



The statewide coalition of nonprofit housing developers, homeless services organizations, and other affordable-home advocates.

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## RECOMMENDATIONS ON AFFORDABLE HOMES and HOMELESSNESS

CALIFORNIA WORKING FAMILIES POLICY SUMMIT  
JANUARY 13, 2009

### INTRODUCTION

California's housing market is broken. The evidence surrounds us:

- Hundreds of thousands of homebuyers took out risky mortgage loans to avoid being completely priced out of the market.
- Approximately 55,000 veterans and increasing numbers of families are homeless, including 200,000 school-age children in 2008.
- Rents are so high that millions of working families earn too little to afford even a two-bedroom apartment.

These are all symptoms of a broken market where supply and demand are severely out of balance. California's increasing population - from births and in-migration - needs an average of 220,000 new homes of all types annually. That need hasn't been met since 1980.

Additionally, those homes built over the past two decades were primarily large, single-family for-sale homes. Missing were the apartments for recent college graduates and lower-income working families, small for-sale homes for growing families, and condos for downsizing seniors.

This market failure impacts all Californians. Similarly, the benefits of addressing widespread housing needs will flow to all of us:

- Businesses will be able to attract and retain employees.
- Children and classrooms will be more stable, with teachers and classmates not having to contend with children moving in and out during the school year. Academic performance will improve.

- Hard-working families will be able to afford a place to live and have money left over for food, clothes, transportation, and other necessities.
- Demands on law enforcement will lessen when fewer people live in substandard buildings or are homeless.
- The strong economic engine of construction will provide decent jobs for middle-class families.
- Low-income seniors, people with a disability, and domestic abuse survivors will find low-cost options that allow them to live independently.

Clearly, all Californians have a stake in promoting a healthy housing market - and policymakers can take meaningful steps to achieve this.

### **POLICY OBJECTIVE #1**

#### **Increase affordability and variety in the housing market through targeted state investment.**

##### ***Background***

One effective strategy for state government to facilitate a thriving and healthy housing market is through targeted investment in public-private partnerships. The state's largest investment in homes is the \$6.2 billion spent annually on tax deductions for homeowners, almost 50% of which benefits the top 10% of earners. State general obligation bonds, including Proposition 46 (2002) and 1C (2006) have been more deeply targeted. Since 2002, they have helped build almost 91,000 emergency shelter beds and homes affordable to low- and moderate-income Californians.

California has one of the nation's most sophisticated affordable-home development communities of nonprofit and for-profit developers. Every year, they combine general obligation bond funds and other government investments with bank loans to build approximately 17,000 homes that will remain affordable to moderate - and low-income households for 30-55 years. However, this production pipeline - and its job creation engine - is starting to run dry, as bond funds are quickly being depleted.

##### ***Recommended Actions***

- A.** By January 2010, the Legislature should create a new dedicated revenue stream of \$2 billion annually for the state's Housing Trust Fund. Funds should be targeted to induce the private market to produce homes affordable to the lowest income Californians. This level of investment would annually create more than 92,000 jobs and produce \$590 million in revenues to local governments.
- B.** The Legislature should pass SB 16 (Lowenthal) by February 2009. The national credit market freeze has greatly reduced the value of state Low Income Housing Tax Credits, resulting in fewer resources for affordable home development. SB 16 would increase the tax credits' value at little

- or no cost to the state, building more homes for the same level of state investment.
- C. In January 2009, the federal government should pass an economic stimulus measure that includes at least \$25 billion to repair and construct new homes affordable to all Americans. In California alone, nonprofit developers have 326 “shovel ready” affordable home developments totaling over 27,000 affordable homes that can start construction in 2009 if adequate gap funding and tax credit investor equity is available. This would create more than 31,000 jobs in 2009.
  - D. In the 2009-10 state budget, the Legislature should avoid shifting local redevelopment agencies’ funds away from affordable home development. Redevelopment agencies provide \$1 billion a year of vital local funds that match state and federal dollars to build homes affordable to lower and moderate income Californians.
  - E. The Legislature should pass a bill in 2009 that allows the Department of Veterans Affairs to use Cal-Vet general obligation bond reserves to build affordable apartments for veterans who need ongoing supportive services to treat injuries related to their military service.

## **POLICY OBJECTIVE #2**

### **End homelessness and prevent families and individuals from becoming homeless in the future.**

#### ***Background***

Conservative estimates show that at least 360,000 persons are homeless on any given night in California. Proven strategies that reduce homelessness exist, but in many cases have been de-funded or under-funded. Prevention is far less expensive to our communities and to state resources, as people who become homeless create far greater costs to our health care, criminal justice, and social service systems. Furthermore, the severe lack of homes affordable to all Californians creates enormous strain on people attempting to break cycles of poverty and adequately provide for their families.

#### ***Recommended Actions***

- A. The Legislature should ensure that a large percentage of any dedicated revenue stream for the state Housing Trust Fund is targeted towards people who are extremely low-income. Such a proposal should also include resources for operating costs of developments and funding for services.
- B. The Legislature should avoid raiding the Mental Health Services Act in the mid-year or 2009-10 budget process.
- C. In the 2009-10 state budget, the governor and Legislature should expand funding for the California Department of Corrections and Rehabilitation’s Integrated Services for Mentally Ill Parolees program. This pilot program seeks to reduce recidivism by providing wrap-around services and supportive homes for mentally ill parolees.

- D. In the 2009-10 state budget, the Legislature and governor should reestablish funding for AB 2034 (previously funded at \$55 million). AB 2034 provided counties with funding for wrap-around services for homeless mentally ill persons.
- E. The Legislature and governor should appropriate \$4 million for the Emergency Housing Assistance Program in the 2009-10 state budget. EHAP provides operational grants to over 100 emergency shelters in every county in the state.
- F. The Legislature should formally establish a state Interagency Council on Homelessness in 2009 and fund a staff person for coordination.
- G. The Department of Social Services should devote more resources towards homeless prevention (such as rental assistance, assistance with bills, no-interest loans, etc.) for those who are facing eviction and are at risk of becoming homeless.

### **POLICY OBJECTIVE #3**

**Ensure local, state and federal housing, transportation and climate change plans fully and accurately reflect Californians' need for an affordable place to live.**

#### ***Background***

Local, state, and federal policies increasingly recognize the interconnected nature of housing, transportation, and climate change plans. For example, the Legislature passed, and the governor signed, SB 375 (Steinberg) in 2008. This new law requires regional transportation agencies to create Sustainable Communities Strategies that reduce greenhouse gas emissions while reflecting local housing needs, transportation demands, and protection of resource and farmlands. Six billion dollars of state and federal transportation funding will be linked to these plans. The Air Resources Board and California Transportation Commission are charged with implementing various components of SB 375.

Local housing needs are outlined and planned for in cities' and counties' housing elements of their General Plans. State law as amended by SB 375 requires housing elements to be updated every five to eight years. The state Department of Housing and Community Development reviews the draft plans to determine whether or not they are in compliance with state law.

#### ***Recommended Actions***

- A. The Air Resources Board and California Transportation Commission should ensure that their implementing regulations for AB 32 and SB 375 fully reflect the housing needs of Californians in order to avoid constraining the supply of homes and raising prices.
- B. The Legislature should pass a bill in 2009 to clarify and clean-up key provisions of SB 375.

- C.** In the 2009-10 state budget, the governor and Legislature should fully fund HCD's Policy Development Division to ensure timely and thorough reviews of housing elements.
- D.** Congress should target any transit-oriented development component of the 2009 transportation spending reauthorization to create opportunities for lower-income Californians to access transit and affordable homes simultaneously.