



State of California

BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

Gavin Newsom, Governor
Lourdes M. Castro Ramírez, Secretary

**Written Testimony of Lourdes Castro Ramírez, Secretary
California Business, Consumer Services and Housing Agency
Little Hoover Commission Hearing on Affordable Housing**

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Thank you Chair and members of the commission for inviting me to speak today about the state's efforts to address one of the key challenges of our time---addressing housing insecurity and increasing access to quality affordable housing across the state.

I am Lourdes Castro Ramirez, Secretary of California's Business, Consumer Services and Housing Agency.

Our agency is responsible for coordinating housing across the full continuum – ranging from our efforts to prevent and end homelessness to expanding affordable housing and homeownership. We ensure Californians have access to some of the strongest consumer protections in the nation and promote fair housing.

Throughout my career, I have had the privilege of seeing the transformative power that access to affordable housing has had on communities. I've seen these efforts, and have worked to implement impactful strategies, at all levels of government.

At the Cabrillo Economic Development Corporation, the largest developer of affordable homes in Ventura County, I saw housing act as a catalyst for financial health.

At the U.S. Department of Housing and Urban Development, families that had access to affordable housing had better health outcomes. Now at the state level in my current role, I see how housing can plant a seed of hope.

I believe every California family deserves a chance to live their dreams. Having access to dignified, stable housing is a critical part of their ability to do so and achieve their potential.

Governor Newsom appointed me to serve as Secretary in March of 2020, and since then I have been working closely with his administration and our agency to address the immediacy of this pandemic and its effect on housing stability.

We have done this while also staying focused on our long-term priorities to preserve housing affordability, increase the supply of housing, and ensure that more Californians have a place to call home. And we are playing a critical role in ensuring proper coordination across the state, strengthening relationships with local partners, and working together on our shared goals.

CA COMEBACK PLAN

California has often been criticized for lacking a comprehensive, holistic approach to addressing the housing affordability crisis. When investments were made in the past, they were often criticized as being piece-meal or not significant enough to address the scale of the problem. This is changing.

Thanks to Governor Newsom and the Legislature, the allocations in the 2021-22 budget shows the largest housing and homelessness investments in the state's history.

California will be deploying \$10 billion to accelerate housing production and \$12 billion to tackle homelessness – with funding for Homekey units, shovel-ready affordable housing, mortgage, and rental assistance, as well as direct flexible resources for local governments to use in their efforts to prevent and end homelessness.

These massive investments are not possible without the continued partnership of the legislature and our federal partners, with significant funding coming from the American Rescue Plan

The California Legislature has made it clear that they are invested in tackling these issues, as indicated by our shared budget as well as recent legislation they have passed to make it easier to build housing in the state. Just last week, the Governor signed several notable housing bills, SB 8, 9 and 10.

These bills are critical in furthering our efforts to expand housing production across the state, with key provisions helping to streamline

development, provide regulatory certainty, and expand housing density, all with the intentionality that is focus on creating more inclusive and vibrant neighborhoods across the state.

We cannot do any of this without a coordinated effort – and are grateful for our federal and local partners. Together, we are making sure these historic resources help as many Californians as possible. As we deploy these resources, we are doing so with an eye on equity and inclusion.

WHAT IS CALIFORNIA DOING TO ADDRESS?

Our charge is clear. We need to build housing across each segment of the market. And we must recognize and address that housing is not being produced for very low- and extremely low-income households who have been squeezed out of housing opportunities and continue to bear the burden of increased costs.

Coordination with Locals – Planning

While we have made significant budgetary investments, successful execution requires planning. This effort is primarily met through the housing element process, the foundation of state planning law.

As you know, local governments are required to periodically update their housing elements in their general plans, which the Department of Housing and Community Development plays a critical role in evaluating.

For years, housing element laws were designed to allow local governments to simply check a box and send it to the state expecting an approval.

For years, local governments were able to skirt the intended accountability and avoid planning for the actual housing needs of their communities. Today, that has changed.

Over the last several years, the legislature and this administration have been focused on increased accountability, providing HCD with the tools to hold local governments accountable to providing realistic housing elements. And while we have increased planning accountability, we have also increased our investments to help local governments do this upfront planning work.

To date, the state has delivered nearly \$400 million to local and regional governments for planning activities and next year there will be an additional \$600 million available.

There is already evidence that this work is paying off. In early 2019, there were 47 jurisdictions that had a non-compliant housing element. Today, only 10 of those jurisdictions remain out of compliance for the 5th cycle. During the last planning cycle, California planned for close to 1.2 million housing units. For this upcoming cycle, the 6th cycle, the state will plan for more than 2.5 million units of housing, a 116 percent increase.

Priorities: Short-Term and Long-Term

Short-Term

While we are continuing to make progress on achieving our planning goals, we must also focus our efforts on both short- and long-term priorities. Our short-term priorities are focused on keeping vulnerable Californians housed.

Countless households across the state were impacted by the COVID-19 pandemic, resulting in hardships that made it difficult for residents to pay their rent or mortgage. In response, the Governor's Comeback Plan provided billions of dollars for both rental and mortgage assistance.

To date, the CA COVID-19 Rent Relief program has disbursed over 584 million dollars to stabilize almost 50,000 households. We expect to continue this momentum in the months to come as the state transitions to new eviction protections that run through the end of March 2022.

In addition to rental assistance, the state will also be deploying mortgage assistance, to be administered by the California Housing Finance Agency. These federal resources are expected to be disbursed to CalHFA next quarter to help homeowners get current on their mortgage payments and help households transition from existing forbearance protections.

Long-Term

While we work to stabilize households in the short-term, we must also continue to build an equitable recovery by making long-term investments to our state's affordable housing stock.

To help address the state's affordable housing shortfall, last week HCD launched the California Housing Accelerator - a \$1.75 billion plan to provide funding to shovel ready multi-family housing projects, projects that are ready for development but need this extra layer of funding to ensure it becomes a reality.

In all, this funding will produce between 6,300 and 7,200 units of affordable low-income housing statewide. Of this amount, approximately 1,200 units will be targeted to individuals and families experiencing homelessness.

Homekey played a pivotal role in the state's response to COVID-19 to house those experiencing homelessness. The Homekey program generated 6,000 units came in the form of acquiring hotels, motels, underutilized or distressed spaces and converting them to deeply affordable housing. Two weeks ago, we launched the second round of Homekey with 2.75 billion in the budget over two years. As we continue to move with speed and urgency on Homekey, we will continue to work closely with jurisdictions to provide targeted technical assistance.

Finally - the state is thinking out of the box to create more housing units through the use of Accessory Dwelling Units or ADUs, another part of our long-term investments. In just 5 years, the state has experienced nearly a 10-fold increase in permitted ADUs.

In 2020, jurisdictions permitted approximately 12,600 ADUs, accounting for about 12 percent of the total housing units permitted in the state last year. To capitalize on this surge of ADU interest and production, next week CalHFA will announce the standing up of a new ADU program to catalyze the production, using \$100 million in funding to provide grants to homeowners to assist with pre-development activities. This is expected to bring about 5,000 units of housing online quickly and efficiently, with the added benefit of helping low- and moderate-income households and communities build wealth and equity.

CLOSING

It is hard to overstate the important role we play in facilitating cooperation and promoting collaboration across cities, counties, and regions.

With recent policy changes and significant funding for housing, California is paving the way to a different future. While we have a lot of work in front

of us, our commitment is clear. How we invest these funds will tilt the scales, creating more housing and reshaping the state's housing landscape.

Our Agency, departments, and staff have been hard at work implementing existing and new catalytic programs—making generational housing investments to come out of this pandemic stronger. And as we build on the meaningful progress, we will leverage and strategically target resources coming from the federal government. We have seen some encouraging signs there.

Just this week, the U.S. Department of Housing and Urban Development announced its House America initiative to address homelessness by using American Rescue Plan Act resources. We are hoping for additional federal resources and assistance, so I close by saying that I'm very optimistic about our future.

Thank you for your time and I look forward to answering any questions.