January 27, 2026

The Honorable Gavin Newsom
Governor of California
1021 O St., Ste. 9000
Sacramento, CA 95814

Senate Pro Tempore Monique Limón
1021 O Street, Suite 8518
Sacramento, CA 95814

Assembly Budget Chair Jesse Gabriel
1021 O Street, Ste. 8230
Sacramento, CA 95814

Assembly Speaker Robert Rivas
1021 O Street, Ste. 8330
Sacramento, CA 95814

Senate Budget Chair John Laird
1021 O St., Suite 8720
Sacramento, CA 95814

Re: FY 2026-2027 Housing and Homelessness Priority Investments

Dear Governor Newsom, Senate President Pro Tempore Limón, Assembly Speaker Rivas, Assembly Budget Chair Gabriel, and Senate Budget Chair Laird:

We write to you as a united coalition of California's leading affordable housing, homelessness, and housing justice organizations to propose a set of priority investments that we encourage you to fund in the 2026-2027 state budget. We greatly appreciate the work that the Administration and the Legislature have done in recent years to address California's housing and homelessness crises, and we share your commitment to sustaining our momentum. This work is especially critical at a moment when federal funding cuts and policy changes are putting low-income Californians – in particular people of color, immigrants, and LGBTQ+ Californians, at elevated risk of economic precarity and housing insecurity.

The following investment proposal is responsive to the current funding environment, including:

- Nearly 45,000 shovel-ready affordable homes in the pipeline[1] are waiting on state funding, with major funding programs regularly oversubscribed at a rate of between 2:1 and 10:1.
- The need to bridge the state to more significant funding in a 2026 affordable housing bond.
- The opportunity to leverage newly expanded federal affordable housing tax credits, which could nearly double the number of affordable homes California produces annually – but only if California invests $4.1 billion to fully leverage the $6.7 billion of federal funding available.
- Federal threats, including elimination of the Emergency Housing Voucher program and proposed restrictions on Continuum of Care spending for permanent supportive housing, would lead to 40,000 households losing rental assistance, forcing many back into homelessness, and to affordable housing developers losing access to operating subsidies that enable project feasibility and sustainability.
- Properly resourcing affordable housing and homelessness programs is a critical complement to increased efficiency that the new California Housing and Homelessness Agency will create.

This proposal requests less than one percent of the General Fund to address the full spectrum of affordable housing and homelessness needs by investing in proven programs that produce and preserve affordable rental housing and for-sale homes and end homelessness for Californians across the state. Without new funding allocated in the 2026-2027 state budget, the majority of these programs will have no funds available. The programs below are not listed in any particular order.

[1] Enterprise Community Partners. "The California Affordable Housing Production Pipeline," March 2025.

Tax Credits for Creating Affordable Housing	
Enhanced State Low-Income Housing Tax Credits (LIHTC) **$500 million**	• State tax credits provide critical gap funding so that California can fully utilize federal tax credits. • Over the first five years, the annual $500 million allocation to this program has helped developers create almost 30,000 affordable homes and allowed California to draw down an additional $6.7 billion in federal LIHTC. • The continuity of state tax credits in recent years has led affordable housing developers to build their pipelines depending on their continued availability. • These credits have no effect on the current budget because they are claimed 2-6 years after award. • After 2026, no additional funding is available.
Affordable Housing Programs	
Multifamily Housing Program (MHP) **$500 million, including at least $60 million for Project Sustainability**	• MHP is the state's primary affordable housing funding program for new construction and preservation of existing affordable housing and allows the state to fund units that reach people with lower incomes than tax credits alone. • The last three rounds (2023-2025) funded over 4,000 new affordable homes. • 10% of MHP goes to the Tribal Housing Grant Program. • Our coalition is seeking a set-aside of at least $60 million through MHP to support the sustainability of existing state-funded affordable housing facing extreme financial risk due to operational challenges, primarily rising insurance costs. • $120 million was allocated to MHP in the 2025-2026 state budget, which will leave MHP oversubscribed 19:1 if current application rates hold. After 2026, no additional funding is available.
Portfolio Reinvestment Program (PRP) **$200 million**	• PRP prevents conversion of HCD-funded affordable housing to market-rate housing by extending affordability periods and investing in deep rehabilitation. • PRP funds project types that are not competitive for MHP or tax credits. • California is on track to lose its affordable housing stock faster than it adds to it. 48,000 subsidized affordable homes are at risk of losing affordability in the next 10 years. Of those, 6,800 of those may no longer be affordable by 2026.[2] • PRP was created and awarded $150 million in one-time funding in the 2021-2022 budget, and supported 1,352 homes in its first funding round. • The program currently has no available funds.
CalHome **$500 million**	• CalHome is the only state program that increases the supply of affordable, for-sale, entry level homes by funding the production of new single- and multi-family units for qualified lower-income first-time homebuyers, as well as the rehabilitation of existing homes owned by lower-income households. • The average CalHome investment is $100,000 per unit – a more cost-effective and longer-term investment in affordability and equity than the average investment in state downpayment assistance programs. • CalHome is consistently oversubscribed by 100%-300%, forcing project cancellations and leaving hundreds of shovel-ready homes unbuilt. • CalHome has been zeroed out since 2023 and currently has no available funds.

[2] California Housing Partnership. "Affordable Homes at Risk," April 2025. https://chpc.net/wp-content/uploads/2025/04/CHP_2025-Subsidized-At-Risk-Report.pdf

Joe Serna, Jr. Farmworker Housing Grant Program **$100 million**	• Serna funds new construction, rehabilitation, and acquisition of owner-occupied and rental homes for agricultural workers, prioritizing lower-income households. • Serna receives a small allocation annually from SB 2 (Atkins, 2017), typically less than $20 million, but does not have additional funding available.
Homelessness Program	
Homeless Housing, Assistance and Prevention (HHAP) Program **$1 billion**	• HHAP provides funding for homelessness prevention, shelter, and services, and rental assistance for permanent housing. It has served over 300,000 Californians and enabled 80,000 people to exit homelessness since 2023. • In recent rounds of HHAP, accountability measures were added to ensure local jurisdictions are focusing resources on key state priorities and tracking performance data. HHAP Round 7 will include additional accountability measures. • Less than $1 billion, when divided among CoCs, counties, and cities, does not provide localities sufficient funds to provide services and housing. • Only $500M (half the amount budgeted in previous rounds) was provided in last year's budget, leaving local responses facing cuts to critical services, shelter beds, and housing. HHAP needs annual allocations of $1 billion without gaps to maintain progress.
Homeless Housing Rescue Fund **$500 million in forgivable loans**	• If fully implemented, federal cuts and policy changes could push at least 41,000 Californians back into homelessness in 2026, increasing homelessness by 22% statewide. These cuts threaten Californians with rental assistance and the operating subsidies that existing affordable housing projects rely on to keep people housed. Those at highest risk include formerly homeless older adults, people with disabilities, survivors of domestic violence, and people with serious mental illness. • $500 million in one-time forgivable loans to Continuums of Care (CoCs), which face the majority of federal cuts, would ensure CoCs can stop thousands from falling back into homelessness and maintain California's progress, which includes flattening our homelessness rate, and a 9% reduction in unsheltered homelessness in 2025. The funds would be repaid to HCD if threatened federal cuts do not materialize. • Funding will be distributed to CoCs to maintain people in housing, with a requirement to plan with and potentially subgrant to public housing authorities to identify and prioritize formerly or recently homeless individuals facing the greatest risks.

Our coalition stands committed to advocating for this complete package of housing and homelessness programs. Thank you for your ongoing leadership and partnership in creating a more affordable and equitable California. We look forward to working together closely on the budget over the next year.

Sincerely,

CALIFORNIA COALITION FOR RURAL HOUSING

California Coalition for Rural Housing

CHC CALIFORNIA HOUSING CONSORTIUM

California Housing Consortium



California Housing Partnership



California Rural Legal Assistance Foundation



Corporation for Supportive Housing



Enterprise Community Partners



Habitat for Humanity California



Housing California



National Alliance to End Homelessness



Non-Profit Housing Association of Northern California



San Diego Housing Commission



San Diego Housing Federation



Southern California Association of Non-Profit Housing



Western Center on Law and Poverty



Abode Housing Development



Abode Services



Abundant Housing LA



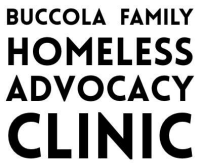
A Community of Friends



Arcata House Partnership



Bay Area Funders Together to End Homelessness



Buccola Family Homeless Advocacy Clinic



California Association of Housing Authorities



California Council for Affordable Housing



Californians United for a Responsible Budget (CURB)



California Women'S Law Center



CD 11 Coalition for Human Rights



CHISPA Housing



City of Glendale



Community Corporation of Santa Monica



Community Housing Improvement Program



Compass Family Services



Courage California



CTY Housing, Inc.



EAH Housing



Disability Rights California



East Bay Housing Organizations



East Palo Alto Community Alliance and Neighborhood Development Organization



Ensuring Opportunity Campaign



Evolve California



Friends Committee on Legislation of California



FSY Architects



Glide Foundation



Health in Partnership



Holos Communities



Homebase



Homeward Bound of Marin



Housing Action Coalition



Housing Choices



Housing Matters



Housing Trust Silicon Valley



Housing Trust Fund Ventura County and Housing Land Trust Ventura County



Indivisible CA: StateStrong



Inland SoCal Housing Collective



Inner City Law Center



Interfaith Community Services



Jewish Family Service of San Diego



Kings Tulare Homeless Alliance



Lake County Behavioral Health Services



LeadingAge California



Let Spirit Lead, Inc.



Lift to Rise



Linc Housing



Los Angeles Homeless Services Authority



Many Mansions



Merritt Community Capital Corporation



MidPen Housing



Neighborhood Partnership Housing Services (NPHS)



Novin Development Corp.



NoHO Home Alliance



Orange County United Way



Partnership for the Advancement of New Americans — PANA

PATH

Pathways of Hope

PEP Housing

People for Housing Orange County

People's Self-Help Housing

Project Amiga

Regional Task Force on Homelessness

Resources for Community Development

Sacramento Steps Forward

Safe Place for Youth

San Bernardino Free Them All

San Francisco Housing Development Corporation

San Francisco Tenants Union

Santa Clara Methodist Retirement Foundation

San Joaquin Valley Housing Collaborative

Self-Help Enterprises

Serving Seniors



Sisters of St. Joseph Healthcare Foundation



SPUR



St. Mary's Center



St. Vincent de Paul Society of Marin



Supportive Housing Alliance



Tenderloin Housing Clinic



The People Concern



The Kelsey



The Unity Council



Upholdings



We Are Up



Western Regional Advocacy Project



WUNZ Apparel in Action