



# JOINT HEARING OF THE SENATE HOUSING & TRANSPORTATION AND GOVERNMENT & FINANCE COMMITTEES

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October 2, 2018

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*California Housing Partnership*

# California Housing Partnership

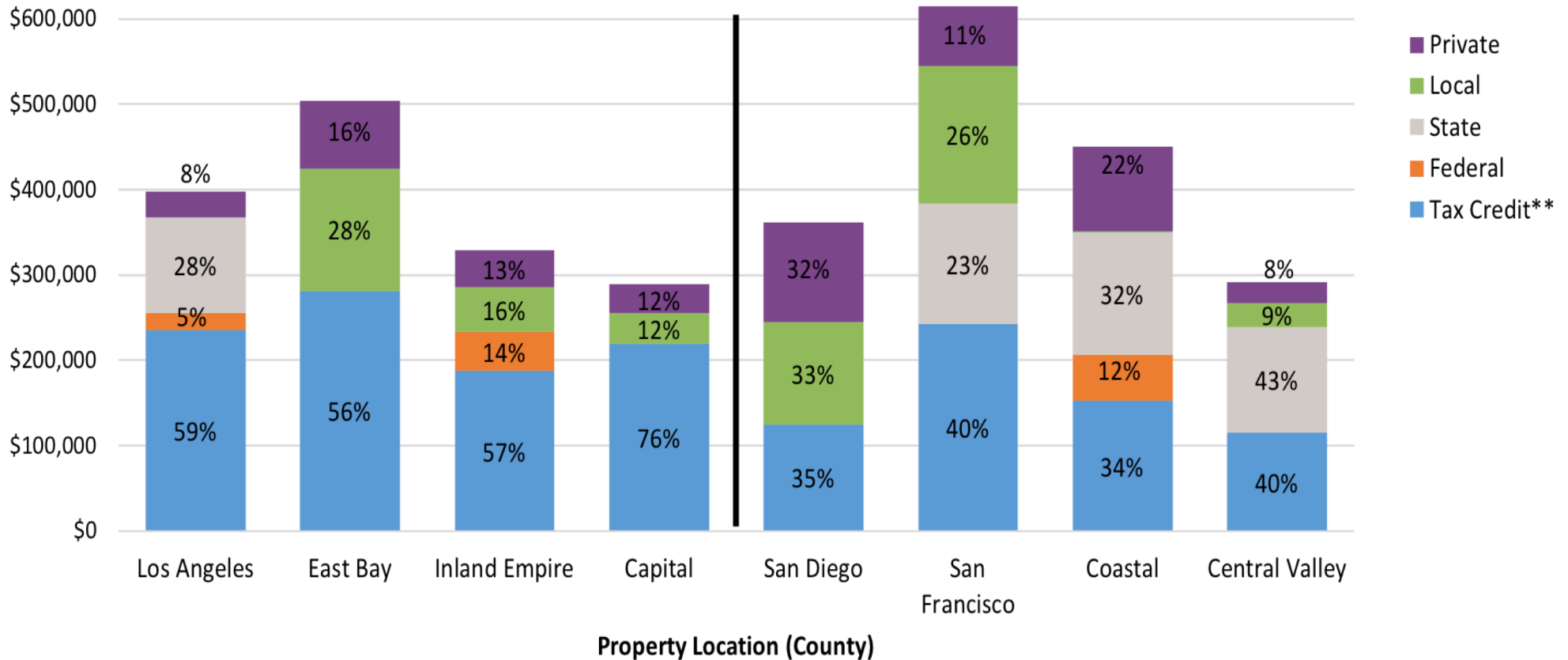
- Created by the state Legislature in 1988
- Board appointed by Governor, Speaker & Pro Tem
- Private nonprofit organization, no state funding
- Operate throughout California in partnership with local nonprofit & government housing organizations
- In 30 years, have helped private and public housing agencies structure more than **\$14 billion** in private and public funding to create and preserve more than **70,000 affordable homes** and trained more than **15,000 people**.

# CA Affordable Housing Funding Profiles (2017)

Per Affordable Unit\*

9% Tax Credits

4% Tax Credits

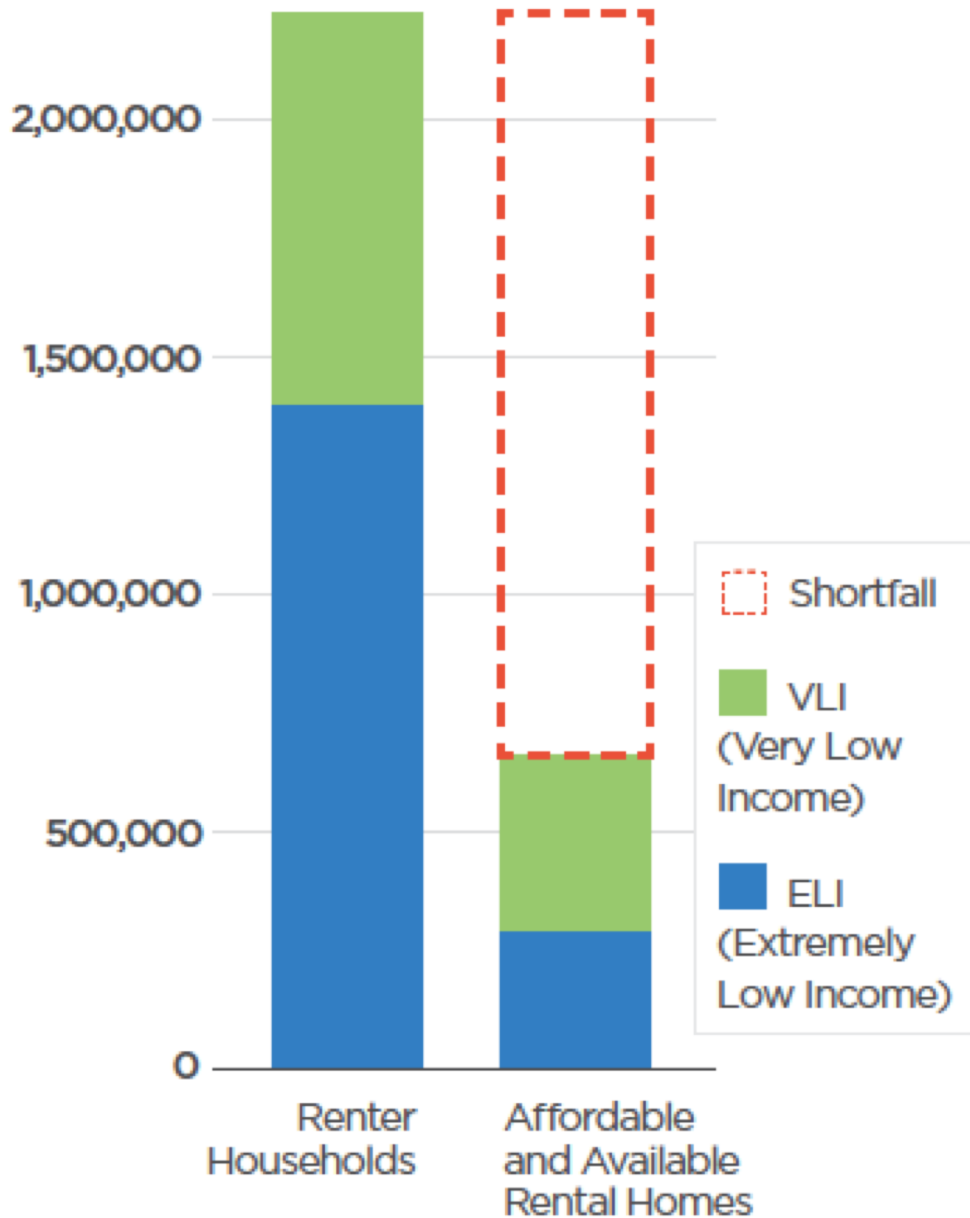


\* Each bar displayed above is a single, new construction development that received Low Income Housing Tax Credits in 2017. This project-level data is consistent with the median total development costs of all LIHTC applications in the region in 2015-2016.

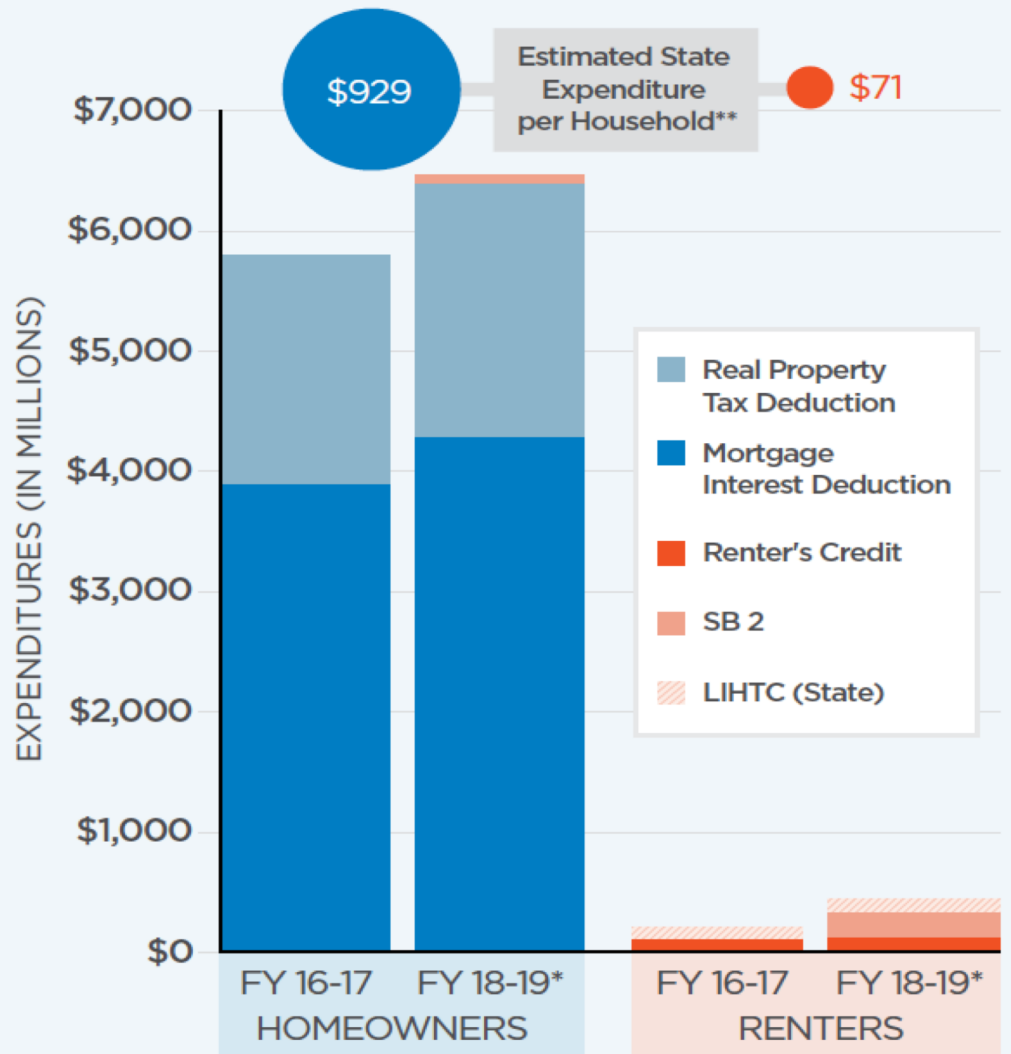
\*\* Federal and state tax credits are included.

Source: California Housing Partnership analysis of California Tax Credit Allocation Committee 2017 staff reports.

## CALIFORNIA NEEDS 1.5 MILLION MORE AFFORDABLE RENTAL HOMES



## STATE EXPENDITURES ARE HIGHLY INEQUITABLE BETWEEN HOMEOWNERS AND RENTERS

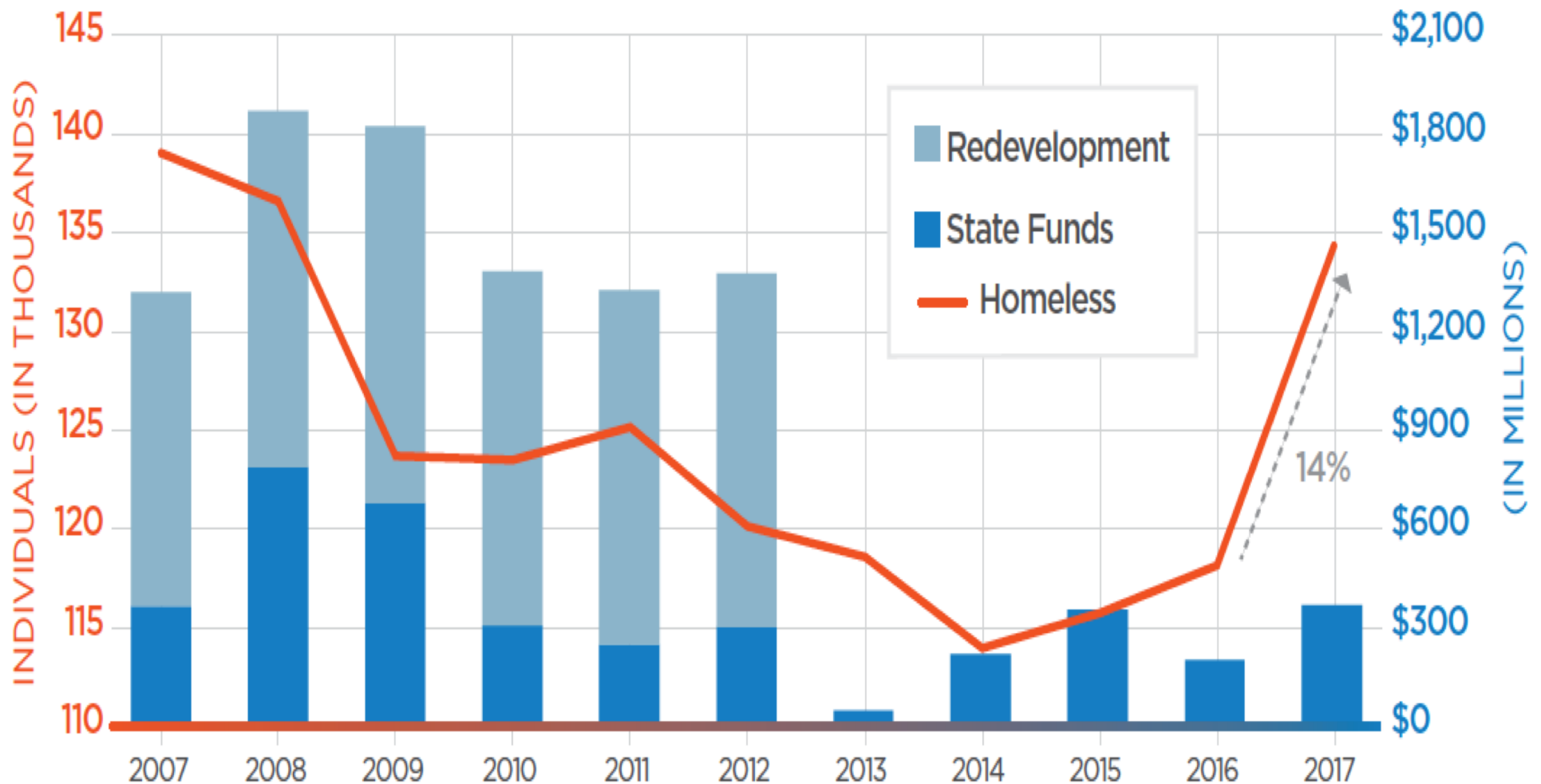


Source: State of California Franchise Tax Board (FTB). California Income Tax Expenditures Compendium of Individual Provisions Report for 2014 Tax Year Data. [Ftb.ca.gov](http://Ftb.ca.gov). CA Tax Credit Allocation Committee (TCAC) Credit Estimates.

\*Estimates produced by the FTB and TCAC.

\*\*Estimates based on tenure of households as reported in 2016 ACS data.

# ELIMINATION OF REDEVELOPMENT & LOSS OF STATE BOND FUNDING FOR HOUSING FORESHADOWED A 14% RISE IN HOMELESSNESS IN 2016-17



Source: CHPC analysis of 2006-2011 Annual California Departments of Housing and Community Development (HCD) Redevelopment Housing Activities Report; 2006-2016 annual HCD Financial Assistance Programs Reports. Housing and Urban Development (HUD). PIT and HIC Data Since 2007. Note fiscal years are indicated by second half of fiscal year (e.g. FY 2006 -2007 is presented as 2007).

# Local Funding Solutions to the Affordable Housing Crisis

Many local governments are taking their housing obligations seriously and out of desperation are raising their own funds. Here is what they have done:

- City of Los Angeles \$1.2 billion Bond (Measure HHH, 2016)
- County of Los Angeles \$100 million *per year* commitment (2015)
- Santa Clara County \$950 million Bond (Measure A, 2016)
- San Mateo County \$40 million Tax (Measure K 2016)
- Alameda County \$580 million Bond (Measure A1, 2016)
- City of Oakland \$100 million Bond (Measure KK, 2016)

# More Local Funding Solutions Are In Process & Planned

More local communities are attempting to pass their own funding measures:

- City of San Jose – Measure V, \$450 million bond (November 2018)
- City of Berkeley – Measure O = \$135 million bond (Nov. 2018)
- City of Santa Rosa – Measure N = \$124 million bond (Nov. 2018)
- Santa Cruz County – Measure H = \$140 million bond (Nov. 2018)
- Napa County – Transit Occupancy Tax = \$5 million annually (Nov. 2018)
- City of San Diego – \$900 million Bond (2020?)
- County of Monterey also considering an Affordable Housing Bond (2020?)
- Others may follow depending on the continuing severity of the crisis and the vote threshold

# State Funding Solutions to the Affordable Housing Crisis

What can/should the state do to help? The 2017 State Housing Package had two major funding initiatives:

- SB2, Homes and Jobs Act = \$250 million annually
- SB3, Veterans & Affordable Housing Bond of 2018 = \$4 billion one time

But with a statewide deficit of 1.5 million homes, local governments need more state help and funding tools to make progress.

1. Create a new Tax Increment tool to help communities across the state (including in rural areas) fund affordable housing and start at \$1 billion/year.
2. Expand the State Low Income Housing Tax Credits (AB 35, AB 2817, AB 71)
3. Lower the voter threshold for Affordable Housing & Related Infrastructure to 55% as was done for education facilities in 2000 so that local communities across the state can make their own decisions on raising funding.



# Regional Funding Also Needs to be Part of the Solution

Bay Area leaders have realized that relying on state and local actions is not enough. The **Committee to House the Bay Area (CASA)** was formed from the realization that funding and land use decisions can work better at a local level.

- CASA is working on a package of new affordable housing initiatives for adoption by the Metropolitan Transportation Commission in early 2019:
- Using transportation funding and housing grants to incentivize cities and counties to produce more affordable housing is a first step by MTC.
- CASA is now developing a package of 17 initiatives including changes to land use and planning procedures.
- CASA recognizes that real change requires a new regional fund.
- Current annual funding gap is \$1.7 billion just to meet RHNA.

# CASA Potential Regional Sources of Revenue (9/12/18)

*Tax and fee rates are set to raise \$100 million annually for each proposal*

Property Owners	Developers	Employers	Local Governments	Taxpayers
<p><b>Windfall Property Tax</b> 3.35 percent <i>Inflation-Indexed</i> on increase in home value at point of sale</p>	<p><b>Commercial Linkage Fee</b> \$2-8 per sq. ft. variable rates based on the number of new workers at the location (inside or out of TPAs) and jobs-housing ratio of host jurisdiction, region-wide</p>	<p><b>Annual Head Tax</b> <b>\$8-64 per job</b> Variable rates based on the number of employees, and jobs-housing ratio of host jurisdiction (with no exemptions for middle-wage jobs)</p>	<p><b>Revenue Sharing Contribution</b> 17.5 percent of future property tax growth starting in 2020</p>	<p><b>Regional Sales Tax</b> 1/16-cent</p>
<p><b>Parcel Tax</b> \$48 per year</p>	<p><b>Flat Commercial Linkage Fee</b> \$5 per sq. ft. on new construction, region-wide</p>	<p><b>Flat Annual Head Tax</b> <b>\$30 per job</b></p>	<p><b>Tax Increment Set-Aside</b> for affordable housing (for city/county portion of property tax revenue), <b>statewide</b></p>	<p><b>General Obligation Bonds</b> 5-Yr. Term issued by a regional housing entity created through state legislation, renewed every five years, region-wide</p>
<p><b>Real Estate Transfer Tax</b> \$1.35 per \$1,000 paid by the seller at point of sale</p>		<p><b>Gross Receipts Tax</b> 1/12-cent variable rates based on sector and firm size, region-wide</p>	<p><b>Public Land Set-Aside</b> <b>20 acres</b> annually for affordable housing</p>	<p><b>Philanthropy</b></p>
<p><b>Vacant Homes Tax</b> 1 percent</p>		<p><b>Commuter VMT Fee</b> (1 cent per mile) paid by the employer</p>		<p><i>Foundation-Employer Policy and Infrastructure Fund</i></p>
<p><b>Vacant Homes Tax</b> 25 percent on peer-to-peer rentals</p>				

# **CASA Funding/Financing Compact**

## **Potential Allocation of New Regional Revenues**

**Local Jurisdiction Incentives (10 percent).** Partial payments to local jurisdictions to make up for lost revenue due to proposed cap on impact fees.

**Tenant Protection Services (10 percent).** Short-term rental assistance & access to legal counsel for low- and moderate-income households.

**Affordable Housing Preservation (20 percent).** Grants and financing, including for seismic retrofitting and energy efficiency upgrades. Priority to developments in low-income neighborhoods facing displacement.

**Affordable Housing Production (60 percent).** Grants and financing. Priority to projects in TPAs and HOAs. Construction training programs. Land acquisition program.