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## Recommendations on Affordable Homes and Homelessness

California Working Families Policy Summit  
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### 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. In 2010 alone, there were 779,531 new foreclosure filings<sup>i</sup>.
- 133,000 Californians sleep on the street or in shelters on any given night<sup>ii</sup>, meaning California has 21% of the nation's homeless, even though we are only 10% of the nation's population. 37% of these homeless are families<sup>iii</sup>.
- Rental vacancy rates are extremely low with averages of 2%-5%<sup>iv</sup>. As a result, rents are so high that millions of working families earn too little to afford even a two-bedroom apartment. (The foreclosure crisis has further strained the rental market.)

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 – creates an average demand for 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:

- The strong economic engine of construction will provide decent jobs for middle-class families.
- 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. School funding based on attendance will increase.
- Hard-working families will be able to afford a place to live and have money left over for food, clothes, transportation, medications, school supplies, and other necessities.
- Demands on law enforcement will lessen when fewer people live in substandard buildings or are homeless.
- Low-income seniors, people with disabilities, 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.

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**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 narrowly targeted; and since 2002, they have helped build, collectively, over 153,000 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 running dry, as bond funds are virtually depleted.

***Recommended Actions***

- A.** The Legislature should create a new dedicated revenue stream 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. An investment of \$2 billion would annually create more than 92,000 jobs and produce \$590 million in revenues to local governments.
- B.** In 2011, California's Governor and Congressional delegation should aggressively advocate for Congress to pass an appropriation of \$1 billion for the National Housing Trust Fund. For every \$1 billion in funding, California will receive \$193 million for affordable-home production, with 75% of these funds required to be spent on affordable rental-home production for extremely low-income families.
- C.** The Legislature should pass legislation that expands eligibility for Emergency Housing Assistance Program-Capital Development funds to include permanent supportive housing. This program, designed to serve homeless persons by aiding in shelter construction, continues to be undersubscribed because there is no money to run shelters once they are built. Permanent supportive homes are a permanent solution, still serve homeless persons, and are a preferred strategy in every local plan to end homelessness.

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**POLICY OBJECTIVE #2**

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

***Background***

Over 390,000 Californians experience homelessness in a year, meaning one in 95 Californians will experience homelessness at least once during the course of the year. Of these homeless persons, only 30% are able to be sheltered (compared to 77% nationally). 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 earn extremely low-incomes. Such a proposal should also include resources for operating costs of developments and funding for services.
- B.** The Governor should formally establish a state Interagency Council on Homelessness in 2011 by Executive Order and designate a member of his administration to coordinate the council. Other states have used interagency councils to increase federal funding and better coordinate existing resources.
- C.** The California Department of Corrections and Rehabilitation should place a stronger emphasis on housing when awarding contracts for their 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.** At the federal level, the U.S. Department of Housing and Urban Development should update funding formulas used to award homelessness funding to include poverty factors. These outdated formulas result in high-need areas (like California) losing out on millions in funding each year.
- E.** The Legislature and Governor should continue to appropriate \$4 million for the Emergency Housing Assistance Program (EHAP) in the 2011-12 state budget. EHAP provides operational grants to over 100 emergency shelters in every county in the state.
- F.** The state Department of Housing and Community Development should change the methods used for awarding funding for the Federal Emergency Shelter Grant (FESG) program to allow for more local control. At present, there is no reliability in funding from year to year, causing huge gaps in service to communities throughout the state from one year to the next.

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- G.** The state Department of Social Services should devote more of their existing 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.
- H.** The state Department of Housing and Community Development should apply for “balance of state” federal funds on behalf of the areas of the state that do not have their own continuums of care. This would bring \$1 million in new funding for these areas and allow the department to receive funds for improved data systems.

**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. A 2008 California law (SB 375) requires Metropolitan Planning Organizations (MPOs) 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 annual state and federal transportation funding will be linked to these plans. The state Air Resources Board (ARB) 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 in their general plans. State law 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 Legislature should hold oversight or informational hearings to examine whether the ARB and MPOs are adequately measuring the impacts of SB 375 targets and Sustainable Communities Strategies on lower-income Californians, including impacts on housing availability and prices (rents and mortgages) and transit availability and prices.
- B.** The ARB should include equity measurements when evaluating each region’s Sustainable Communities Strategy.
- C.** In the 2011-12 state budget, the Governor and Legislature should fully fund the state Department of Housing and Community Development’s Policy Development Division to ensure timely and thorough reviews of housing elements.
- D.** Congress should target any transit-oriented development component of the 2011 transportation spending reauthorization bill to create opportunities for lower-income Californians to access transit and affordable homes simultaneously.

Housing California is the only voice in the state Capitol for children, seniors, families, people experiencing homeless, and everyone who needs a safe, stable affordable place to call home.

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<sup>i</sup> <http://www.realtytrac.com/states/california.html> (2010 Year to Date numbers only through November)

<sup>ii</sup> US Department of Housing & Urban Development, Office of Community Planning & Development. *The 2009 Annual Homeless Assessment Report to Congress*. App. C-2. June 2010 (hereinafter “2010 AHAR”). This “point in time” number is based on a cumulative count of homeless people living in shelters and on the streets on a single night in January 2009. It does not include homeless people living in communities in California that do not participate in a homeless count. Because Los Angeles also changed its methodology for counting homeless people, this estimate may be lower than the actual number of homeless people residing in Los Angeles, as it reflects a statistical anomaly. US Department of Housing & Urban Development, Office of Community Planning & Development. *The 2009 Annual Homeless Assessment Report to Congress*. 7, 9. June 2010 (“Street count methodologies differ greatly by CoC [Continuum of Care] and year, and even marginal changes to these methodologies can result in substantial impacts on the counts”).

<sup>iii</sup> 2010 AHAR. at iv

<sup>iv</sup> Natalie Siniavskaia, *Local Vacancy Rates in Government Databases*. National Association of Home Builders. Oct. 2007