

Little Hoover Commission

Outline of Testimony for Claudia Cappio

September 23, 2021

Brief Introduction and Background: The majority of my career has been in public sector local government leadership positions. I served as Planning and Building Director for the cities of Albany, Emeryville and Oakland. From 2011-15, I served under the Brown administration as Executive Director of the California Housing Finance Agency (CalHFA) and then as the Director of the Housing and Community Development Department (HCD). For about two years (2012-14), I served as director of both entities. From 2015-17, I served as an Assistant City Administrator in Oakland. Among my responsibilities was being co-chair of Mayor Schaaf's Housing Cabinet.

Main Issue Areas: Before presenting more specific comments and recommendations on key issue areas, it is important to acknowledge that any one of these changes or improvements would involve Herculean, multi-dimensional tasks. I believe it is worth the effort given the enormity of the housing problems before us.

Inefficiencies created by multiple agencies involved with housing. Affordable housing production, funding and related community development services are currently delivered by too many state agencies. The lack of coordination in investment policies, distribution of resources and policy alignment is creating big inefficiencies. Two examples are described below:

- 1) Housing Finance includes three major tools – debt, equity and subsidy. Right now, these mechanisms are spread throughout different agencies:
 - Debt financing is now undertaken by CalHFA, the Department of Veterans' Affairs, and the California Debt Limit Allocation Committee (CDLAC).
 - Equity financing is now undertaken by the California Tax Credit Allocation Committee (TCAC).
 - Subsidy financing is now undertaken by HCD and the Community Services and Development Department.
- 2) Asset Management: CalHFA, HCD, CDLAC and TCAC all have tens of thousands of housing units under management with responsibilities to monitor and report information to the feds and state. Currently, these requirements are organized by program and agency rather than by function.

Consolidation of some of these agencies and functions would likely produce a more unified and effective affordable housing strategy for CA. Consolidation of the finance function (CalHFA, HCD, CDLAC and TCAC) would enable:

- A comprehensive investment strategy (short, middle and longer range) to be developed across all three financing methods: debt, equity and subsidy.
- A unified underwriting process where projects go through the process only once
- A uniform, master or universal application form for projects – no matter what the financing tool or tools proposed.

- The development of a centralized data management system – departments and agencies would agree to a set of essential data and frequency of need.
- The development of a unified housing website for the state.

Washington, Minnesota and New York have well regarded consolidated affordable housing finance functions.

Similarly, reorganizing asset management across department and agency lines by function rather than by program or unique requirements would likely improve outcomes. The three major responsibilities of monitoring for physical condition, tenancy and financial audits all have the same underlying skill sets; it becomes a matter of cross training on the various rules and regulations.

The need and benefits of a dedicated affordable housing funding source. For decades, instituting a permanent or dedicated affordable housing funding source has been identified by legislators, advocates and others. Such a tool would enable the development of a more stable, long term housing investment strategy, particularly when coupled with other state revenue streams such as bonds, budget allocations and tax credits. It would also minimize the boom and bust cycle of housing bond funding where HCD, in particular, has to massively ramp up personnel and administration to get the funding out and then ramp back down when the program is completed. Many approaches have been identified such as recordation fees, a small surcharge on mortgage loan initiation, and expansion of the Community Reinvestment Act requirements for electronic banks and mortgage issuers (Quicken, Ally, etc.).

Changing the General Plan Housing Element process to make it less complicated and contentious. During the past 40 years or so of evolving General Plan Housing Element (HE) statutes, for key accomplishments can be identified:

- HE's have increased awareness of a jurisdiction's various housing needs – housing types, affordability levels and assessing how to serve all communities.
- The HE requirements have assisted in developing a blueprint for a community's growth by identifying barriers to housing production as well as tools or actions to eliminate those barriers.
- The amount of land zoned for housing development has increased.
- The regional housing needs distribution process has moved substantially toward equity and all communities sharing responsibility for providing affordable housing.

Bottom line – HE's have not directly produced affordable housing. The key question to ask is would other less complicated and contentious approaches have produced similar outcomes?