



December 12, 2022

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Charles E. Schumer
Majority Leader
United States Senate
S-221, The Capitol
Washington, DC 20510

Dear Speaker Pelosi and Majority Leader Schumer:

The FY 2023 Budget Resolution Agreement Framework under consideration offers the opportunity to make historic investments to address our nation's affordable housing needs.

Our housing affordability challenges are surmountable, but only with meaningful intergovernmental collaboration and long-term, sustainable investments. California and New York have developed robust housing plans informed by data, the scaling of innovative programming, and collaboration with our partners at the federal and local levels of government. We are well positioned to ensure that new funding is deployed quickly and strategically in a manner that meets the urgency of the moment.

With a targeted improvement to federal housing policy, California and New York can significantly leverage private capital to produce a historic increase in affordable housing production. 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 housing bonds states can issue. As a result, there are tens of thousands of new affordable homes stuck in the waiting line pending financing due to the inability to receive a bond allocation.

The easiest way to address this constraint is through a change in federal law to the so-called "50% test" by lowering it to 25%. Reducing the amount of bonds required for each affordable housing project would directly address this bond constraint facing states across the nation, especially in California and New York.

This policy change is estimated to result in the financing of nearly 1.5 million additional affordable homes over the next 10 years nationwide. Given overall budgetary constraints, this policy change would be the single most impactful and cost-effective tool to accelerate the production of affordable housing. Accordingly, over the next 10 years, we estimate that this one change is projected to create or preserve at least 170,000 additional affordable homes in California and another 100,000 in New York alone. The exclusion of this policy from the budget resolution would severely limit the impact of recent federal, state and local affordable housing investments in California, New York and at least 18 other states.

In addition, by providing decades of housing affordability, this program is uniquely situated to blunt the increase of housing costs, which has been one of the leading drivers of inflationary cost pressures being felt across the country.

Additional Housing Resources

We also respectfully request that the cut to the Housing Credit be restored by extending the 12.5 percent Housing Credit allocation increase that expired at the end of 2021. In addition, we request that any additional funding appropriated for housing be equitably distributed and directed to disadvantaged communities most impacted by housing insecurity. We are excited to build back better with both of you and we are committed to taking action to advance this crucial agenda.

Sincerely,



Governor Gavin Newsom
State of California



Governor Kathy Hochul
State of New York

cc: The Honorable Susan Rice, White House Domestic Policy Advisor
The Honorable Janet Yellen, Secretary, Department of the Treasury
The Honorable Marcia Fudge, Secretary, Department of Housing and
Urban Development
Members of the California Congressional Delegation
Members of the New York Congressional Delegation