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June 6, 2025

The Honorable Pedro Nava
Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Subject: CCAH's Perspective on the Little Hoover Commission's Report on the Reorganization Plan for California's Business, Consumer Services and Housing Agency

Dear Chair Nava,

On behalf of the California Council for Affordable Housing (CCAH), we submit this letter to provide our perspective on the Little Hoover Commission's report concerning the reorganization plan for the Business, Consumer Services and Housing Agency (BCSH). CCAH acknowledges the need to address California's persistent and severe affordable housing crisis, and we appreciate the Commission's diligent efforts in reviewing and providing recommendations on this critical issue.

The California Council for Affordable Housing (CCAH) is a statewide, membership-driven organization composed of developers, lenders, equity investors, management companies, and other stakeholders committed to addressing California's housing shortage. Our mission is to empower and support our members as they expand the production of affordable rental housing, at scale, for low- and moderate-income households across the State.

California faces a persistent housing shortage, estimated at over 2.5 million units, leading to median home prices more than double the national average. This crisis disproportionately affects low-income households, with over 78% of extremely low-income renter households spending more than half their income on housing. Over two-thirds of Californians facing unaffordable housing costs are people of color, and

Black renter households are 33% more likely to experience severe cost burdens compared to their white counterparts. The sheer scale of this crisis demands effective and efficient governmental structures.

CCAH views the intent behind the reorganization, as reflected in the Commission's report, with optimism. The establishment of a dedicated agency for housing and homelessness could indeed lead to a more coordinated and effective response to the state's pressing housing needs. A more focused agency could better align state efforts and resources, potentially leading to more impactful outcomes in addressing the complex challenges of affordable housing and homelessness. We particularly see the potential for a more streamlined and efficient system for developers and other stakeholders seeking to create affordable housing. The vision of creating a "one-stop shop" for developer-facing multifamily affordable housing finance programs within CHHA holds promise for simplifying the often-complex landscape of state housing funding.

However, our optimism is tempered by significant concerns, particularly regarding the potential implications for the California Tax Credit Allocation Committee (CTCAC) and the California Debt Limit Allocation Committee (CDLAC). While the Governor's proposal and the Commission's recommendations may not explicitly detail CTCAC and CDLAC's future placements, the establishment of an overarching housing agency naturally raises questions about its operational independence.

CTCAC plays an indispensable role in California's affordable housing landscape as a financial regulator. It is responsible for the efficient allocation of both federal and state Low-Income Housing Tax Credits (LIHTC), which are essential for incentivizing private investment in affordable rental housing. For instance, in 2018, CTCAC's allocation of \$109.9 million in competitive 9% federal LIHTC catalyzed approximately \$1.1 billion in private equity investment, contributing to the development of 4,143 affordable housing units. CTCAC oversees a rigorous process for allocating various tax credits and provides ongoing monitoring for projects, often for up to 55 years, ensuring compliance with income limits, rent restrictions, and property maintenance standards. The expertise and established processes within CTCAC are fundamental to the integrity and effectiveness of the LIHTC program in California.

Moving CTCAC under the direct control of the new housing agency could introduce several negative consequences. CTCAC has historically operated with a high degree of independence, ensuring that tax credits are allocated based on objective criteria, financial viability, and project quality. Integrating CTCAC into a broader agency could compromise

this merit-based approach, undermining the confidence of investors and developers in the fairness and predictability of the LIHTC program. Furthermore, there are concerns about potential disruptions to CTCAC's well-established processes and the dilution of its specialized expertise in complex tax credit regulations and affordable housing finance. It is notable that a 2020 report from the State Auditor's Office recommended consolidating the California Debt Limit Allocation Committee (CDLAC) into CTCAC, suggesting that strengthening CTCAC's role as a central financing entity might be more beneficial than subsuming it into a broader housing agency. Any instability or uncertainty within this crucial financing mechanism could jeopardize the flow of investment into affordable housing projects at a time when the need is most acute.

CCAH believes that the Governor's goals of increased focus and coordination on housing can be achieved without compromising the crucial independence of CTCAC and CDLAC. We appreciate that the Little Hoover Commission has considered alternative organizational structures that allow CTCAC and CDLAC to maintain autonomy as while ensuring effective coordination with the broader housing agenda of the new CHHA. One such alternative could involve CTCAC and CDLAC remaining within its current structure under the State Treasurer's Office, which has historically provided a degree of insulation from direct political influence. In this scenario, clear and robust mechanisms for coordination with CHHA would be essential, such as formal requirements for regular consultation and information sharing regarding overall housing priorities, funding strategies, and project pipelines. We are encouraged at the Commission's recommendation that CHHA enter into a memorandum of understanding (MOU) with the State Treasurer that clearly defines the roles and responsibilities of CTCAC, CDLAC, and CHHA. We look forward to hearing the details of this proposal, and suggest that it encourage a collaborative approach without establishing a direct hierarchical relationship.

To ensure a successful outcome for the reorganization, CCAH offers the following recommendations for consideration:

- 1. Preserve CDLAC & CTCAC's Independence:** The independence of the California Tax Credit Allocation Committee (CTCAC) and the California Debt Limit Allocation Committee (CDLAC) should be preserved, allowing them to continue their vital roles as a financial regulator for affordable housing. Consideration should be given to maintaining the current structure within the State Treasurer's Office.
- 2. Establish an Inter-Agency Housing Council:** CCAH recommends creating an inter-agency housing council comprising representatives from CHHA, CTCAC, CDLAC, CalHFA, HCD, and other relevant entities. This council should be tasked with ensuring regular communication, coordination, and alignment of policies and funding strategies across the various agencies involved in addressing the state's housing crisis.

3. **Conduct a Comprehensive Impact Assessment:** CCAH supports the Commission's recommendation to establish clearly-defined timelines for reporting on specified metrics, and to create formal mechanisms for stakeholder feedback on implementation. CHHA should conduct a thorough impact assessment, in close consultation with affordable housing stakeholders, to evaluate the effects of any changes to existing funding programs, project timelines, and overall affordable housing production.
4. **Develop Clear Transition Protocols:** The reorganization plan must include clear and detailed protocols for the transition period to minimize disruptions to ongoing affordable housing projects and established funding cycles. These protocols should prioritize continuity and ensure that the flow of resources to affordable housing development is not impeded.

CCAH reiterates its strong commitment to working constructively with the Governor and the State Legislature to ensure that the proposed reorganization ultimately leads to a tangible increase in the production of affordable housing throughout California. We believe that a transparent and inclusive process, actively seeking input from key stakeholders, is crucial for success.

We appreciate the Little Hoover Commission's vital role in reviewing this plan and offer our expertise to support a reorganization that benefits all Californians in need of safe and affordable homes. If you have any questions, please contact CCAH's Public Policy Manager Paul Shafer at PShafer@californiacouncil.org.

Sincerely,



Jenna Abbott
Executive Director
California Council for Affordable Housing (CCAH)

CC: The Honorable Members of the Little Hoover Commission
The Honorable Gavin Newsom, Governor
The Honorable Scott Wiener, Chair, Senate Committee on Budget and Fiscal Review
The Honorable Jesse Gabriel, Chair Assembly Committee on Budget