California State Assembly

HOUSING AND COMMUNITY DEVELOPMENT

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Oversight Hearing

Wednesday, August 11, 2026
2:00 p.m. -- State Capitol, Room 444

Subject: Outcomes Review of AB 519 (Schiavo), Chapter 742, Statutes of 2023 - Affordable Housing Finance Workgroup: affordable housing: consolidated application and coordinated review process

BACKGROUND INFORMATION

Assembly Outcomes Review Oversight Project

The Outcomes Review process is a new oversight initiative launched by Assembly Speaker Robert Rivas to evaluate how recently enacted laws are working in practice. While bill signings are an important milestone, the Assembly is equally focused on what happens after a measure becomes law. Specifically, whether the bills the Legislature passes deliver on their promises and meet the expectations set by them. This Outcomes Review process brings lawmakers together to hold hearings, gather feedback on real-world implementation, and assess whether policies are achieving their intended results. The goal of this process is to strengthen accountability, identify needed legislative and implementation improvements, and report findings publicly later in the year.

Bill Overview: The Committee is reviewing AB 519 (Schiavo), Chapter 742, Statutes of 2023 which required the Department of Housing and Community Development (HCD), the California Housing Finance Agency (CalHFA), the California Tax Credit Allocation Committee (CTCAC), and the California Debt Limit Allocation Committee (CDLAC) to convene an Affordable Housing Finance Workgroup (AHFW) to develop recommendations to consolidate the state's multifamily housing funding programs into a single application with a coordinated review process and submit the recommendations to the Assembly Housing and Community Development Committee by July 1, 2026. The AHFW included the state housing entities, nonprofit affordable housing developers, for-profit affordable housing developers, local governments, and tribal governments.

The bill required the AHFW to do both of the following:

Provide the Legislature with recommendations on implementing a single consolidated application and coordinated review process between the reviewing entities by July 1, 2026, including:

1) Technical changes required to allow applicant data sharing between reviewing entities;
2) Common and unique data required by the reviewing entities for assessment of the application;
3) Timeline constraints and optimized alignment of application review timelines for the reviewing entities;
4) Optimal means of application completion by affordable housing developers;
5) Ongoing efforts and best practices in application consolidation by the reviewing entities;
6) Any state-administered program that may utilize the consolidated application and coordinated review process described in subdivision; and
7) A timeline for developing a single consolidated application and coordinated review process between the reviewing entities.

Provide the Legislature with a plan to update any state-administered housing programs based on the recommendations of the AHFW, developed by state housing entities, by January 1, 2027. In developing that plan, the housing entities must take into consideration at least all of the following:

1) Whether a single application review team is able to capture the unique requirements for grants, soft loans, low-income housing tax credits (LIHTC) allocated from CTCAC, tax-exempt private activity bonds (PABs) allocated from the CDLAC, federal funds, as applicable, or other types of subsidies provided by the reviewing entities for building multifamily affordable rental housing;
2) Whether a unified scoring rubric is possible to maximize financial support for applicants eligible for multiple funding sources from the reviewing entities;
3) Methods of notification that need to be implemented by the reviewing entities to provide updates on an application;
4) Ideal means for applicants to receive updates on their applications and selection for grants, soft loans, LIHTC, PABs, federal funds, as applicable, or other types of subsidies from the reviewing entities for building multifamily affordable rental housing;
5) Whether joint agreements are required to implement the coordinated review process;
6) Whether a federal program administered by HCD may be integrated into the single consolidated application and coordinated review process; and
7) Whether the single consolidated application and coordinated review process conflicts with a statutory or regulatory requirement, financing timeline, or market expectation for grants, soft loans, LIHTC, PABs, federal funds, as applicable, or other types of subsidies from the reviewing entities for building multifamily affordable rental housing.

***AHFW July 1, 2026 Report to the Legislature*:** In conformance with AB 519's statutory requirements, the state housing entities comprising of the AHFW submitted their report to the Legislature: https://ahcd.assembly.ca.gov/system/files/2026-08/ab-519-july-2026-deliverable-7.1.26-final-afforable-housing-finance-workgroup.pdf. The report makes specific recommendations based on engagement through the AHFW to "reduce duplication, time and costs, increase predictability and state agency coordination, improve customer service and maximize the cumulative impact of affordable housing resources." Below are the high-level summaries of each recommendation from the report, the report provides greater detail for each recommendation:

> **Recommendation 1:** The reviewing entities should jointly develop and implement the Housing Development and Finance Committee (HDFC) regulations, a consolidated application, and a coordinated review and concurrent award process for eligible multifamily funding sources, while preserving a direct CDLAC/CTCAC pathway for projects not seeking state subsidy at this stage.
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> **Recommendation 2:** The consolidated application, coordinated review, and award process should include HDFC-administered competitive multifamily programs and be coordinated with applicable CTCAC, CDLAC, HCD, and CalHFA-administered multifamily programs.
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> **Recommendation 3:** HDFC regulations should establish universal threshold requirements, shared application materials, and unified scoring criteria across participating programs while retaining only those program-specific requirements necessary to satisfy distinct statutory, regulatory, or federal obligations.
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> **Recommendation 4:** The reviewing entities should complete regulation development, public engagement, portal preparation, and interagency coordination on a phased timeline that supports initial implementation in 2027 and aligns state award cycles with federal requirements and CDLAC and CTCAC workflows.

Affordable Housing Finance: To build affordable housing in California, some combination of state funding, tax credits, and PABs are needed to make a development financially feasible. Housing is considered affordable if a tenant pays 30% or less of their income toward rent. Some form of public investment in affordable housing is necessary because affordable rents do not support market-rate financing products.

Historically, four different state entities have administered affordable housing funding – HCD, CalHFA, CTCAC, and CDLAC. These state entities provide financial resources in the form of loans, tax credits, and PABs to housing developers to build and rehabilitate affordable housing for lower income households. HCD's programs are generally funded by voter-approved bonds and more recently state general fund dollars. HCD administers a variety of programs, but the main program, the Multi-family Housing Program (MHP), assists developers by providing deferred payment loans for the construction of rental housing for lower income households. A deferred payment loan enables a developer to obtain the money they need for development, with most repayment postponed until the completion of the loan's term.

HCD administers multiple programs that fund affordable multifamily housing. In 2020, the Legislature directed HCD to consolidate programs into a single, Super Notice of Funding Availability (NOFA) through AB 434 (Daly), Chapter 192, States of 2020. The Super NOFA aligned the funding application for MHP, the Joe Serna Jr. Farmworker Housing Grant Program, the Infill Infrastructure Grant Program, and the Veterans Housing and Homelessness Prevention Program. This led to some streamlining of HCD programs, but developers continued to have to separately apply to CTCAC for LIHTC and CDLAC for PABs. In 2017, the Legislature created the Mixed Income Housing Program (MIP) at CalHFA funded by SB 2 (Atkins), Chapter 364, Statues of 2017. CalHFA entered into a Memorandum of Understanding (MOU) with CDLAC to dedicate a portion of PABs each year to pair with the MIP funding. In addition, CalHFA had a statutory set-aside of state LIHTC for MIP. As a result, developers were able to secure all the financing they needed for a project rather than get an award from CalHFA and then compete for LIHTC/PABs from TCAC/CDLAC. This same efficiency has not existed for HCD programs. A developer may get an award from HCD for affordable housing but then separately apply for TCAC and PABs which are limited. Once a developer gets a funding award from HCD, they may wait years to get an award of LIHTC/PABs.

CalHFA serves as the State's affordable housing lender, offering financing to developers for affordable multifamily rental housing projects by providing long-term loans and facilitating their access to tax-exempt and taxable bonds. CalHFA issues these bonds and uses the proceeds to make loans to developers to fund their projects. CalHFA's programs are funded by revenue bonds, the General Fund, and voter-approved bonds.

TCAC and CDLAC, both housed in the Treasurer's Office, provide the majority of state's ongoing financial resources for affordable housing projects through tax credit and PABs. TCAC administers both federal and state LIHTC. Most affordable housing developments are financed using 4% or 9% federal LIHTC. The state statutorily authorizes approximately $100-$120 million a year in state tax credits and since 2019 has authorized additional $500 million in state tax credits each year through the budget. The state receives about $106.7 million each year in 9% federal tax credits it can allocate to affordable housing developments. CDLAC administers the state's allocation of federal tax-exempt PABs that also fund affordable housing. Each state receives an allocation of PABs, historically, California receives $4 billion each year in bond cap, of which 90% in the past years has gone to affordable housing finance. Four percent federal credits must be paired with PABs.

Generally, all affordable rental housing in the state require multiple sources of funding including LIHTC, PABs, funding from HCD or CalHFA, and/or local funding. According to a report by the Terner Center for Housing Innovation at UC Berkeley, on average, developers need 3.5 different funding sources to make a development financially feasible with some developments requiring as many as 11 sources on top of LIHTC.[1]

Each state housing entity has their own scoring criteria, funding schedule, and asset management and compliance enforcement requirements. On average, each additional source of funding is associated with an increased cost of $20,460 higher per-unit total development costs.[2] Projects with three to five additional public funding sources take nearly two years, on average, between

[1] https://ternercenter.berkeley.edu/blog/lihtc-complexity/#:~:text=The%20authors%20find%20that%20on,the%20rise%20of%20development%20costs

[2] https://ternercenter.berkeley.edu/blog/reducing-the-complexity-in-californias-affordable-housing-finance-system/

the first funding application and their LIHTC award.[3] 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 delays between application cycles.

The complexity of the state's affordable housing financing system has long been a source of consternation for developers. In November 2020, the California State Auditor weighed in with a report that detailed deficiencies in the state's approach to affordable housing finance. It concluded in part that the state lacked a sound, well-coordinated strategy to most effectively use its financial resources to support affordable housing. The report found that the four state housing entities' requirements are misaligned and inconsistent, which results in an unnecessarily cumbersome process for awarding financial resources. The report recommended that the Legislature create an interagency workgroup to develop consistent requirements for awarding state financial resources for affordable housing projects and remove administrative barriers.

AB 519 attempted to address this problem and complexity by requiring the state housing entities to develop a consolidated application and review process. While the AFHW met to deliver recommendations and a plan for streamlining state housing funding, the Governor put forward a reorganization of the state's housing programs in 2025, which was intended to consolidate the state's financing programs and make them more efficient. The Governor's reorganization went into effect on July 1, 2026, and compliments and facilitates the work of the AFHW.

Governor's Reorganization Plan (GRP)/Housing Development Finance Committee (HDFC): The 2025 GRP established a new standalone California Housing and Homelessness Agency (CHHA) and HDFC to better align the state's housing finance programs and create an agency laser-focused on housing. The GRP moved HCD and CalHFA out of the Business and Consumer Services Agency (BCSH) and placed them in the CHHA. In addition, the GRP created the HDFC and its Executive Committee made up of the Director of HCD, Executive Director of CalHFA, and the Secretary of CHHA. This summer's trailer bill language, SB 179 (Committee on Budget), Chapter 68, Statutes of 2026, codified the GRP and added the Treasurer and Controller as voting members to HDFC Executive Committee, as well as the following non-voting members: a representative from a county appointed by Senate Rules Committee, a representative of a city appointed by the Speaker of the Assembly, and a representative of the Department of Finance. HDFC will administer the following subsidy programs: the Multifamily Super NOFA programs, the Mixed Income Program and the Affordable Housing Sustainable Communities Program. The HDFC and its Executive Committee are responsible for creating a consolidated application and coordinated process for review and award of competitive state multifamily affordable housing funding statewide.

The HDFC is responsible for the following activities which closely align with the work of the AFWG established by AB 519:

1) Creating a single application process, with standardized multifamily guidelines, requirements and an aligned timeline across the housing finance system to provide clearer

[3] https://ternercenter.berkeley.edu/blog/reducing-the-complexity-in-californias-affordable-housing-finance-system/

expectations, eliminate the need for duplicative submissions, and offer transparency into decision-making.

2) Consolidating multifamily programs from HCD and CalHFA to reduce application complexity, streamline approvals, and lower costs. HDFC award guidelines will simultaneously award other multifamily competitive programs that reside at HCD and CDLAC/TCAC.
3) Encouraging earlier and more meaningful stakeholder engagement to continuously improve the process for HDFC's customers.
4) Aligning asset management and compliance across agencies for long-term efficiency.
5) Improving data sharing and performance tracking across HCD, CalHFA, HDFC, and State Treasurer's Office.
6) Enabling continuous improvement by focusing attention on updating a single process instead of separate processes that can grow more divergent over time.

Consolidated Funding System: The budget trailer bill included the first step in creating a consolidated funding system to align all funding at HCD and CalHFA with the PABs and 4% LIHTC. AB 179 required CDLAC to reserve 90% of the state's PAB ceiling for qualified affordable housing developments until January 1, 2037. If there is insufficient demand for PABs from state-funded affordable developments, CDLAC will reallocate the unused PABS to other statewide priorities in the final funding round for the year.

From 2027 to 2029, CDLAC is required to reserve 50% of the 90% of PABs available for affordable housing for affordable developments that receive a state-subsidy award from HDFC. The Legislature is required to reauthorize the 50% reserve by July 1, 2029, if that does not happen then the reserve drops to 40% of 90% PABs. When HDFC awards funds to an affordable housing development, it will notify CDLAC and CTCAC when the development also applies for LIHTC. Developers will no longer need to apply for PABs/LIHTC separately for HDFC awarded projects, CDLAC is required to ministerially award PABs alongside 4% LIHTC to a HDFC development, provided it meets all federal requirements.

HDFC is required to conduct an annual demand survey of those projects that received an award from HCD and CalHFA to determine if there is greater than 40% demand and if that demand exists the amount of PABs reserved for state-funded projects could float up to 50%. These provisions sunset on January 1, 2037, unless they are reauthorized by the Legislature.

According to discussion at the most recent June HDFC Executive Committee meeting, HDFC will continue to work during the remainder of 2026 to develop guidelines and a pilot portal for a single application with the goal of releasing a NOFA that will utilize the singe application portal in 2027. The consolidated guidelines will identify universal threshold requirements across all sources with a scoring criteria that removes duplications among programs. AB 519 requires the housing entities to submit a plan by January 1, 2027, to update any state-administered housing programs based on the recommendations of the AHFW which should align closely with the work of HDFC.

***Relevant Questions*:**

1) Did the state housing entities fulfill the statutory requirements of AB 519?

2) How will HDFC continue to engage stakeholders to ensure the new funding system is working?
3) How will data be collected and shared with the Legislature to determine if the new system is working efficiently?
4) How will local funding streams be aligned with state funding?
5) How will federal funding programs be synchronized with state funding to make funding more efficient and effective?
6) Multiple state programs have different compliance requirements which increases for developers. How will HDFC address this issue?
7) AB 1053 (Gabriel) requires HCD to offer construction financing by July 1, 2027. Does HDFC have the statutory authority to move forward with this requirement? Do you anticipate any barriers to offering construction loans for HDFC administered programs?
8) Are there statutory changes needed to implement the AHWG recommendations?
9) How will the changes proposed as part of the AB 519 AHWG change consumers' experience applying for HCD programs?
10) How will HDFC address complaints around the complexity and time it takes for HCD to close on loans?
11) How will asset management be streamlined through the new system?
12) How will the different scoring systems for HCD, CalHFA and PABs/LIHTC be aligned into one system? What changes needed to be made to make that a reality?