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Pursuing Efficiencies in California's Housing Policy Administration — A Brief History of State Reorganization and Coordination Efforts

Purpose of this Issue Brief

In his January 2025 state budget proposal, Governor Newsom announced a proposed reorganization of various state agencies to create a new California Housing and Homelessness Agency. The January budget summary described the proposed reorganization as intended to align state housing initiatives with complementary policy areas including: transportation, health, climate, energy, and community planning. On April 4, the Governor released details of the reorganization plan, showing that a central feature of the proposal will be streamlining state affordable housing grantmaking, funding and compliance processes under the new agency.

The past few decades have seen similar efforts to reorganize how the state administers its housing programs. In response to the Governor's plan, policymakers and stakeholders may benefit from considering the recent history of efforts to structure state housing policy and finance functions.

This NextGen Policy issue brief focuses specifically on the timeline of how California's housing finance agencies have evolved into their current structure, including a review of some past efforts to significantly restructure the administration and/or delivery of housing programs over the years. Based on this timeline and history, we raise potential questions and lessons from prior reorganization efforts that can be applied to the current proposal.

Current Structure of State Housing Programs

The responsibility for administering programs related to housing in California is currently divided among four primary state entities:

CALIFORNIA HOUSING FINANCE AGENCY (CALHFA) - CalHFA is the State of California's affordable housing lender, offering financing and other programs that help low- and moderate-income Californians to rent or own homes. In this role, CalHFA's Multifamily Division finances affordable rental housing through partnerships with local jurisdictions, affordable housing developers and other financial institutions. CalHFA's Single Family Division provides mortgage products including down payment assistance for first-time homebuyers through CalHFA's vast network of lending partners. CalHFA's operations are primarily self-funded by revenues generated through its lending activities, with minimal funding from the state's general fund and/or voter-approved initiatives.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD) — HCD administers a wide variety of statewide housing programs that include direct funding, policy development, regulatory enforcement, and technical assistance. The Department, among other things, produces the Statewide Housing Plan, researches and analyzes the state's housing markets, reviews the housing elements in local governments' general plans, implements standards for housing construction, trains local government inspectors who inspect for health and safety code violations, conducts inspections and enforcement related to manufactured homes, enforces compliance with rental housing affordability requirements, and administers grant and loan programs designed to increase the supply of affordable housing units.

TAX CREDIT ALLOCATION COMMITTEE (TCAC) — Created as a unit of the California State Treasurer's Office in 1987, TCAC administers federal and state low-income housing tax credit programs to encourage the development and rehabilitation of affordable rental housing for households meeting certain income requirements. TCAC awards these federal housing tax credits to developers of qualified rental projects through an application process. In 2023, TCAC awarded a total of nearly $500 million in federal housing tax credits to projects involving a total of nearly 18,000 units of lower income housing. The effective amount of these federal credits is ten times larger, since projects that receive federal credits get the award amount annually for 10 years. TCAC also awarded close to $700 million of state credits to a subset of those projects for which federal credits were insufficient to meet the projects' financing needs.

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE (CDLAC) — First established in 1985, CDLAC is a unit of the State Treasurer's Office that administers the State's tax-exempt bond program to allocate California's private activity bond debt authority within limits established by federal law. Tax-exempt private activity bonds are issued by state and local governments to finance qualified private activities, which can include land acquisition, construction, purchase, and rehabilitation projects for multi-family residential rental housing. Federal law imposes an annual limit (based on population size) on the value of tax exempt private activity bonds that can be issued. States must designate an entity to allocate bond issuance under that limit among various state and local issuers, which is CDLAC's role in California.

While the four state entities described above have the most prominent roles in administering state housing finance programs, additional state agencies are also involved in California's housing policies and funding, including:

- **The California Department of Veterans' Affairs** — Partners with HCD to develop new affordable housing for veterans and their families through the Veterans Housing and Homelessness Prevention Program. The Department also partners with HCD to administer funding through the Homekey+ program to provide housing for veterans who are at risk of homelessness.

- **The California Strategic Growth Council** — Administers the state's Affordable Housing and Sustainable Communities (AHSC) program, which HCD is responsible for implementing. AHSC has funded billions of dollars of investments in affordable housing and transportation projects near jobs, schools, and other daily destinations to reduce greenhouse gas emissions from personal vehicle use.

- **The California Department of Health Care Services** — Administers the Behavioral Health Bridge Housing (BHBH) Program, which will provide over $1 billion in funding to county behavioral health agencies and Tribal entities to operate bridge housing settings to address the immediate housing needs of people experiencing homelessness who have serious behavioral health conditions.

- **The California Interagency Council on Homelessness (ICH)** — Comprises director-level representatives from 18 state departments and agencies along with two individuals representing community organizations appointed by the state Legislature. The Council is tasked with facilitating, coordinating, and leading work to prevent and end homelessness, guided by the adoption and updating of a Statewide Action Plan to Prevent and End Homelessness

The Governor's Proposal

The full details of the Governor's proposal were officially submitted to the Little Hoover Commission and made public on April 4, 2025. Its details largely align with information previously provided to the Legislative Analyst's Office and in public testimony to legislative subcommittees.

The Governor proposes to create a stand-alone Housing and Homelessness Agency (HHA) that would comprise four existing state entities and one newly-created entity. Specifically, the proposal would move the Department of Housing and Community Development, California Housing Finance Agency, Civil Rights Department, and Interagency Council on Homelessness into the new HHA. The reorganization would also create a new Affordable Housing Finance Committee within the new agency.

To promote transparency, coordination, and alignment of state affordable housing resources, the Housing Finance Committee would:

- Oversee the development of a single application and award process for affordable housing funding.
- Align programs and funding opportunities across state government to reduce the time and cost it takes to build new housing, including in rural and tribal communities.
- Approving program guidelines and awards in public meetings.
- Provide oversight for multifamily affordable housing programs administered by the Committee and recommendations regarding the alignment of multifamily housing programs across CHHA departments.
- Streamline asset management for affordable housing developments that have regulatory agreements with multiple state agencies.

Additionally, the Governor's proposal identifies "key responsibilities" for the new committee that include:

- Consolidating existing developer-facing multifamily affordable housing finance programs, including those currently under HCD's Division of State Financial Assistance and the CalHFA Mixed Income Program.
- Facilitating a one-stop shop for developer-facing multifamily affordable housing finance programs.
- Implementing the phased transfer of specified developer-facing affordable housing finance programs from HCD in a manner that provides operational continuity and no disruption to funding or services.
- Administering aligned asset management and compliance monitoring across these programs.

This brief is not intended to be a comprehensive evaluation of the issues raised by the Governor's reorganization proposal. A list of additional sources at the end of this brief provides information about other publications that shed light on the state agency reorganization process, its policy implications, and potential arguments for and against the current proposal.

In considering the 2025 Governor's Reorganization plan, it will be helpful for policymakers to recognize that it is far from the first effort to reorganize the structure of housing administration in California. In fact, the fragmentation of responsibility for California's housing programs among multiple state entities has been raising concerns about related costs, inefficiencies, and policy obstacles for many decades.

The Evolution of California's Housing Administration and Previous Restructuring

As early as 1975, the state found its existing administrative framework for administering housing programs insufficient to meet the state's housing needs. That year, the Legislature passed the Zenovich-Moscone-Chacon Housing and Home Finance Act to reauthorize and reorganize the Department of Housing and Community Development and create the California Housing Finance Agency. In doing so, the Legislature cited "a serious shortage of decent, safe, and sanitary housing which persons and families of low or moderate income…can afford."[1]

The 1975 Act's reorganization set in motion HCD's evolution from an almost exclusively regulatory entity into an administrator of a wide variety of housing subsidy loan and grant programs in addition to its non-financial responsibilities. That evolution was accelerated by voter approval of a series of state general obligation housing bonds, beginning with the passage of Proposition 77 in June of 1988, which provided hundreds of millions of dollars in bond funding to a variety of HCD-administered housing programs.

Also, during the 1980s, changes in federal law prompted the creation of two additional California public agencies with substantial roles in financing affordable housing. The federal Tax Reform Act of 1984, which placed an annual cap on the amount of tax exempt private activity bonds issued within each state, resulted in the Governor issuing a proclamation establishing CDLAC as California's sole entity responsible for allocating the state's private activity bond volume cap. The federal Tax Reform Act of 1986 created the federal low-income housing tax credit program, leading to California's establishment of TCAC to administer housing tax credit programs.

The increasing number of entities with a role in state affordable housing policy generated many concerns about inefficiencies in program delivery. To address these concerns, the 1994 January budget submitted by the Governor included a proposal to consolidate TCAC with CalHFA. In response, recognizing the complexity of the issues involved and the need for a thorough study of problems and solutions, the Legislature enacted language in the 1994-1995 state budget establishing a Housing Task Force which was required to produce two reports. The reports were to focus on, respectively, improved coordination of public and private housing resources and potential issues related to restructuring or reorganizing housing programs.

The reports submitted by the task force in 1995 identified a number of challenges with California's housing programs including "conflicting instructions and timing, duplication of effort, and some areas of overlapping and/or excessive review."[2] In seeking to address those problems, the task force recommended against structural reorganization of the state's housing agencies, instead making detailed recommendations in four areas: 1) coordinated assessment and planning, 2) coordinated project approval, 3) coordinated and selective management and monitoring, and 4) management and staff education.

Responding to the proliferation of housing finance programs administered by the state, the Legislature passed bills in 1999 and 2000 seeking to combine, align, and streamline state funding programs for rental housing and homeownership. SB 1121 (Alarcon, 1999) and SB 1656 (Alarcon, 2000) created the Multi-Family Housing Program (MHP) and CalHome Program at HCD as single streamlined financing programs that consolidated multiple categorical funding programs that had previously been administered by HCD to support rental housing and homeownership.

The most recent reorganization of administrative structure for housing occurred in 2012 under provisions of a Governor's reorganization plan. The initial discussion of reorganization in the Governor's January 2012 budget proposed consolidating CalHFA into HCD. However, similar to the consolidation of TCAC and CalHFA proposed by the Governor in 1994, this proposal was ultimately not adopted. The actual reorganization plan submitted by the Governor kept both agencies intact, only moving them from the Business, Transportation, and Housing Agency into a new Business, Consumer, Services, and Housing Agency. The only functional differences were a change in the way CalHFA is designated for state budget reporting purposes and relatively minor and short-lived integration of some CalHFA and HCD legislative and communications functions.

A subsequent HCD-CalHFA joint assessment process involved an extensive review of each entity's functions and identified potential benefits and risks from more substantial consolidation or integration efforts. At the conclusion of the review, HCD and CalHFA recommended against organization restructuring at the agency or departmental level. Instead, the assessment's findings favored "a formal collaborative approach that foregoes some minor efficiencies (leaner management and economies of scale) in order to avoid the significant costs and risks"[3] identified through the review process.

Most recently, the Legislature has made a renewed effort to streamline and consolidate the processes for delivering financial support to housing development, responding to the increasing number of programs enacted since the passage of the Alacon streamlining bills in 1999 and 2000. SB 434 (Daley) consolidated several HCD administered programs that had been enacted since the creation of the MHP into a single streamlined application and award process. AB 2006 (Berman, 2022) required coordination of affordable housing compliance monitoring conducted by HCD, CalHFA, and TCAC. AB 519 (Schiavo) required the establishment of a workgroup to develop a consolidated application for affordable housing financing.

Six Decade Timeline of the Evolution of California's State Housing Policy Administration

1965 Legislature creates the Department of Housing and Community Development (SB 884, Rees and Farr, Chapter 1222 of 1965)

1975 Legislature reorganizes the Department of Housing and Community Development and creates the California Housing Finance Agency (ABX1 1, Chacon, Chapter 1 of First Ex. Session of 1975)

1985 California Debt Limit Allocation Committee established by the Governor in response to changes in federal law limiting the amount of tax-exempt private activity bonds issued by states

1987 Legislature makes the California Tax Credit Allocation Committee responsible for administering low-income housing tax credit programs created by passage of the Federal Tax Reform Act of 1986 (SB 113, Leroy Greeene, Chapter 658 of 1987)

1987 Legislature permanently establishes the California Debt Limit Allocation Committee (SB 114, Leroy Greene, Chapter 943 of 1987)

1987 Legislature creates the state low-income housing tax credit program (AB 53, Klehs, Chapter 1138 of 1987)

1988 California voters approve Proposition 77, a general obligation bond measure funding HCD-administered housing rehabilitation programs, the first of a series of state general obligation bond measures funding a variety of statewide housing programs.

1994 Governor's January budget includes a proposal to consolidate functions of the Tax Credit Allocation Committee within the California Housing Finance Agency. Instead of adopting the Governor's proposal, the Legislature enacts budget language requiring the Business, Transportation, and Housing Agency to appoint a Housing Task Force to report back to the legislature on specified housing policy issues

1995 The Housing Task Force established by the 1994 Budget Act submits two reports to the Legislature, with recommendations related to improving housing program delivery, coordination, and efficiency

1999 Enactment of SB 1121 (Alarcon) consolidated multiple rental housing finance programs administered by HCD into the Multi-Family Housing Program (MHP) to create a single, streamlined process for HCD's affordable multi-family housing development financing programs

2000 Enactment of SB 1656 (Alarcon) creates the CalHome program as HCD's primary funding mechanism for promoting homeownership among low-and very-low-income households by consolidating a number of existing department programs and providing the flexibility to offer funding through a single application process

2012 Pursuant to a reorganization plan submitted by the Governor, the California Housing and Community Development Agency and the California Housing Finance Agency are moved from the Business, Transportation, and Housing Agency into a new Business, Consumer Services, and Housing Agency

2013 After completing a year-long process to assess the relative benefits, cost, and risks of consolidating and integrating various functions, HCD and CalHFA execute an Interagency Agreement to formalize coordination between the two entities without further structural consolidation.

2020 Enactment of AB 434 (Daley) aligns HCD's Multifamily Housing Program with six additional rental housing programs to enable the department to implement a single application and scoring system for making coordinated awards under all seven programs

2022 Enactment of AB 2006 (Berman) requires HCD, CalHFA, and TCAC to enter into a memorandum of understanding to streamline the compliance monitoring of affordable housing developments

2023 Enactment of AB 519 (Schiavo) creates an Affordable Housing Finance Work group to create a consolidated application for affordable housing developers to use to access state housing funding programs and a coordinated review process for the application

2025 Governor's January budget includes a proposal to reorganize the state's Business, Consumer Services, and Housing Agency by, among other things, moving some of its component departments into a new stand-alone Housing and Homelessness Agency

Discussion

The above history and timeline shed light on some issues worth considering when evaluating the 2025 Governor's Reorganization Plan.

Over the decades since the mid-1970s, the number of state entities involved in housing finance programs has grown substantially along with the number and variety of distinct programs administered by the state to provide financial support for housing in California.

This growth has led to concerns about the ways in which costs and inefficiencies in California's housing programs and administrative agencies may impede California's ability to produce a sufficient number of housing units to meet the needs of its residents. At different times over the past decades policymakers have shifted back and forth between concerns about fragmentation, misalignment, and structural issues with the public agencies that deliver housing programs and fragmentation, misalignment, and structural issues with the actual housing programs themselves.

Across the decades, policymakers have been consistently motivated by the concern that anything that adds delays and costs to California's housing finance programs erodes the effectiveness of those programs. The Governor's 2025 reorganization proposal deserves credit for seeking to resolve these long-standing and well-founded policy concerns. There is likely little argument that streamlining and coordinating California's affordable housing finance programs by pursuing a "one-stop-shop" structure to serve affordable housing developers is a worthwhile policy goal. However, the challenging question is what specific operational and policy tools can best achieve that goal while minimizing additional costs and risks.

As shown in the preceding history and timeline, policymakers' responses to concerns about fragmentation and inefficiency in affordable housing finance programs have fallen into four general categories:

- Executive actions to propose changes to the structure of state agencies that play a role in California's housing policies.
- Legislative actions to consolidate, align, and streamline housing program delivery
- Administrative actions taken by agencies, sometimes through interagency agreements or memoranda of understanding, to coordinate their activities to increase operational efficiency
- The creation of task forces and working groups to study and make recommendations on specific housing policy and administration issues

Governors' proposals in 1994 and 2012 suggested that consolidating administrative structures would result in improved housing policy outcomes. However, neither of these consolidation proposals were fully implemented. Subsequent publications produced by the 1995 Housing Task Force and the 2013 collaborative agency process recommended against broad structural changes as a means to achieve the state's housing policy goals out of concern over unintended costs and complications that could result. For example, the 2013 inter-agency process specifically recommended an approach that minimized administrative restructuring in order to avoid what were identified as "significant costs and risks" that could result from moving program administration between agencies and departments. In considering the 2025 reorganization proposal, policymakers should consider whether these past findings that thwarted previous Governor's Reorganization Plans still hold true.

Unlike previous governor's proposals, the 2025 reorganization would pursue the goals of streamlining and coordination through a modest expansion of administrative structures, rather than through consolidation. It is worth carefully considering whether the creation of a new stand-alone housing agency and a new housing finance committee with its own staff will increase the amount of benefit delivered through state programs sufficiently to justify the added costs associated with the structural expansion.

Past efforts to evaluate consolidation proposals identified potential risks and unintended consequences from proposed restructuring. In the case of the current proposal, policymakers should consider the potential consequences of changing the administration and management of the Mixed Income Program (MIP) that is currently administered by CalHFA. MIP already functions as a consolidated financing program that allows multifamily affordable housing developers to access a full financing stack, including tax credits and bond financing, all through a single, coordinated award process. An analysis of the MIP program conducted by CalHFA in 2020 found that total costs of development under the program were expected to be more than $100,000 per unit less than the total costs of development under non-MIP financing programs.[4] This raises questions about the relative benefits of reorganizing a program that already operates through a streamlined process to provide financing that is cost-effective when compared to similar programs.

Given the limitations that have been identified in connection with prior governors' proposals to restructure the state's organizational charts, it is worth taking a closer look at the exact relationship between administrative structure and program delivery. Specifically, several decades of experience suggests that achieving better alignment, efficiency, and coordination at the program level may not be closely tied to the agency and departmental structures of California's housing finance entities. Instead Legislative actions, departmental-level MOUs, and other agreements have independently achieved some program streamlining and efficiency, raising the question of whether administrative restructuring is even necessary to standardize and optimize state housing finance program delivery.

For example, in 1995 and 2013, publications based on reviews and assessments of state housing finance programs produced detailed recommendations for administrative actions that state housing policy entities could take to make California's housing programs more coordinated, cohesive, and efficient. The state's housing policy may benefit from a new review of how these past recommendations were implemented, what worked, what didn't, and what additional administrative actions may be feasible to address current challenges. Also, the Legislature has passed several significant bills, first in 1999/2000 and again over the past several years, to require specific consolidation and coordination of housing program activities. It may be too early to evaluate the effects of some of the most recent bills. For example, state law does not require the work of the Housing Finance Workgroup created by AB 519 (Schiavo) to be completed until the middle of 2026. In practice, the workgroup has not even been convened yet to start work on developing a consolidated housing financing application. Policymakers should consider whether the recently enacted bills provide a foundation on which the state can pursue improved housing policy outcomes independent of administrative restructuring.

Some previous restructuring proposals recognized the central role that TCAC's administration of low-income housing tax credit programs play in California's overall affordable housing development ecosystem. By contrast, the 2025 restructuring does not explicitly address aligning the work of TCAC, CDLAC, or other departments that currently play roles in some housing finance policy. Given TCAC's extensive and essential involvement in multifamily affordable housing development, it is reasonable to question whether any restructuring that doesn't align financing programs with TCAC's application, award, and management processes will be successful in achieving the desired streamlining and efficiencies that the reorganization proposal cites. Because the 2025 proposal only covers programs currently administered by HCD and CalHFA, it won't truly be creating a "one-stop-shop" for affordable housing financing.

In summary, there is reason to be concerned that the intuitive appeal of shifting organizational structures actually offers a false promise of achieving much-needed programmatic changes. Rather than creating new administrative structures that are broadly charged with creating programmatic change – but only among a subset of relevant financing entities — the state may be better served by pursuing a more practical and detail-oriented reform process. For example, a combination of legislative and administrative action could force existing state housing entities to painstakingly resolve statutory, regulatory, and organizational culture obstacles, resulting in more progress towards a true one-stop shop approach to affordable housing finance, without the potential costs and risks of agency and departmental reorganization.

Additional Sources of Information

Stakeholders and policymakers may be be interested in referencing several other sources of information related to the Governor's Reorganization proposal:

- Information about the specifics of the Governor's proposal can be found in committee analyses produced by budget subcommittees in the Senate and Assembly in advance of their recent hearings on the reorganization proposal.

- The California Legislative Analyst's Office published an initial review of the proposed reorganization that provides valuable background information and outlines a broad range of significant policy questions to consider in evaluating the proposal.

- The Little Hoover Commission's website includes general information on the Governor's Reorganization Plan process, details related to past reorganization proposals, and information about the current proposal.

- A November 17, 2020 report from the State Auditor's Office on California's Housing Agencies identifies misalignments and inconsistencies among housing agencies that burden efforts to allocate their financial resources. It also recommends a different approach to reorganization, suggesting the consolidation of CDLAC into TCAC.

- Structured for Success. A January 2024 publication from SPUR makes the case for reforming state and local governance of housing policy and specifically recommends the creation of a stand-alone state housing agency.

- A 2021 white paper produced by the California Housing Partnership Coalition analyzes the costs of fragmentation in California's affordable housing finance process and recommends the creation of a "one stop shop" to address these inefficiencies.

NOTES

1. Assembly Bill 1 (Chacon), First Extraordinary Session 1975

2. *Phase II: Final Report of the Housing Task Force*, June 26, 1995, Executive Summary, pg. 3

3. *Reorganization of the California Housing Finance Agency and the California Department of Housing and Community Development*, Governor's Reorganization Plan #2, Project Initiation Document, June 4, 2015, pg. 3

4. *Mixed Income Program Summary*, California Housing Finance Agency, June 2020, pg. 1