



OFFICE OF THE GOVERNOR

September 4, 2021

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Patrick T. McHenry
Ranking Minority Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin P. Brady
Ranking Minority Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Waters, Chairman Neal, Representative McHenry and Representative Brady:

The FY 2022 Budget Resolution Agreement Framework under consideration offers the opportunity to make historic investments in addressing our nation's housing and homelessness challenges, achieving a transformational societal recovery with housing and community stability at the core.

This budget framework aligns with President Biden's vision to spur a historic expansion of affordable housing production, specifically the September 1, 2021, announcement to create 100,000 homes across America over the next three years. California alone—based on recent budget investments—is on pace to create 70,000 new units and treatment beds for low-income people and those exiting homelessness. Our homelessness and housing affordability crises are surmountable, but only with meaningful intergovernmental collaboration. California has developed a robust housing plan informed by data, the scaling of innovative programming, and collaboration with federal and local partners. We are well positioned to ensure that new funding is deployed quickly and strategically.

With a handful of targeted improvements to federal housing policy, California could increase our production of affordable housing by tens of thousands of additional units, moving us meaningfully more quickly toward the President's goal. Specifically, we urge our federal partners to:

- **Unleash affordable housing production by expanding State housing bond programs:** The number one bottleneck to financing more affordable housing in California is the federally set limit on the amount of tax-exempt bonds we can issue every year. The easiest way to fix this is through a change in federal law to the so-called "50% test" to lower it to 25%. Reducing the amount of bonds required for each affordable housing project would directly address this bond constraint in states like California and make scarce affordable housing resources stretch significantly further. This action is projected to create or preserve at least 170,000 additional affordable homes in California over the next 10 years.
- **Expand Project Based Vouchers:** The Budget Resolution Agreement Framework also creates an opportunity to expand a proven tool to create and maintain long term housing affordability through project-based rental assistance. That is why I am supportive of an additional \$100 billion investment in project-based vouchers nationwide. In addition to supporting this appropriation, HUD should raise the 30 percent cap on the number of vouchers that may be project-based as many Public Housing Authorities are already at their limit. Project-basing more vouchers would allow us to create more desperately needed affordable homes. The benefit of this approach is that the subsidy to keep rents low and affordable to Californians with very low or extremely low incomes stays with the unit and is likely to serve multiple families over the lifetime of the building. An additional advantage is that rents will never increase beyond 30 percent of a household's income level. Expanding project-based vouchers will help keep thousands of Californians stably and affordably housed in the long run and is critical to maintaining a thriving and economically diverse California.
- **Zoning Reform:** Exclusionary zoning practices are a tremendous barrier to building housing. I support the Administration's directive to incentivize state and local governments to reduce zoning and regulatory barriers to housing production. Here in California, I have directed my Department of Housing and Community Development to create a Pro-housing Designation that provides a competitive advantage in many state funding programs to jurisdictions to identify zoning and regulatory measures to promote housing production proactively. This approach has spurred jurisdictions to proactively identify zoning and regulatory actions to promote housing production. Creating a similar federal designation for states taking proactive steps combatting exclusionary zoning more competitive for federal funding could unlock significant housing production.

We also respectfully request that any budget reconciliation package ensures housing and homelessness funds are equitably distributed and directed to disadvantaged communities most impacted by housing insecurity and protects and preserves our existing affordable housing stock, including the state's public housing investments. I am excited to build back better, and I am committed to taking action to advance this crucial agenda.

Sincerely,



Gavin Newsom
Governor of California

cc: The Honorable Nancy Pelosi, Speaker, US House of Representatives
The Honorable Janet Yellen, Secretary, Department of the Treasury
The Honorable Marcia Fudge, Secretary, Department of Housing and Urban Development
The Honorable Charles E. Schumer, Majority Leader, US Senate
The Honorable Dianne Feinstein, US Senator, State of California
The Honorable Alex Padilla, US Senator, State of California
Members of the California Congressional Delegation
The Honorable Susan Rice, White House Domestic Policy Advisor
Julie Chavez Rodriguez, Director, White House Office of Intergovernmental Affairs