

## COMMUNITY RESOURCES

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## INCREASING FUNDING AND PROVIDE AVAILABILITY TO ADDRESS HOMELESSNESS AND BUILD AFFORDABLE HOUSING

### Business Nexus

It is in everyone's best interest to end homelessness. In addition to the personal struggle for the individual or family in housing crisis, the larger community – businesses, neighborhoods, local government, and community organizations – feel the impacts when people have nowhere safe to sleep or access a washroom and cannot access care for their physical and mental health needs.

In Sacramento, the number of people experiencing homelessness increased 19% between 2017 and 2019, and the ongoing pandemic places additional pressure on the entire region. While the COVID-19 response created new one-time resources, a need remains for continued funding. Additional resources will be utilized to increase flexible housing assistance and develop homeless response systems to successfully plan and respond to an increasingly complex environment. In an era of extreme weather events, economic uncertainty, decreased housing affordability, and health disparity, accessibility for all federal funding is needed for communities to respond and adapt in efforts to end homelessness.

The *Consolidated Appropriations Act, 2022* (P.L. 117-103) signed into law this March will begin to address this pressing need. The \$1.5 trillion omnibus includes \$53.7 billion in funding for affordable housing programs administered by the U.S. Department of Housing and Urban Development (HUD) and new funding for housing programs at the U.S. Department of the Treasury and U.S. Department of Agriculture (USDA) Office of Rural Development (RD). The Greater Sacramento Region relies on the various federal housing programs funded through HUD, Treasury, and USDA RD to create opportunities for homeownership and support the construction of affordable housing units. The following critical programs received funding in the federal budget.

- Congress and the Administration increased funding for the HOME Investment Partnership (HOME) and Community Development Block Grants (CDBG). Participating jurisdictions may use HOME funds for a variety of housing activities, according to local housing needs. Eligible uses of funds include tenant-based rental assistance; housing rehabilitation; assistance to homebuyers; and new construction of housing. The CDBG grant funding can be used for a variety of community development projects. The funding in the omnibus was as follows:

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- HOME: \$1.5 billion
- CDBG: \$4.841 billion

These programs are widely used by our local jurisdictions, multiple private and non-profit housing developers in our region for a variety of rental and homeownership uses.

- Low Income Housing Tax Credit (LIHTC) and New Markets Tax Credit (NMTC):
  - Level Funding at the Department of Treasury
- USDA Rural Development, Rural Housing Services:
  - Section 502 Direct Loan: \$1.25 billion
  - Section 523 Self-Help Technical Assistance: \$32 million
  - Section: 515 Rental Rural Housing: \$50 million
  - SHOP Program: \$12.5 million

Many of the surrounding communities outside of the Sacramento urban core are designated by USDA as rural. Many of these communities have not fully recovered from the recession and these programs are in some instances the only capital available to finance and build homes at affordable and market rates. Also, with the rising home prices in the Sacramento region families are being forced to move to rural areas, placing an even higher demand on these programs.

- Community Development Financial Institutions (CDFI) Fund:
  - CDFI Fund: \$295 million

These funds provide support and capital to multiple local CDFIs that are critical investors in affordable housing, small business development and commercial development throughout the Sacramento Region.

- Neighborhood Reinvestment Corporation
  - \$163 million
    - \$5 million for Multi-Family Rental Housing Program

These funds support the NeighborWorks America program and indirectly support community development organizations throughout the nation including multiple Sacramento area nonprofit organizations.

## **Requested Action**

Increase funding and increase flexibility in housing choice vouchers, affordable housing, and supportive housing services programs.

- Support increase in funding for Homeless Assistance Grants to address the need as renewal costs and inflation have eroded the impact of the program.
- Expand Continuum of Care (CoC) resources including Planning Grants funding to enable critical homeless response system-level improvements.

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- Provide a separate funding competition like CoC Planning Grants for Coordinated Entry System operations, so that communities do not have to choose between direct services and ensuring the success of this HUD mandated program.
- Expand flexibility and service funding like provisions in the Emergency Housing Voucher program to Housing Choice Vouchers and Housing Assistance Grants Program.
- Standardize flexibility across rental assistance programs to ensure Continuum of Care programs are equally competitive to other new programs and Housing Choice Vouchers.

The homeless response system requires both additional flexibilities and increased funding to successfully plan and respond to an evolving need for shelter, housing, and services.

## Increased Funding

Additional investments are needed for Homeless Assistance Grants (HAG), which provide Continuum of Care (CoC) and Emergency Solution Grants funding that serves vulnerable individuals and families who are homeless or at risk of homelessness. These programs are impacted by increasing costs to provide shelter, housing, and services, which the additional investments will help offset.

The amount available for CoC Planning Grants should be increased. Planning Grants enable system planning to bridge federal, state, and local resources and provide for system-level strategies. Investing in system-level infrastructure ensures that community priorities, planning, and evaluation can respond to changing needs. For example, responding to COVID-19 was incredibly demanding and involved rapidly standing up major efforts with little to no funding to build sustained operations and evaluate performance. Additional direct service resources have been made possible as part of the COVID-19 response, but they have not come with funding to support system-wide integration and coordination required to ensure success.

Separate funding is requested for Coordinated Entry System (CES) operations, which will eliminate communities having to choose between direct services and investing in HUD's mandates. A process like funding Planning Grants may be established to eliminate the funding tension that currently exists. In addition, recent funding programs such as Emergency Housing Vouchers increased CoC's workload without additional funding to support the work, but rather an assumption that the community's CES was robust and able to accommodate the unfunded mandate to quickly process a large influx of new vouchers. Opportunities exist to increase and improve CES participation and resources to assess and navigate individuals to appropriate resources with the establishment of a separate funding stream.

While the Fiscal Year 2022 omnibus provides meaningful increases for HUD and USDA programs, Sacramento requires additional resources to support affordable housing and address the increase in homelessness. Housing investments are imperative to address rent increases that are a key driver of inflation, which in turn has pushed many renters to the brink of homelessness. The *Build Back Better Act* passed by the House of Representatives included targeted investments in rental assistance, public housing, and the Housing Trust Fund to address inflation. We support the following funding for any emerging reconciliation agreement or for lawmakers to pursue assistance

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to expand housing vouchers, preserve and operate public housing, address homelessness, and prevent evictions through the Fiscal Year 2023 appropriations process or other means.

## Affordable Housing

- \$90 billion to expand rental assistance, including \$75 billion for hundreds of thousands of new Housing Choice Vouchers.
- \$80 billion to public housing preservation, creation, energy and water efficiency, climate resiliency improvements, and the removal of health and safety hazards, including:
  - \$37 billion for the National Housing Trust Fund;
  - \$35 billion for the HOME Program;
  - \$10 billion for the Capital Magnet Fund; and
  - \$2.75 billion for competitive grants to local governments and public housing authorities to address affordable housing needs and facilitate community development and revitalization.
- \$8.5 billion for the Community Development Block Grant (CDBG) Program.
- \$7.5 billion for the creation of a Community Restoration and Revitalization Fund to provide competitive grants for projects that create civic infrastructure, create affordable and accessible housing, prevent displacement, remediate blight, and create jobs.
- \$4.5 billion to establish the Unlocking Possibilities program to provide grants to improve housing and urban development strategies, streamline regulatory requirements, reform zoning codes, create fair housing, and improve livability.
- \$1 billion for fair housing activities and investigations.
- \$250 million to support state and local agencies that administer fair housing laws.
- \$10 billion for a First Generation Down-payment Fund to advance first-generation home ownership.
- \$500 million to establish the LIFT HOME Fund to offer mortgages to eligible home-buyers.
- \$100 million for a small-dollar mortgage demonstration program.

## Tax Incentives

- Increase and expand the Low Income Housing Tax Credit (LIHTC), including provisions to increase state allocations of the 9% credit and temporarily reduce the tax-exempt bond financing requirement from 50% to 25% to unlock more than 4% credits in housing deals through 2028.
- Permanently extend the New Markets Tax Credit (NMTC) and provide additional allocations of funding annually.
- Increase the historic rehabilitation tax credit (HTC) from 20 percent to 30 percent through 2025 for property placed in service after March 31, 2021.
- Establish the new Neighborhood Homes Investment Act (NHIA) tax credit to incentivize the rehabilitation of deteriorated homes in distressed neighborhoods by helping to cover the gap between development costs and sales prices.
- Reinstate the Build America Bonds (BAB) program to provide infrastructure financing for state and local governments.
- Allow interest on advance refunding bonds issued by state and local governments to be

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exempt from tax.

New voucher investments would help more than a *quarter-of-a-million Californians* secure affordable, safe, and stable housing. In Sacramento, over 11,000 people entered homelessness in 2020, most for the first time. The response system was able to house 3,600 people. The Community Resources Team supports this comprehensive approach to addressing our national challenges related to housing affordability and homelessness.

Inflow is a huge challenge for our homeless population that can be mitigated by extremely low and low-income households having access to Housing Choice Vouchers (HCVs). It would be a mistake to revert to supply-only investments and fail to maintain the rental assistance vouchers that are most targeted to help low-income Californians: HCVs.

- HCVs have the broadest impact to help low-income Sacramento residents remain housed or access housing. Over 80% of Sacramento's extremely low-income residents pay over half of their income in rent. HCVs can help to greatly reduce inflows into homelessness.
- The vouchers can be paired with the package's housing supply investments and will be essential to ensuring that the lowest-income people (including low-wage workers and seniors and people with disabilities with SSI benefits) aren't priced out of the new homes built with those funds.
- We welcome large-scale funding for development subsidies through programs like the Housing Trust Fund, HOME, and the Low-Income Housing Tax Credit (LIHTC), but those subsidies generally do not help to make rents affordable to people with incomes around or below the povertyline, unless the household also has a voucher or other rental assistance.

Increasing availability of LIHTC will help release a pipeline of affordable housing development projects in Sacramento. Billions of dollars of local and state funding have been raised to aid the growing finance gap in permanent supportive and affordable housing development. LIHTC provides the broadest funding to help accelerate the construction of these housing units that create 55 years of long-term affordability for the most vulnerable families in Sacramento.

We urge lawmakers to recognize the need to prioritize and maintain these critical investments in support of individuals, families, and communities as you work toward a bicameral agreement on budget reconciliation, Fiscal Year 2023 appropriations legislation, and other measures intended to address housing and homelessness.

## Increased Flexibility

Expanded flexibility of federal funding is also critical. When the Emergency Housing Voucher (EHV) program was released last year, it included provisions not found in other voucher and housing programs, such as flexibility to provide closer to market rents, assistance with deposits and damages, and housing navigation. These elements need to be included in future Housing Choice Vouchers (HCV) and Housing Assistance Grant supported programs to level the playing field among different HUD rental assistance programs. In Sacramento's extremely limited housing market (2.5% rental vacancy rate), providers struggle to obtain housing and find landlords willing to accept clients

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experiencing homelessness in general. New programs that are more flexible outcompete similar programs burdened with more restrictions.

Additional kinds of flexibility would be helpful. For example, allowing CoC to use funding to supplement vouchers, and new programs, such as evolving Medicaid programs could increase the potential impact. Another modification is to consider multi-year competitions to allow for time to build programs and performance each year.