California’s Affordable Housing Crisis: 44,723 Homes Await Funding

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California’s ambitious goal to produce 1 million affordable homes by 2030 faces a critical funding bottleneck, according to a comprehensive new analysis by Enterprise Community Partners. Despite significant progress in removing regulatory barriers and streamlining approvals, nearly 45,000 affordable housing units across the state remain stalled in the pipeline due to insufficient public funding, highlighting the gap between policy ambition and financial reality.

The Pipeline Problem: Thousands of Homes in Limbo

The March 2025 report reveals that 44,723 affordable homes across 449 developments have already navigated the complex local approval process but cannot begin construction without additional financial support. These shovel-ready projects would serve nearly 492,000 low-income households over the next 55 years, providing stable housing for generations of Californians.

“Despite this progress, far too many affordable developments are stalled and unable to begin construction due to a lack of public funding,” notes the report, which calls for immediate action from state and federal leaders.

The analysis shows that over two-thirds of these homes (31,449) have already secured partial funding from at least one state program, demonstrating their viability. Particularly concerning are the 9,568 units in Los Angeles and Ventura counties, areas recently devastated by catastrophic fires in early 2025, where housing needs have become even more acute.

The Complex Funding Landscape

Affordable housing developments rely on a multi-layered "capital stack" of financing sources, often referred to as the "capital stack." This typically includes commercial mortgages, federal Low-Income Housing Tax Credits (Housing Credits), tax-exempt bonds, state tax credits, and public subsidies. For projects serving extremely low-income households, such as permanent supportive housing, operating subsidies are also needed to maintain deeply affordable rents and provide on-site services.

Public subsidies are especially critical as they are often the first funding committed and allow developments to leverage additional private and federal financing. Unfortunately, these subsidies are in limited supply across California, and state programs continue to be dramatically oversubscribed.

The Funding Gap: Billions Needed

To move these projects forward, California needs approximately:

- $1.79 billion in state subsidies
- $574 million in state tax credits

These investments would unlock significant additional resources, as every $1 of state funding leverages $4 in private and federal dollars. Without state action, California stands to lose an estimated $9 billion in outside investment.

On average, the state contributes $167,328 in subsidy to each affordable home it funds, according to data from 2021-2024 LIHTC-funded housing. This investment pays dividends over time, as these homes remain affordable for decades.

Available Resources Nearly Exhausted

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 has expended all of its $4 billion. The most recent round of the Multifamily Housing Program (MHP) was over-subscribed at a ratio of 7:1, meaning demand far outstripped available resources. Previously allocated state Low-Income Housing Tax Credits will also be awarded by the end of 2025.

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

Three-Pronged Solution to Address the Crisis

Enterprise Community Partners recommends three key actions to address the crisis:

1. Invest Sustained State Funding

The report calls for immediate General Fund investments in the 2025-2026 budget, which would allow shovel-ready projects to begin construction. Beyond this immediate need, the report endorses a new $10 billion housing bond proposed in pending legislation (AB 736/ SB 417). According to the California Housing Partnership, this bond would fund:

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

Additionally, the report emphasizes the importance of reauthorizing the Greenhouse Gas Reduction Fund, which provides critical ongoing funding for affordable housing through the Affordable Housing and Sustainable Communities Program (AHSC). AHSC funds integrated developments that include affordable housing, public and active transportation, and other community amenities that reduce greenhouse gas emissions.

2. Curb Costs by Addressing System Inefficiencies

California's fragmented housing finance system requires developers to apply to multiple agencies, adding as much as $47,000 per unit in costs and causing significant delays. The state has made progress through the Multifamily Finance Super NOFA, which provides a single application process for several California Department of Housing and Community Development (HCD) programs.

The report recommends further consolidation of funding applications and potentially implementing a waitlist system for oversubscribed federal resources, similar to programs in Oregon and Minnesota. Many developments currently 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.

Another recommendation is to consider allocating funding to developments without the Housing Credit for 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.

The report also notes the potential of the Governor's proposed reorganization of state housing agencies into a single California Housing and Homelessness Agency, which could better coordinate and streamline the state's housing efforts.

3. Expand Federal Housing Credits

The pipeline requires approximately $8.9 billion in 4% Housing Credits and $3.1 billion in 9% Housing Credits 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 report urges support for the bipartisan Affordable Housing Credit Improvement Act (AHCIA), which would restore the 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 practice, this would reduce the need for tax-exempt bonds from $9.1 billion to $4.5 billion, effectively doubling California's access to crucial 4% Housing Credits.

With this year's expiration of the 2017 Tax Cuts and Jobs Act (TCJA) providing a once-in-a-decade opportunity to move major tax legislation, the report calls on local and state policymakers to actively engage federal lawmakers to ensure affordable housing is a priority in these negotiations.

Who Benefits: California's Low-Income Households

Affordable housing in California serves households 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

For context, in Sacramento where the AMI is $113,000 (2024), a low-income two-person household would earn around $75,000, while an extremely low-income two-person household would earn approximately $28,000. A four-person household at the extremely low-income level would earn about $35,000.

In practical terms, this includes essential workers like K-12 teachers earning $53,000-$65,000 and bus drivers making around $42,000 annually – people who provide vital services but struggle to afford housing in California's expensive markets.

Progress Made, But Challenges Remain

The report acknowledges that California has made significant strides in recent years:

- Leaders have made unprecedented investments in affordable housing
- Streamlining legislation has cleared longstanding barriers to breaking ground, helping communities say “yes” to affordable housing
- During the pandemic, state and federal leadership took swift action to shelter unhoused residents and mitigate what could have been an extreme surge in homelessness

However, maintaining this momentum requires continued investment and enabling policy to make and continue progress. The housing affordability and homelessness crisis is decades in the making, and turning the tide requires sustained commitment.

Looking Forward: An All-In Approach

“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 report concludes.

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. Only through this all-in approach can California achieve scalable solutions that meet the needs of its communities and provide affordable homes for the half-million low-income households that could benefit from the currently stalled developments.

With housing affordability and homelessness continuing to be top concerns for California voters, the time for decisive action is now. The pipeline represents not just potential buildings, but potential solutions to one of the state’s most pressing challenges.