Enterprise

The California Affordable Housing Production Pipeline March 2025

Maintaining Momentum Toward an Affordable Future

To provide enough affordable homes for low-income households across the state, California has set a goal to produce 1 million affordable homes by 2030.[1] Rising to meet the challenge, the affordable housing sector is actively designing, seeking public approvals, and working to secure funding for new developments – building out the pipeline of affordable homes. Over the last several years, the State Legislature and the Newsom Administration have taken bold action to actively remove barriers to build affordable housing across the state.

Despite this progress, far too many affordable developments are stalled and unable to begin construction due to a lack of public funding.

Enterprise Community Partners (Enterprise) conducted an analysis of the California Affordable Housing Production Pipeline (Pipeline), which analyzes the developments awaiting final funding to begin construction. The Pipeline illustrates the progress the state has made to encourage affordable housing at the local level. However, it also underscores that without the companion resources, these developments will not be realized.

This brief outlines the Pipeline data and proposes three key actions that state and federal leaders can take to unlock and scale affordable housing.

1. INVEST SUSTAINED STATE FUNDING THROUGH THE BUDGET, A BOND, AND REAUTHORIZATION OF THE GREENHOUSE GAS REDUCTION FUND
2. CURB COSTS BY ADDRESSING SYSTEM INEFFICIENCIES
3. EXPAND THE FEDERAL HOUSING CREDIT

44,723

AFFORDABLE HOMES
(449 DEVELOPMENTS) IN THE PIPELINE AWAITING FUNDING TO BEGIN CONSTRUCTION

THESE HOMES WOULD SERVE

491,953

LOW-INCOME HOUSEHOLDS OVER THE NEXT 55 YEARS[2]

[1] The State set the goal of 1 million homes affordable to low-income households by 2030 through the Regional Housing Needs Determination process.

[2] According to data from the AARP Public Policy Institute and HUD's Office of Policy Development and Research, residents stay in LIHTC-financed affordable housing for an average of 5 years.

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Maintaining Our Momentum

California is facing a housing affordability and homelessness crisis decades in the making. Over the last several years, the state has begun taking meaningful steps to turn the tide on this generational issue.

- ✓ Leaders have made unprecedented investments in affordable housing.
- ✓ Streamlining legislation has cleared longstanding barriers to breaking ground, helping communities say "yes" to affordable housing.
- ✓ And, in the depths of a pandemic and economic precarity for Californians, state and federal leadership took swift and bold action to shelter unhoused residents and mitigate what could have been an extreme surge in homelessness.

California has proven that, together, all sectors can rise to these challenges, but it requires continued investment and enabling policy to make and continue progress.

WHO LIVES IN AFFORDABLE HOUSING?

Affordable housing serves low-income Californians, defined by area median income (AMI):

- Low-income: 50-80% of AMI
- Very Low-Income: 30-50% of AMI
- Extremely Low-Income: ≤ 30% of AMI

Example: Sacramento AMI is $113K (2024)

	LI	VLI	ELI
2-person Household	$75K	$47K	$28K
4-person Household	$94K	$58K	$35K

K-12 Teacher w/ Bachelor's Degree
$53,000-$65,000

Bus Driver
$42,000

Funding Affordable Homes in California

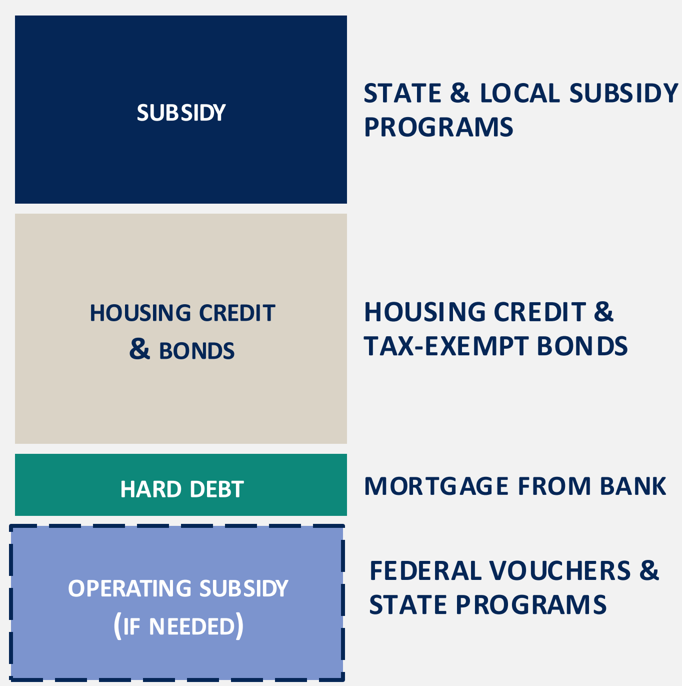
An affordable housing development generally leverages multiple funding sources to fully finance construction – often referred to as the "capital stack."

Funding sources include a commercial mortgage from a bank, federal Low-Income Housing Tax Credits (Housing Credit), tax-exempt bonds, state tax credits, and public subsidy. Developments that serve extremely low-income households, such as permanent supportive housing, also often require operating subsidies to provide deeply affordable rents and on-site services.

The public sector provides subsidy, which is often the first funding committed and allows the development to then leverage additional private and federal financing. For this reason, public subsidy is especially critical for developments to move forward.

Unfortunately, these critical public subsidies are in limited supply across California, and state programs continue to be dramatically oversubscribed.

TYPICAL FUNDING SOURCES FOR AN AFFORDABLE HOUSING DEVELOPMENT



The California Affordable Housing Pipeline

In January 2025, Enterprise conducted an analysis of the state's near-construction pipeline of affordable homes.

These "near-construction" developments have applied to and/or secured state or federal funding but still require additional funding to begin construction. Furthermore, these developments have already gone through the local process of community engagement, design, and securing, for most projects, all local land use approvals.

There are over 44,723 affordable homes (449 developments) in the pipeline as of the end of 2024.

These developments are estimated to serve 491,953 low-income households over the next 55 years.[3] Over two-thirds of these homes (31,449) have already been awarded funding from at least one state program.

A significant number of affordable homes in the Pipeline, 9,568, are in Los Angeles and Ventura counties, where residents have been impacted by the catastrophic fires of early 2025.

To move the Pipeline forward, these developments need an estimated $1.79 billion in state subsidies and $574 million in state tax credits. On average, the state contributes $167,328 in subsidy to each affordable home it funds.[4]

State funding for these developments is critical to unlocking more private, federal, and local resources.

For every $1 of state funds invested in developments, $4 of private and federal funds are leveraged. Without the needed state subsidy, California will lose out on an estimated $9 billion in federal and private dollars.[4]

44,723

AFFORDABLE HOMES IN THE PIPELINE AWAITING FUNDING TO BEGIN CONSTRUCTION

$1.79 B

ESTIMATED STATE SUBSIDY NEEDED FOR PIPELINE

$574 M

ESTIMATED STATE TAX CREDIT NEEDED FOR PIPELINE

1:4

LEVERAGE OF STATE FUNDS TO FEDERAL AND PRIVATE FUNDS

[3] *According to data from the AARP Public Policy Institute and HUD's Office of Policy Development and Research, residents stay in LIHTC-financed affordable housing for an average of five years.*

[4] *2021-2024 average of LIHTC-funded affordable housing*

Three Actions to Unlock and Scale the Pipeline

State and federal leaders have a golden opportunity to unlock and scale California's growing pipeline of affordable housing through sustained investments and key reforms. These three key actions can make possible the affordable housing Californians need.

1 Invest Sustained State Funding through the Budget, a Bond, and Reauthorization of the Greenhouse Gas Reduction Fund

CALIFORNIA'S BUDGET SHOULD MAKE AFFORDABLE HOUSING A PRIORITY

With previous voter-approved state bonds and General Fund investments nearly exhausted, funding for state affordable housing production programs is extremely limited.

The Veterans and Affordable Housing Bond Act of 2018, for example, has expended all its $4 billion. The most recent round of Multifamily Housing Program (MHP) was over-subscribed 7:1. Previously allocated state Low-Income Housing Tax Credits will also be awarded by the end of 2025.

The Governor's January 2025 budget proposal outlined a $229 billion spending plan for California, but it did not include funding for any of the state's core affordable housing production subsidy programs or state tax credits.

Addressing our housing crisis requires long-term and sustained investments to unlock the state's affordable housing pipeline. This starts with the need for General Fund investments for 2025-2026.

Without General Fund investment, coupled with cuts to affordable housing programs the last tow budget cycles, most affordable housing developments in the Pipeline will not be able to move forward and begin construction.

Without these General Fund investments, the only developments that would be able to move forward are those that require either only federal resources, as available, or developments that are competitive for two highly targeted programs.

First, Homekey+, funded through the Behavioral Health Infrastructure Bond Act passed in March 2024, provides $2.2 billion in one-time funding exclusively for permanent supportive housing for veterans and individuals at risk of or experiencing homelessness and with a behavioral health challenge. Homekey+ is not primarily designed to fund new housing production.

Second, is the Affordable Housing and Sustainable Communities Program (AHSC), which funds high-impact, integrated affordable housing and transportation projects that reduce greenhouse gas emissions. AHSC provides about $449 million a year for housing through its Greenhouse Gas Reduction Fund continuous appropriation.

Affordable Housing Production Program	Current Funding Available	2025-2026 Funding Under Governor's Proposal
Multifamily Housing Program	$315M	$0 M
Joe Serna, Jr. Farmworker Housing	$131.5M	$23 M [5]
CalHome	$130M	$0 M
Veterans Housing and Homelessness Prevention Program	$14M	$0 M
Infill Infrastructure Grant Program	$50M	$0 M

[5] The Joe Serna, Jr. Farmworker Housing program receives a 10 percent annual allocation from SB 2 (Chapter 364, Statutes 2017).

2026 AFFORDABLE HOUSING BOND PAVES THE WAY TO FUTURE FUNDING

A new state affordable housing bond, as outlined in Assembly Bill 736 (Wicks), and Senate Bill 417 (Cabaldon), proposes $10 billion in critical resources to keep the affordable housing pipeline moving.

With previous funds nearly exhausted, a new bond would allow California to fund developments in the pipeline for new production as well as for preservation. According to the California Housing Partnership, the bond is estimated to fund:

- **35,465** new homes affordable to low-income families
- **55, 143** affordable homes preserved, rehabilitated, and/or retrofitted
- **13,232** homeownership opportunities

The bond would also allocate targeted resources to the preservation of affordable housing and naturally-occurring affordable housing.

The California Housing Partnership estimates that 229,540 subsidized[6] and unsubsidized[7] affordable homes are at risk of being lost in the near-term, leaving thousands of low-income families vulnerable to displacement. There are currently no state subsidy resources available for these projects. The proposed bond would provide much-need resources for preservation strategies.

Housing affordability and homelessness continue to be top issues for voters, and a bond in 2026 will set the state up for affordable housing funding for several years, beginning as early as 2027.

THE GREENHOUSE GAS REDUCTION FUND, A CRUCIAL RESOURCE

The Affordable Housing and Sustainable Communities Program (AHSC), in addition to being a proven program to reduce greenhouse gas emissions in communities across the state, is the state's only significant source of stable, ongoing funding for affordable housing.

AHSC funds integrated developments that include affordable housing, public and active transportation, and other community amenities to both address affordability, while also lowering vehicle-miles traveled and greenhouse gas emissions. AHSC is funded through a 20 percent continuous appropriation from California's Greenhouse Gas Reduction Fund (GGRF), which receives its funding through proceeds from California's Cap-and-Trade Program. As conversations about the reauthorization of California's Cap-and-Trade Program begin, continued funding for AHSC is critical to continuing affordable housing production across the state.

Pictured: Berkeley Way by BRIDGE Housing in Berkeley, CA.
Photo credit: Bruce Damonte.

[6] *California Housing Partnership, "Affordable Homes At Risk." 2024.*

[7] *California Housing Partnership., "Over 220,000 Unsubsidized Affordable Homes at Risk." 2024.*

2 Curb Costs by Addressing System Inefficiencies

California can reduce development costs by better coordinating its housing finance system.

The current system requires developments to apply to multiple state housing finance agencies to access subsidies, bonds, and tax credits. This leads to many inefficiencies, adds additional costs, as much as $47,000 per unit,[8] and further delays of much-needed affordable homes.[9]

The state has made progress on this issue through the Multifamily Finance Super NOFA, which provides a single application process for several California Department of Housing and Community Development (HCD) programs.

Further coordination and integration across agencies can build on this success to create a truly one-stop-shop funding system at the state level. The state should also pursue a unified funding application for homeless services funding, ideally as part of this single, unified application. Additionally, a more streamlined and accessible Medi-Cal benefit for housing support services would also make it easier for housing providers to utilize these resources.

California could also consider following in the footsteps of other states such as Oregon and Minnesota by implementing a waitlist for federally constrained funding like tax-exempt bonds and the Housing Credit.

Many developments need to invest extensive time and resources to reapply to these programs due to oversubscription. Adopting a waitlist would make the system more predictable and efficient.

[8] *California Housing Partnership, "Creating a Unified Process to Award All State Affordable Rental Housing Funding "One-Stop Shop"." 2021.*

[9] *Reid, Carolina., "The Costs of Affordable Housing Production: Insights from California's 9% Low-Income Housing Tax Credit Program." 2020. The Terner Center.*

California could also consider allocating funding to developments without the Housing Credit, for a subset of cost-effective projects, especially when federal resources are oversubscribed.

The state has already tested this approach through Homekey, which has created 15,319 new affordable homes, and the California Housing Accelerator Program, which has unlocked 4,945 affordable homes. With a program like this, the state can circumvent federal funding limitations to keep the development pipeline moving.

The Governor's January Budget Proposal previewed an ambitious effort to reorganize the state's housing agencies into one entity, The California Housing and Homelessness Agency.

While the details of this proposal are not yet known, this is an encouraging signal of the Administration's interest in better coordinating and strengthening California's ability to plan, produce, and preserve affordable housing, and provide strategic alignment with the state's homelessness initiatives.

3 Expand the Federal Housing Credit

Expanding federal investments is critical to scaling affordable housing in California.

The Pipeline needs both types of the federal Housing Credits, known as 4% and 9% Housing Credits, named for the level of equity they provide. The Pipeline needs an estimated $9 billion and $3 billion, respectively, to begin construction. While there is a limited annual supply of 9% Housing Credits, 4% Housing Credits are available for any development with sufficient companion tax-exempt bond financing. Therefore, the state's supply of tax-exempt bonds is the primary determinant of access to 4% Housing Credits.

The Affordable Housing Credit Improvement Act (AHCIA) contains critical provisions that would expand and strengthen the Housing Credit.

The proposed bipartisan AHCIA would restore the now expired 12.5% expansion of the 9% Housing Credit and lower the current 50% tax-exempt bond threshold test to 25% for the 4% Housing Credit. In lowering the test to 25%, fewer tax-exempt bonds would be required for each development, thus reducing the need for tax-exempt bonds from $9.1 billion to $4.5 billion. In practice, this would increase access to the 4% Housing Credit in California by 100%.

This year's expiration of the 2017 Tax Cuts and Jobs Act (TCJA) provides a once-in-a-decade opportunity to move major tax legislation, including the Affordable Housing Credit Improvement Act (AHCIA) Housing Credit provisions.

Local and state policymakers as well as the broader affordable housing community should actively engage federal lawmakers to ensure affordable housing is a priority in these negotiations.

The California Pipeline Estimated Federal Housing credit Need

$8.9B	4% HOUSING CREDIT EQUITY	**$9.1B**	TAX-EXEMPT BONDS [10] *Under current 50% test scenario*
$3.1B	9% HOUSING CREDIT EQUITY	**$4.5B**	TAX-EXEMPT BONDS *Under a 25% test scenario*

[10] This demand reflects the need for developments to request at least 50% of their total development cost in tax-exempt bonds, per federal law, to qualify for 4% tax credits. The Affordable Housing Credit Improvement Act has the potential to lower this tax-exempt bond threshold to 25%.

Summary

California has an appropriately ambitious goal of producing 1 million affordable homes over the next decade. Attaining this goal will not be possible unless state and federal programs are expanded and receive adequate funding to maintain a steady pipeline of affordable housing development.

The significant resources needed to move the state's pipeline of affordable homes to construction demands action from all levels of government – local, regional, state and federal. It is only through this all-in approach that California will be able to achieve scalable solutions that meet the needs of California communities.

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Methodology

Analysis of the 2025 California Affordable Housing Pipeline was completed by Enterprise Community Partners in December 2024. The analysis estimated the near-term affordable housing pipeline, which we define as affordable housing developments that have already applied to or received some amount of funding from HCD and/or applied for, but have not yet been awarded, low-income housing tax credits and bonds – the last step needed to secure all the funding necessary to move shovel-ready developments to construction. The analysis included the following publicly available state data sources:

- 4% and 9% Tax Credit Applicants and Awards 2021-24
- Multi-Family Finance Super NOFA Applicants and Awards Round 1 and Round 2
- Infill Infrastructure Grant Program Applicants and Awards 2021-2023
- Affordable Housing and Sustainable Communities Program Applicants and Awards Round 5-8
- Housing for a Healthy California Awards 2021
- HOME Awards & Applications 2021

Duplicate developments were identified and removed using project name, cross-referenced for city, county, developer, and/or unit count if available. Developments that have already received affordable housing tax credits and/or tax-exempt bonds were removed from the analysis as they no longer require funding.

About Enterprise Community Partners

Enterprise is a national nonprofit that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested $72 billion and created 1 million homes across all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands – all to make home and community places of pride, power and belonging.