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**SENATE COMMITTEE ON HOUSING**  
**Senator Scott Wiener, Chair**  
**2021 - 2022 Regular**

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**Bill No:** AB 2817 **Hearing Date:** 6/21/2022  
**Author:** Reyes  
**Version:** 6/14/2022 Amended  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Andrew Dawson

**SUBJECT:** House California Challenge Program

**DIGEST:** This bill establishes the Housing California Challenge Program administered by the California Department of Housing and Community Development (HCD) to provide direct rental assistance to help persons who are experiencing homelessness obtain housing.

**ANALYSIS:**

*Existing law:*

- 1) Establishes the Homeless Housing, Assistance, and Prevention Program (HHAPP) under the California Interagency Council on Homelessness (Cal-ICH) to support regional coordination and expand or develop local capacity to address homelessness. One eligible use of this funding is for rental subsidies.
- 2) Establishes the California Emergency Solutions and Housing Program (CESH), No Place Like Home, and the Emergency Rental Assistance Program (ERAP) under HCD. ERAP only provides rental assistance while it is an eligible use for CESH and No Place Like Home funds.
- 3) Establishes the CalWORKs Housing Support Program under the California Department of Social Services (CDSS) to foster housing stability for families experiencing homelessness in the CalWORKs program. Rental assistance is an eligible use of funds.

**This bill:**

- 1) Establishes the House California Challenge Program upon appropriation to provide direct rental assistance to help persons who are experiencing homelessness obtain housing.

- a) The department shall allocate one billion dollars each fiscal year for 5 years beginning with the 2022-23 fiscal year.
  - b) The department shall create a competitive grant application to process and award grants to applicants in geographically diverse communities.
- 2) Requires applicants – city, county, nonprofit provider, public housing authority, or continuum of care, or a combination thereof -- for funding to provide:
- a) How the applicant can leverage existing programs to provide rental assistance and permanent housing.
  - b) The applicant's prior experience administering programs
  - c) The anticipated number of households to be served.
  - d) How the applicant will determine service needs and ensure participants are connected to adequate services.
- 3) Allows recipients to use the grant funds for any of the following uses:
- a) Landlord incentives: incentives to landlords to provide permanent housing, including, but not limited to, payment of security deposits, holding fees, signing bonuses, repairs made in advance of occupancy to ensure compliance with habitability standards, and contractors to assist the landlord in making repairs.
  - b) Housing navigation services: services that assist program participants with locating, applying for, and moving into permanent housing.
  - c) Tenancy transition services: services that use evidence-based models to help participants move from homelessness to permanent housing, including assessing a participant's preferences and barriers to successful tenancy, developing an individualized housing support and crisis plan, assisting with the housing application and search process, linking participants to resources to cover move-in costs, assisting and arranging for a move, and other evidence-based services that a participant may require to move into permanent housing.
  - d) Holding fees: payments to a private market landlord as an incentive to hold a housing unit available for an eligible participant while the participant or landlord is waiting for approval to rent or lease the housing unit.
  - e) Costs of establishing leases with landlords
- 4) Requires the department to allocate moneys according to the following schedule:

- a) 10% of the funds shall be awarded to recipients for the purpose of helping participants locate and obtain permanent housing.
  - b) Up to 10% of the funds may be used for administrative costs
  - c) 80% of the funds may be allocated for the following:
    - i. At least 70% to provide the following:
      - (A) Long term rental assistance
      - (B) Master leasing of units to sublet to participants
    - ii. Short term funds for prevention, self-resolution, and diversion services.
      - (A) “Diversion services” means services to connect individuals and families to alternate housing arrangements, case management services, and financial assistance to divert the household from shelter use and into permanent housing, including, but not limited to, housing arrangements with friends or family.
    - iii. Up to 20% of funds allocated for operating subsidy reserves, capitalized over at least 17 years for affordable housing projects that serve the eligible population.
- 5) Requires a recipient that receives grant funds to submit a report to the department every year until funds have been exhausted which includes:
- a) Ongoing tracking of the specific uses and expenditures.
  - b) The number of homeless individuals and households served.
  - c) Outcome data for households served through the program.
  - d) The types of rental assistance provided and the number of households receiving each type
  - e) Any additional information that the department deems appropriate.
- 6) Requires the department to annually submit a report until all the funds have been expended that includes a summary of the reports submitted by the recipients and an evaluation of the outcomes and status of the program, including a description of any sustainability plans for participants that need housing assistance beyond five years.

**COMMENTS:**

- 1) *Author's statement.* According to the author, “Despite the historic investments the Governor and Legislature have made in housing in recent years, California’s homelessness crisis has only grown worse in the COVID-19 pandemic. Research shows that direct rental subsidies are one of the most effective interventions for reducing homelessness, and have done so across several states and nationwide. AB 2817 will put this research into action by providing direct rental assistance to people experiencing homelessness, and grants to local jurisdictions and service providers to connect people to housing and rental assistance. Further, AB 2217 ensures accountability and enables future planning by requiring local jurisdictions to report on how the success of these funds in reducing homelessness.”
- 2) *Homelessness and Rent Burdened Households.* According to Cal-ICH, there were over 230,00 individuals who accessed the California homelessness response system in 2021.<sup>1</sup> In addition, California has all ten of the top ten most unaffordable counties for a two-bedroom apartment and holds eight of the top ten most unaffordable metropolitan areas.<sup>2</sup> Out of the almost three million renter households in California, half of them are low-income (50-80% AMI), very low income (30-50% AMI), or extremely low income (0-30% AMI).<sup>3</sup> As a result, many Californians are rent burdened (spend more than 30% of their income on rent): almost 90% of extremely low income, 85% of very low income, and 63% of low income households.<sup>4</sup> This suggests that much of the renter population is at risk of becoming homeless. Many of these individuals may only need rental assistance without any wraparound services that supportive housing provides. According to a study in Chicago from 2010-2012 indicated that people who received temporary financial assistance were 76% less likely to enter a shelter than those that did not receive any, and a cost analysis indicated that the potential benefits were almost double the cost.<sup>5</sup>
- 3) *Existing Programs.* California has a few programs that offer rental assistance, however for most, it is not the primary role of the program, nor is the assistance

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<sup>1</sup> Homeless Data Integration System (HDIS). <https://bcsh.ca.gov/calich/hdis.html>

<sup>2</sup> National Low Income Housing Coalition. *Out of Reach: The High Cost of Housing 2021*. [https://nlihc.org/sites/default/files/oor/2021/OOR\\_2021\\_Mini-Book.pdf](https://nlihc.org/sites/default/files/oor/2021/OOR_2021_Mini-Book.pdf)

<sup>3</sup> California Housing Partnership. *California Affordable Housing Needs Report 2022*. <https://1p08d91kd0c03rlxhmhtydpr-wpengine.netdna-ssl.com/wp-content/uploads/2022/03/California-Affordable-Housing-Needs-Report-2022.pdf>

<sup>4</sup> National Low Income Housing Coalition. *2021 California Housing Profile*. [https://nlihc.org/sites/default/files/SHP\\_CA.pdf](https://nlihc.org/sites/default/files/SHP_CA.pdf)

<sup>5</sup> Evans, William; Sullivan, James; Wallskog, Melanie. *The impact of homelessness prevention program on homelessness*. Science. August 2016. <https://nlihc.org/sites/default/files/Impact-of-homelessness-prevention.pdf>

generally very long. For example, the CalWORKS Housing Support Program offers rental assistance for up to six months.

HCD offers two primary rental assistance programs: CESH and ERAP. CESH offers rental assistance for up to 4 years. ERAP is the rental assistance program developed to help tenants who are affected by the COVID-19 pandemic. ERAP focuses on rental assistance. However, it provides assistance after rent has been due. Because of its experience with ERAP and CESH, HCD would be the appropriate agency to administer this program. In many ways, this would be the flagship rental assistance program that the state provides instead of several smaller programs.

- 4) *Los Angeles County Flexible Housing Subsidy Pool (FHSP)*. FHSP is a nationally-recognized supportive housing rent subsidy program that supports people with exiting homelessness each year. Launched in 2014, FHSP is a public/private partnership of a non-profit organization, Brilliant Corners, and the Los Angeles County Department of Health Services (DHS). The program has housed over 9,747 people since its inception and each month, moves 127 people out of homelessness and into permanent homes. Similar to this program, FHSP combines rent subsidies, landlord engagement, pinpointed tenant/landlord matching, and ongoing tenant services and intensive case management to house people experiencing homelessness. Brilliant Corners is the operator of the Flex Pool and is responsible for securing a broad range of housing options and acting as the fiscal intermediary, including administering the rental subsidy and providing tenancy supports. Similar models have now been launched in San Francisco and San Diego.
- 5) *Budget*. This bill creates a program that would cost a significant amount of money. It is unlikely that this program will be funded in the budget this year. However, this bill can act as a framework for a program of this nature.
- 6) *Double Referral*. This bill is also referred to the Senate Human Services Committee.

**FISCAL EFFECT:** Appropriation: No    Fiscal Com.: Yes    Local: No

**POSITIONS:** (Communicated to the committee before noon on Wednesday, June 15, 2022.)

**SUPPORT:**

Housing California (Sponsor)  
Alameda County Board of Supervisors  
California Association of Realtors  
City of Thousand Oaks  
Corporation for Supportive Housing (CSH)  
East Bay Housing Organizations  
Western Center on Law & Poverty

**OPPOSITION:**

None received.

**-- END --**