



**Housing California's Presentation to Working Families Policy Summit 2009:
Written and presented by Policy Director, Julie Snyder**

Intro and background

Housing California is the statewide association of nonprofit home developers, homeless service providers, and local housing advocacy organizations. I have been the organization's policy director for eight years, and spent the previous seven years working for various legislators and policy committees.

Housing California's nonprofit developers are **mission driven** organizations who build homes, both apartments and single family for sale homes. Their focus is providing homes for families, seniors, people with disabilities and other lower income Californians who cannot afford market-rate rents or sales prices. Our homeless service providers own and run emergency shelters for people who are homeless and offer services to help them get back on their feet.

That's enough about us. Let's talk about "homes."

I grew up taking my home for granted, and I imagine most of you did as well. So, I'd like to ask you to think for a moment about what "home" meant to you as a child (pause). What does it mean for you now as an adult, as a parent?

Now imagine what it would have felt like as a child or would feel like now as an adult to be without a stable home, moving every year to find an affordable place to rent, sleeping on relatives' couches, or living in your car. (pause)

- Could you have done your homework well in a noisy overcrowded apartment where you shared a bedroom with your parents and siblings?
- Would you have time to help your kids with homework if you worked two full-time jobs just to pay the rent?
- Could you keep those jobs without a place to shower or to get a good night's sleep?

Housing California works to (ensure) that families and individuals DON'T experience this. That's a huge challenge in this state, because our housing market is BROKEN.

The foreclosure crisis is just the latest symptom of that broken market. Hundreds of thousands of homebuyers took out risky mortgage loans precisely because the

market wasn't producing the small for-sale homes they could afford. Other symptoms include the 200,000 school-age children who were homeless last year. The roughly 55,000 veterans who are homeless, almost all with a service-related disability. The ___ families who double-up in apartments. The evidence is everywhere you look, in all areas of the state.

Perhaps most telling is that the normal economic rules of "supply and demand" are not working, in the sense that rising home prices and rents do not result in a supply increase that fully meets the demand. On average, CA needs 220,000 new homes. Since 1980, neither the number nor types of homes built have met this demand. Even in good years, a large majority of homes built were large, for-sale homes – not apartments, not condos, not even small starter for-sale homes.

The foreclosure crisis is resulting in lower home prices, but is not increasing the supply of homes. Every homeowner who loses a home to foreclosure still needs a place to live. As do the renters who must move when the home they rent is foreclosed on.

Luckily for those of us who work in the state policy realm, real solutions for impacting the broken housing market exist.

For this summit, we've grouped the solutions into three categories:

1. Increasing affordability and variety in the housing market through targeted state investment
2. Ending homelessness and preventing people from becoming homeless in the future
3. Ensuring local and regional planning mechanisms accurately reflect all Californians' need for an affordable place to live.

I want to note that governments can only do so much. They must work in concert with the private sector, both nonprofit and for profit developers who build the vast majority of homes produced in this state. These three categories reflect government actions that can have a positive impact on what those developers build and, therefore, whether all Californians can find an affordable place to live.

Our recommendations include 16 actions that state and federal governments can take. I'm going to talk about four of them that we hope everyone in this room will support.

The first solution is creating a \$2 billion dedicated revenue stream for the state's Housing Trust Fund. Targeted state investment in public-private partnerships is a proven strategy for state government to facilitate a thriving and healthy housing market. 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's nonprofit and for-profit affordable-home developers combine these bond funds and other government investments with bank loans to build approximately 17,000 homes annually. The homes' deeds ensure they 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.

Our top policy priority for this session is working with the administration and Legislature to create a new dedicated revenue stream of \$2 billion annually for the state's Housing Trust Fund. The funds should be targeted to fill the biggest gaps in the market, namely homes that are affordable to the lowest income Californians.

An annual investment of \$2 billion will:

- create more than 92,000 jobs every year and produce \$590 million in revenues to local governments.
- It will leverage \$14.2 billion in private investment.
- It will relieve demands on the state general fund by replacing periodic general obligation bonds.

As importantly, the new homes will make it easier for businesses to attract and retain employees. To quote the Silicon Valley Leadership Group's CEO survey, creating affordable homes is "the most significant action the state government can take to improve the business climate."

The second solution we support is SB 16 by Senator Alan Lowenthal. This urgency measure responds to the recent meltdown in the national financial market. The bill makes the state's Low Income Housing Tax Credit refundable, which will produce more homes affordable to all Californians while incurring little or no additional state costs.

Unique in the realm of tax credits, Low Income Housing Tax Credits are "sold" to investors. These investors inject capital into new developments and claim the tax credit in return. The current freeze in the national credit market has greatly reduced investors' interest in these tax credits, which in turn has lowered the credits' value.

By allowing any development partner to claim the credit as a refundable credit, SB 16 will increase the tax credits' value and raise additional capital to construct affordable places to live. This change comes at little or no additional cost to the state; each \$1 in tax credits will still cost the state \$1.

SB 16 creates a greater return on investment for the state, building more affordable homes for the same amount of money. The author hopes to have the bill heard this month, and we're urging its quick approval to help jump-start stalled developments and put construction trades workers back to work.

Our third plea to policymakers is to leave the Mental Health Services Act alone. Also known as MHSA or Prop 63, this act of the voters generates approximately \$1 billion a year for services to people with severe mental illnesses. Working with the mental health community, counties, the administration, and Senator Steinberg, we created the MHSA Housing Program two years ago. The CA HFA administers the program, which counties can choose to participate in.

Annually, the program invests approximately \$140 million in affordable apartments with support services for people with severe mental illnesses. We know from reputable research studies of similar programs in New York, Los Angeles, San Francisco and other big cities that "supportive homes" have a positive fiscal and human impact. They significantly reduce the use of emergency services, such as emergency rooms, jails, and shelters –and provide individuals with an opportunity for a stable, independent life.

Any attempt to redirect these funds to fill the General Fund hole could halt development, causing job losses, and ultimately, condemning people with mental illnesses to the streets.

Lately, we urge the Air Resources Board and CA Transportation Commission to 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.

Senator Steinberg authored SB 375 last year. It requires regional transportation agencies to create Sustainable Communities Strategies. The strategies must reduce greenhouse gas emissions by specified amounts, 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.

We ultimately supported SB 375 as an important step forward in linking land use planning and transportation spending. The way it's implemented at the state – and regional levels – could determine whether sufficient land is finally made available for homebuilding. Done well, it could result in more variety in the housing market, with affordable options closer to jobs and other important community centers.

Each of these actions –and the others outlined in our recommendations – can improve the state's broken housing market. The end results will benefit 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.
- Demands on law enforcement will lessen, with fewer people living in substandard buildings or on the street.
- 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.

And lastly, in line with the theme of this summit:

- Hard-working families will be able to afford a place to live and have money left over for food, clothing, and other necessities.

Thank you for the opportunity to share our recommendations with you.