developments, inspects mobilehome parks in the state for health and safety violations, and enforces regulations for those who build and sell manufactured homes. HCD manages the titling and registration for mobilehomes, manufactured homes, commercial modulars, floating homes, and truck campers. The department also enforces standards for housing construction, and oversees the operation and maintenance of, farmworker and employee housing. Further, HCD helps to facilitate housing development of tens of thousands of homes on publicly owned lands through the Excess Sites program for state-owned land, and Surplus Land Act for locally-owned land.

HCD was also recently put in charge of administering the Homeless Housing, Assistance, and Prevention Program (HHAP) which is a state grant program providing funding to counties, large cities, and Continuums of Care (CoCs) to prevent and address homelessness with a coordinated regional approach. HHAP was previously administered directly by BCSH.

California Housing Finance Agency. CalHFA is the state's affordable housing lender. CalHFA's main focus is increasing homeownership opportunities, and it runs several programs to support first time homebuyers, including a 30-year fixed interest mortgage and down payment assistance. The fixed interest first mortgage is an FHA-insured loan that is secured on a property. CalHFA does not lend money directly to consumers; rather, CalHFA-approved lenders qualify consumers and make all mortgage loans. CalHFA purchases closed loans that meet their requirements. CalHFA offers two down payment assistance programs. The MyHome program provides up to 3.5% in down payment assistance to low- and moderate-income households. Lenders identify borrowers who qualify for the program and refer them to CalHFA for assistance. The mortgage is held and serviced by a private lender and the down payment assistance is recorded as a silent-second on a home. The second can be removed if the borrower refinances and repays the down payment or it can be repaid when the home sells. Funds are returned back to the program to fund future borrowers. MyHome is essentially an over-the-counter program and the only requirements needed to qualify are meeting the income threshold and being able to qualify for a home mortgage. The Dream for All Program, by contrast, is similarly structured but has a few key differences, including a shared appreciation requirement. The goal of the program is to create generational wealth for families who have not had a history of homeownership. Borrowers can receive 20% in down payment assistance up to \$150,000 and are required to share a portion of any equity increase in the home with the state when the home is sold. These funds are then recycled back into the program to provide for future down payments. Borrowers must also be a first homebuyer and a first generation homebuyer. To qualify as a first generation homebuyer, borrowers must not have a living parent or deceased parent that owns/owned a home or an interest in a home in the United States or may be an individual who has at any time been placed in foster care or institutional care. According to CalHFA's 2023-24 Annual Report, 6,037 homebuyers were helped through down payment assistance with \$157 million in down payment assistance and closing costs and \$2.57 billion in first mortgage lending. Demographic data collected on homebuyers shows the following breakdown by race and ethnicity: 8% of borrowers were Asian, 5% of borrowers were African American, 47% Hispanic/Latino, 30% white, and 10% unknown.

Also, SB 2 (Atkins), Chapter 364, Statutes of 2017 provides ongoing funding to the Mixed Income Program (MIP) which funds multi-family rental housing with an average income target of 60% of the area median income or less. CalHFA and two committees under the State Treasurer's Office administer a joint application for the MIP, which helps finance construction of new affordable multifamily housing projects.

Tax Credit Allocation Committee (TCAC). TCAC is housed in the Treasurer's office and administers federal and state low income housing tax credits (LIHTC). The day-to-day operations of TCAC are run by an Executive Director. The Committee is made up of five members – the Treasurer, the Director of HCD, the Executive Director of CalHFA, the Controller, and Director of Finance. TCAC publishes regulations regarding how the tax credits are allocated – the types of projects, the level of affordability, etc. This is done through a public process which allows for a direct response to consumers concerns with any proposed changes to how the tax credits are administered. The committee has a public meeting to award tax credits and receives any appeals for applications that do not receive awards.

The LIHTC is an indirect federal subsidy developed in 1986 to incentivize the private development of affordable rental housing for low-income households. The federal LIHTC program enables affordable housing sponsors and developers to raise financing through the allocation of tax benefits to investors. TCAC administers the program and awards tax credits to qualified developers who can then sell those tax credits to private investors who use them to reduce their federal tax liability. The developer in turn invests the capital into the affordable housing project. Two types of federal tax credits are available: the 9% and 4% tax credits. Each year, the federal government allocates funding to each state for LIHTCs on the basis of a per-resident formula. Only rental housing buildings that are either undergoing rehabilitation or newly constructed are eligible for the LIHTC programs. The 9% tax credit is generally reserved for new construction, while the 4% tax credit can be claimed for rehabilitation or new construction. In addition, developments must comply with both rent and income restrictions.

Each state receives an annual ceiling of 9% federal tax credits. Currently, in California they are oversubscribed, meaning for every project that is awarded a LIHTC, there are multiple eligible projects waiting in the queue who did not receive an award. Unlike 9% LIHTC, federal 4% tax credits are not capped; however, they must be used in conjunction with tax-exempt private activity bonds (PABs), which are capped and are administered by the California Debt Limit Allocation Committee (CDLAC). PABs are issued by state and local government agencies and are purchased by the private sector, generally a bank (who can use the bond for purposes of federal Community Reinvestment Act compliance). The current state PAB ceiling is \$4.9 billion. Therefore, the limiting factor for the 4% credit comes from this overall bond volume cap.

In 1987, the Legislature authorized a state LIHTC program to augment the federal tax credit program. State tax credits can only be awarded to projects that have also received, or are concurrently receiving, an allocation of federal 4% LIHTC. The amount of state LIHTC that may be annually allocated by TCAC is limited to \$70 million, adjusted for inflation. In 2020, the total tax credit amount available for allocation was about \$100 million plus any unused or returned tax credit allocations from previous years. In 2019, AB 101 (Budget Committee, Chapter 159), was signed into law, providing an additional \$500 million in “enhanced” state LIHTC in 2020 and future years, subject to appropriation. The state LIHTC program also relies on the availability of

other funding sources available to fill out a developer's "capital stack" to maximize its effectiveness.

Pursuant to AB 101, the Governor included and Legislature approved a one-time \$500 million enhanced state LIHTC allocation in the 2021-22, 2022-23, and 2023-24 budget; however, the Governor did not propose \$500 million in his 2025-26 January budget.

California Debt Limit Allocation Committee (CDLAC). CDLAC administers the state's allocation of PABs and is also housed in the Treasurer's office. The makeup of CDLAC is the same as TCAC. CDLAC has historically had its own Executive Director but under the current Treasurer, the Executive Director of TCAC also acts as Executive Director of CDLAC.

Government agencies may issue PABs, tax-exempt bonds on behalf of private businesses for various purposes such as low income multi-family housing, industrial development, redevelopment projects, enterprise zones or facilities that treat water, sewage or hazardous materials. The lower borrowing costs facilitate the development of projects that may not otherwise be feasible if financed at market rates. LIHTC must be paired with PABs, although PABs do not have to be paired with LIHTC. Historically PABs were not competitive and California was not fully utilizing our volume cap, essentially leaving federal money on the table, but this has changed over the last few years with the yearly allocation of the enhanced state LIHTC of \$500 million.

California Interagency Council on Homelessness. In 2016, SB 1380 (Mitchell), Chapter 847, created the Homelessness Coordinating and Financing Council which was renamed the California Interagency Council on Homelessness (Cal-ICH) in 2021 (AB 1220 (L. Rivas), Chapter 398) to coordinate the state's response to homelessness. Cal-ICH was created to oversee the implementation of "Housing First" policies, guidelines, and regulations to reduce the prevalence and duration of homelessness in California. Housing First is an evidence-based model that focuses on providing homeless individuals shelter and stability before addressing other underlying issues. Housing First utilizes a tenant screening process that promotes accepting applicants regardless of their sobriety, use of substances, or participation in services. Cal-ICH is co-chaired by the Secretary of BCSH and the Secretary of the Health and Human Services Agency. Cal-ICH meets quarterly and is made up of 20 members including all of the state departments that administer funds or policies that address homelessness.

Cal-ICH also manages the state's Homelessness Information Data System (HDIS) which captures local data collected by CoCs through local Homelessness Management Information Systems (HMIS) to help coordinate the state's response to homelessness. All 44 CoCs in the state have entered into contracts to provide their HMIS data to Cal-ICH. HDIS is intended to give the state a more accurate picture of the local homelessness response system and inform the state's response to homelessness. AB 977 (Gabriel), Chapter 397, Statutes of 2021 required grantees of state homelessness programs to enter data to the local HMIS system to help coordinate the state's response to homelessness. The ultimate goal of HDIS is to match data on homelessness to programs impacting homeless recipients of state programs, such as the Medi-Cal program and CalWORKs. Cal-ICH is required to set goals to prevent and end homelessness among youth, including integrating and coordinating efforts to prevent homelessness among youth in the child welfare system and juvenile justice system. Cal-ICH also developed a 5-year Action Plan For Preventing and Ending Homelessness (Plan) in 2020 and recently updated the Plan for 2025-2027.

Currently, according to HDIS data, for every five individuals who access homelessness services in California, only one is able to access permanent housing that year, leaving a gap of four people who continue to experience homelessness. Over the course of this Plan, calendar years 2025 through 2027, Cal-ICH aims to reduce that gap in half, so that for every five people served, three people are placed in housing during the year. The Plan sets out goals intended to measure progress toward our north star of providing housing and services to everyone experiencing homelessness. The goals include:

- Increasing the annual percentage of people who move into emergency shelter, transitional housing, or permanent housing after experiencing unsheltered homelessness, from 42% to at least 70%.
- Increasing the annual percentage of people existing homelessness into permanent housing from 18% to at least 60%.
- Ensuring that at least 95% of people who move into permanent housing do not experience homelessness within six months.
- Increasing access to publicly-funded health and social safety net services for people at-risk of homelessness in order to address health and economic vulnerabilities.
- Permitting more than 1.5 million homes, with no less than 710,000 of those meeting the needs of low- and very low-income households.

Civil Rights Department. The CRD, formerly known as the Department of Fair Employment and Housing, was established in 1959 primarily to enforce the Fair Employment Practices Act, which prohibited employment discrimination based on race, religion, color, national origin, and ancestry. Since its creation, the role of the CRD has grown to include enforcement of laws relating to housing, public accommodations, and state-funded programs.

The CRD enforces key state civil rights laws including the Fair Employment and Housing Act, the Unruh Civil Rights Act, and the Ralph Civil Rights Act. It investigates complaints, mediates disputes, educates the public, and litigates civil rights cases when necessary. Over the span of time discussed in the CRD's most recent annual report, the department had launched 5,765 investigations into alleged civil rights violations, obtained 788 settlements, and secured \$116.5 million in relief for complainants.

Affordable Housing Funding Challenges and New Coordinating Entity

Affordable Housing Finance. Developing housing that is affordable to very low- and low-income families at or below 80% of the area median income (AMI) requires some amount of public investment. Due to the high cost of land and construction materials and significant regulatory barriers, the private market does not usually build housing that is affordable for lower income households. To address this, the state provides public subsidy to non-profit and for-profit developers to build housing that is deed restricted for 55 years and in which an individual or family only has to pay 30% of their income toward rent, a rent level that is considered affordable. Once the deed restriction comes to an end, projects can be refinanced to maintain the affordability or can be converted to market-rate housing.

It is important to note that a single affordable housing unit serves more than one individual over the course of its 55-year affordability term. Most affordable housing units will serve 17.5 people over this term. Over the last few years, due to the passage of a statewide \$3 billion housing bond in 2018, increased investment in the state's LIHTC, and unprecedented General Fund investments in state affordable housing programs, the state has funded construction of 20,000 units of affordable housing a year.

The state has four entities that fund affordable housing, as discussed above – HCD, CalHFA, TCAC, and CDLAC. HCD and CalHFA provide soft loans with zero percent interest. The loan is for 55 years and a development is not required to make a regular loan payment but only make payments when there is cashflow, which is rare because tenants pay below market rates and there is no positive cashflow from the development. Developments that are funded from an HCD or CalHFA program also receive LIHTC and PABs from TCAC and CDLAC, respectively. Almost all developments in the state receive LIHTC and PABs. The reason funding is layered in this way is that it allows the state to leverage federal funding.

Historically, the state has largely funded affordable housing through voter-approved bonds, LIHTC, and more recently through cap-and-trade funds. In the past four years, the Legislature and Governor have invested General Fund money to increase the supply of affordable housing. During this same time span, the budget has included an additional \$500 million for the LIHTC in addition to the statutorily required allocation of \$70 million.

Complexity of Multiple Funding Sources. Developers must apply to multiple state funding programs to finance an affordable housing development and have long complained about the inefficiency of the current system. According to an April 2025 analysis by the University of California, Berkeley Turner Center for Housing Innovation, 92% of new construction LIHTC projects relied on at least one additional public funding source, and at least 76% relied on two or more sources of funding. On average, each additional source of funding adds four months to the overall project timeline, and approximately \$20,460 to the construction cost each unit of affordable housing. The added costs of having to apply to multiple programs in multiple funding rounds include preparation of additional applications, review and coordination of additional loan documents, and property holding costs due to time delays between application cycles. Thus, the complexity of the financing system drives up the overall cost of constructing these developments and the additional time required to apply for and pull together multiple funding sources can significantly delay projects.

Funding for HCD-administered programs historically has come from voter-approved bonds and in the last few years from the General Fund. HCD makes funding available through a Notice of Funding Availability (NOFA). In 2020, AB 434 (Daly), Chapter 192 directed HCD to create a "Super NOFA" for six of its programs that fund affordable multifamily rental housing – the Joe Serna Farmworker Housing Program, Multi-family Housing Program, Infill Infrastructure Grant Program, Transit-Oriented Development Program, Veterans Housing and Homelessness Prevention Program, and CalHOME. The Super NOFA made HCD's funding programs more efficient by eliminating the need to apply to multiple but similar programs; however, it did not address the lack of alignment with the LIHTC/PABs.

The Legislature also authorized a set-aside of up to \$200 million of the state enhanced tax credit for MIP and CDLAC has a set-aside of bonds for mixed income projects. This essentially created a one-stop shop for developers applying to MIP.

Prior to the last Governor's Reorganization, CalHFA was a completely separate entity and not housed under an agency. In 2012, CalHFA was moved within BCSH. This caused some controversy because CalHFA has its own S&P bond rating but CalHFA maintained its separate rating after the reorganization.

Legislative Direction on Funding Coordination. For the last few years, the Legislature has encouraged more coordination between the state's housing programs to achieve greater efficiency to reduce the cost of constructing affordable housing and bring housing online more quickly. In 2020, budget trailer bill legislation (AB 83, Committee on Budget) directed HCD, TCAC, and CDLAC to "develop a coordinated system to manage available state funding and private activity bonds to deliver the maximum number of units as efficiently as possible to very low and extremely low income households."

In 2023, AB 519 (Schiavo), Chapter 742, created an Affordable Housing Working Group made up of HCD, CalHFA, TCAC, CDLAC, and stakeholders (affordable housing developers, local governments, and tribal governments) to report to the Legislature by July 1, 2026 recommendations on implementing a single consolidated application and coordinated review process between the reviewing entities. Prior to the passage of that bill the Legislature moved forward several other bills which failed to make it through the legislative process – including AB 1135 (Grayson) (2021) and AB 2305 (Grayson) (2022) – which proposed other efforts to streamline the state's multiple funding programs.

In 2022, AB 2006 (Berman), Chapter 646, directed HCD, CalHFA, and TCAC to enter into a Memorandum of Understanding by July 1, 2024 to streamline the compliance monitoring of affordable housing developments that are subject to a regulatory agreement with more than one of these entities. Under the existing process, every state entity that provides funding to an affordable housing development conducts its own inspection to confirm compliance with its own regulatory agreement.

Housing Development and Finance Committee (HDFC). Within in the CHHA, the Governor's reorganization plan proposes to create a new state entity – the Housing Development and Finance Committee (HDFC). The HDFC would be guided by an Executive Committee made up of Secretary of CHHA, the Director of HCD, and the Executive Director of CalHFA. HDFC would have its own Executive Director. The mission of the new committee would be to "promote transparency, coordination, and alignment of state housing resources under the strategic direction."

The HDFC would be required to identify and work to align funding sources that may contribute to affordable housing finance, including but not limited to aligning funding dates and coordinating with other state affordable housing funding programs to improve program effectiveness. The HDFC would be required to create a consolidated application process for all state funding programs and a coordinated review process. The HDFC would be required to make recommendations by July 1, 2026 to the Executive Committee for the implementation of the consolidated application, which aligns with the timeline required by AB 519 (Schiavo).

The Executive Committee is proposed to be given oversight of multifamily housing programs under the purview of HCD and CalHFA, but not those under TCAC or CDLAC. Yet, the HDFC would create a process for making awards for funding programs, an appeals process, scoring adjustments, and timelines for allocation funding that would minimize delays and facilitate simultaneous awards across state government whenever feasible. The HDFC would have authority to consult and coordinate with other state agencies like TCAC and CDLAC and may make recommendations to state financing entities to identify and align relevant funding opportunities.

Policy Questions for Consideration

1. When does the Administration anticipate releasing the proposed budget for each of the two new agencies?
2. How does the BCSH legal unit intend to ensure regulations are reviewed and processed promptly to avoid delays in implementation?
3. What actions will be taken to prevent special-funded entities under the BCSA from having to increase license fees and other regulatory charges to support the executive infrastructure costs of the new agency?
4. What, if any, program changes are needed at HCD to align funding with the LIHTC and PABs?
5. What funding programs would be transferred from HCD and CalHFA to HDFC?
6. What funding programs would remain with HCD and CalHFA?
7. How does the Administration envision aligning the LIHTC/PABs with the funding overseen by HDFC?
8. Will the CHHA include an asset management department that makes a single inspection of all state funded affordable housing for compliance issues?
9. Will applicants for affordable housing funding be required to enter into multiple agreements to receive different program funding (HCD, CalHFA, and/or LIHTC) or will there be one agreement/contract?
10. Will the single application for affordable housing funding that HDFC will create include HCD funded programs as well as LIHTC?