

CALIFORNIA Affordable Housing Needs Report

Key Findings

California needs 1.3 million more affordable rental homes to meet current demand.

- Despite the 2017 Housing Package, state funding remains well below 2012 levels, undermining progress in addressing homelessness.
- Low-Income Housing Tax Credit housing production and preservation in California declined by 13% overall from 2016 due to federal tax reform.

When housing costs are considered, California's poverty rate rises by 34%.

- Renters need to earn 2.9 times the state minimum wage to afford the average asking rent in California.

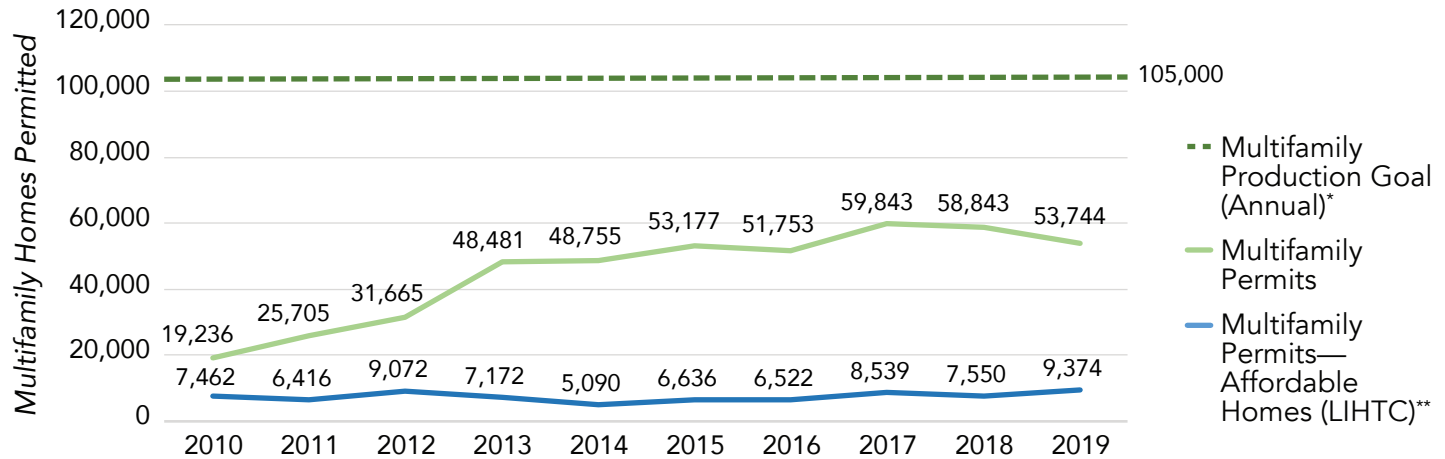
Incomes have not kept pace with rental costs.

- Median rent in California has increased 40% since 2000 while median renter household income has only increased by 8%, when adjusted for inflation.
- 79% of extremely low-income (ELI) households are paying more than half of their income on housing costs compared to just 0.4% of above moderate-income households.
- Meanwhile, California spends nearly four times more on homeowners than on renters.

Action Items: How State Leaders Can Help

1. Make permanent the \$500 million annual increase to the California Low-Income Housing Tax Credit Program to jump-start affordable housing production and provide an additional \$100 million annually to rehabilitate existing affordable rental properties.
2. Create a new Affordable Housing Preservation Tax Credit to preserve existing affordable housing at risk of conversion and to fight displacement pressures.
3. Allow affordable housing to be built by right on land currently zoned for commercial or public uses and on church-owned lands.
4. Streamline Department of Housing and Community Development rental housing funding programs through a single application and award process to reduce development costs.
5. Reduce the threshold for voter approval of local funding of affordable housing and infrastructure from 67% to 55% as was done for educational facilities in 2000.
6. Exempt supportive housing and affordable housing funded by MHP, HOME or CDBG from CEQA reviews.

WHILE MULTIFAMILY ACTIVITY INCREASED OVER THE LAST TEN YEARS, BOTH MULTIFAMILY AND AFFORDABLE PRODUCTION REMAIN FAR BELOW NEED

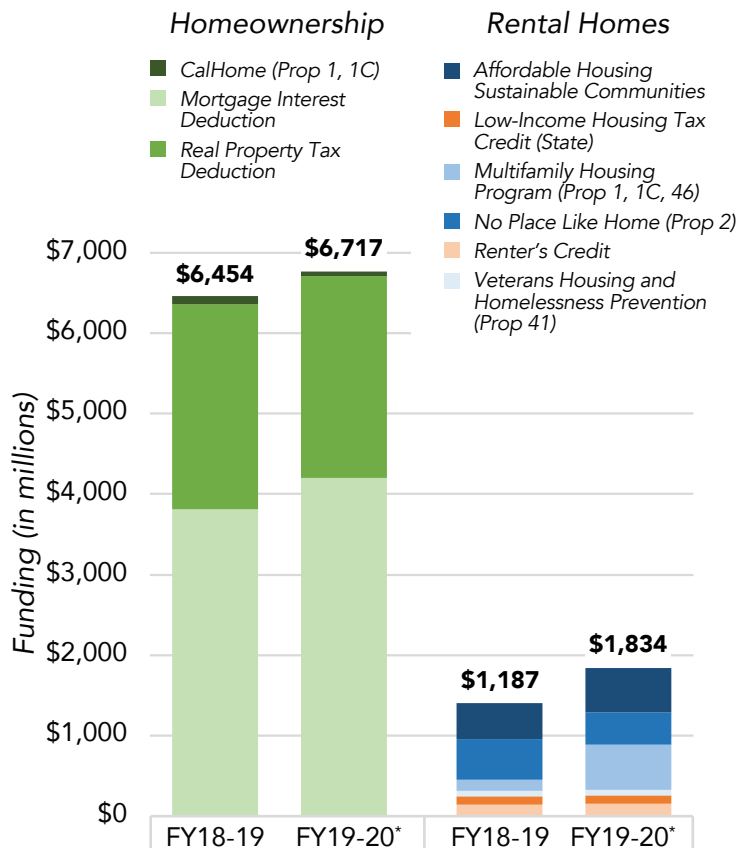


Source: California Housing Partnership analysis of 2010–2019 California Dept. of Finance's Construction Permit data.

*The multifamily production goal is derived using California Dept. of Housing and Community Development's (HCD) Fifth RHNA Cycle annual permit goal of 200,000 and the median percentage of multifamily permits of all permits from 2010–2019.

**"Affordable Homes" is a subset of multifamily permits and is derived from the Low-Income Housing Tax Credit Program.

CALIFORNIA SPENDS NEARLY 4 TIMES MORE SUPPORTING HOMEOWNERS THAN RENTERS



Source: State of California Dept. of Finance Tax Expenditure Report, 2018-2019. California Tax Credit Allocation Committee (TCAC) FY 2018-2019 award data. California Dept. of Housing and Community Development (HCD) Program Reports and Notices of Awards 2018 -2020. California Strategic Growth Council Affordable Housing and Sustainable Communities Program 2018-2020.

*Funding amounts are based on preliminary data and estimates tabulated by the respective departments. Estimated state expenditure per household (based on tenure of households as reported in 2018 Census data): \$937/owner, \$311/renter.

SINCE 2016, LOW-INCOME HOUSING TAX CREDIT (LIHTC) PRODUCTION AND PRESERVATION IN CALIFORNIA IS DOWN BY 13%

STATEWIDE			
Type	2016	2019	% Change
New Construction	8,539	7,813	-9%
Acquisition & Rehabilitation	15,032	12,686	-16%
All	23,571	20,499	-13%

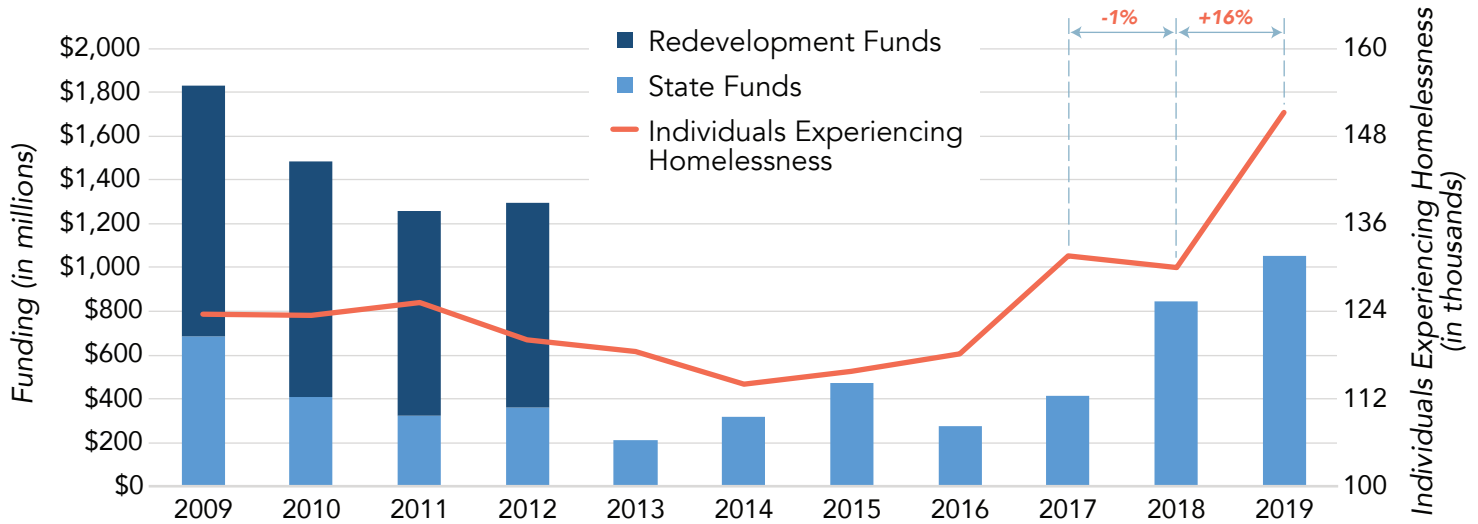
BAY AREA*			
Type	2016	2019	% Change
New Construction	2,787	2,280	-18%
Acq & Rehab	5,016	3,697	-26%
All	7,803	5,977	-23%

LOS ANGELES COUNTY			
Type	2016	2019	% Change
New Construction	1,868	1,699	-9%
Acq & Rehab	3,292	3,195	-3%
All	5,160	4,894	-5%

Source: California Housing Partnership's Preservation Database, January 2020. Please note that this data does not include manager or market rate units created through the LIHTC program.

*Bay Area includes the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma.

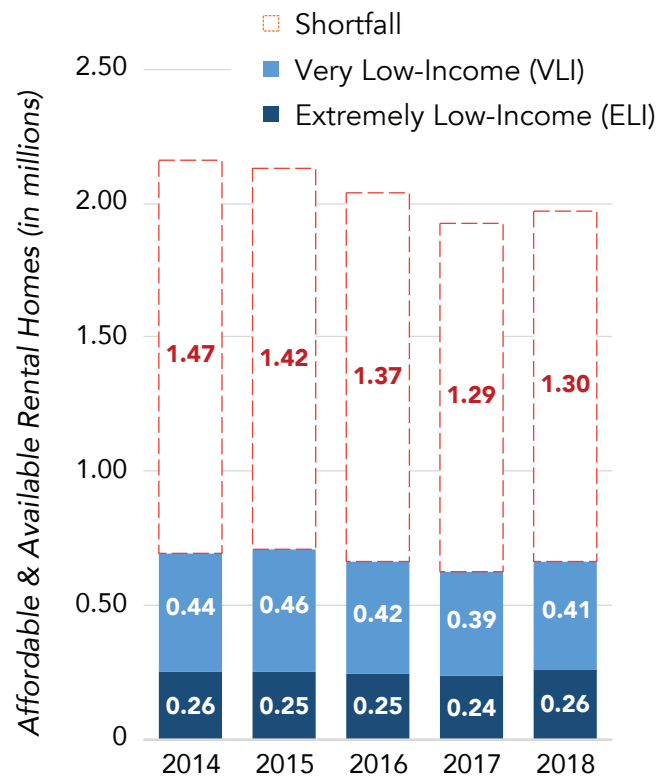
DESPITE THE 2017 HOUSING PACKAGE, STATE FUNDING STILL FALLS SHORT, UNDERMINING PROGRESS ON HOUSING INDIVIDUALS EXPERIENCING HOMELESSNESS



Source: California Dept. of Housing and Community Development (HCD) Redevelopment Housing Activities Report 2009 -2011. HCD Program Reports, 2009-2019. U.S. Dept. of Housing and Urban Development (HUD) PIT and HIC Data since 2007. California Business, Consumer Services and Housing Agency, Homeless Emergency Aid Program, 2018. California Strategic Growth Council Affordable Housing and Sustainable Communities Program, 2014-2019. Note: Fiscal years are represented by the second half of the fiscal year (e.g. FY 2008-2009 is presented as 2009).

CALIFORNIA NEEDS 1.3 MILLION MORE AFFORDABLE RENTAL HOMES

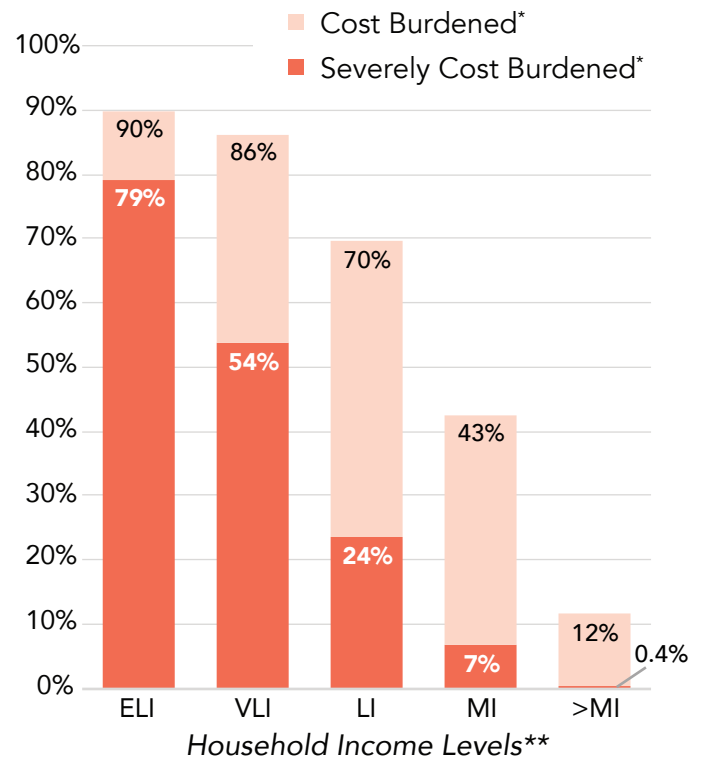
While the shortfall has declined by 11% since 2014, the share of housing need not being met has remained relatively constant because the number of low-income households has also declined.*



Source: California Housing Partnership analysis of 2018 1-year American Community Survey (ACS) PUMS data with HUD income levels. Methodology was adapted from NLIHC gap methodology.

*The proportion of total unmet housing demand for low-income renters (shortfall / total demand) from 2014 to 2018, was 68%, 67%, 67%, 67%, and 66%, respectively.

79% OF CALIFORNIA'S EXTREMELY LOW-INCOME HOUSEHOLDS ARE SEVERELY COST BURDENED COMPARED TO 7% OF MODERATE-INCOME HOUSEHOLDS

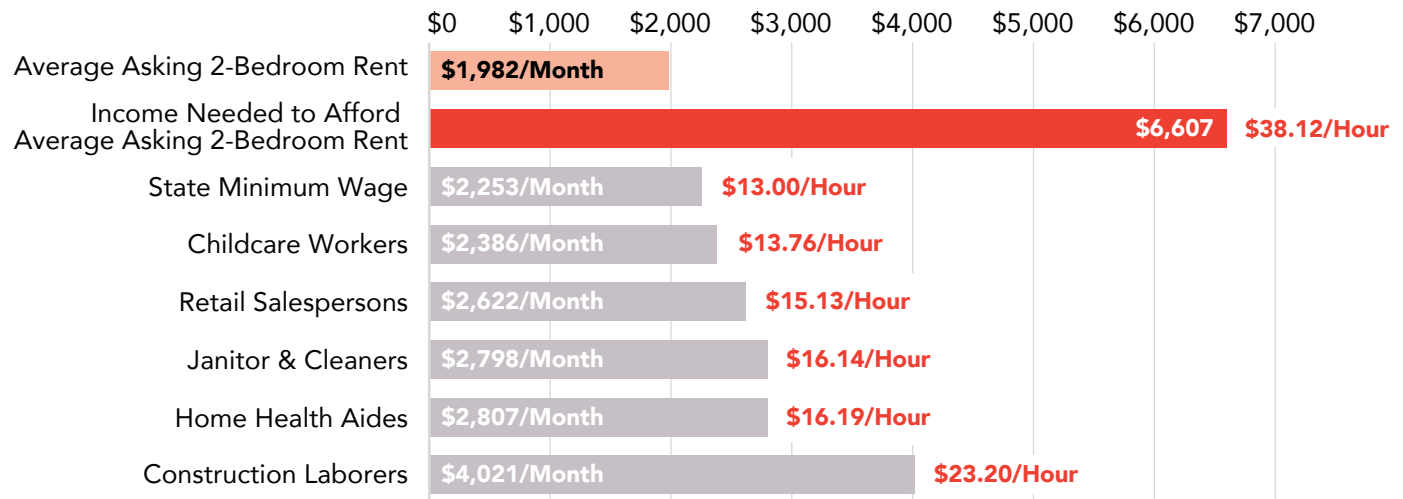


Source: California Housing Partnership analysis of 2018 1-year American Community Survey (ACS) PUMS data with HUD income levels. Methodology was adapted from NLIHC gap methodology.

*Cost burdened households spend 30% or more of their income towards housing costs. Severely cost burdened households spend more than 50%.

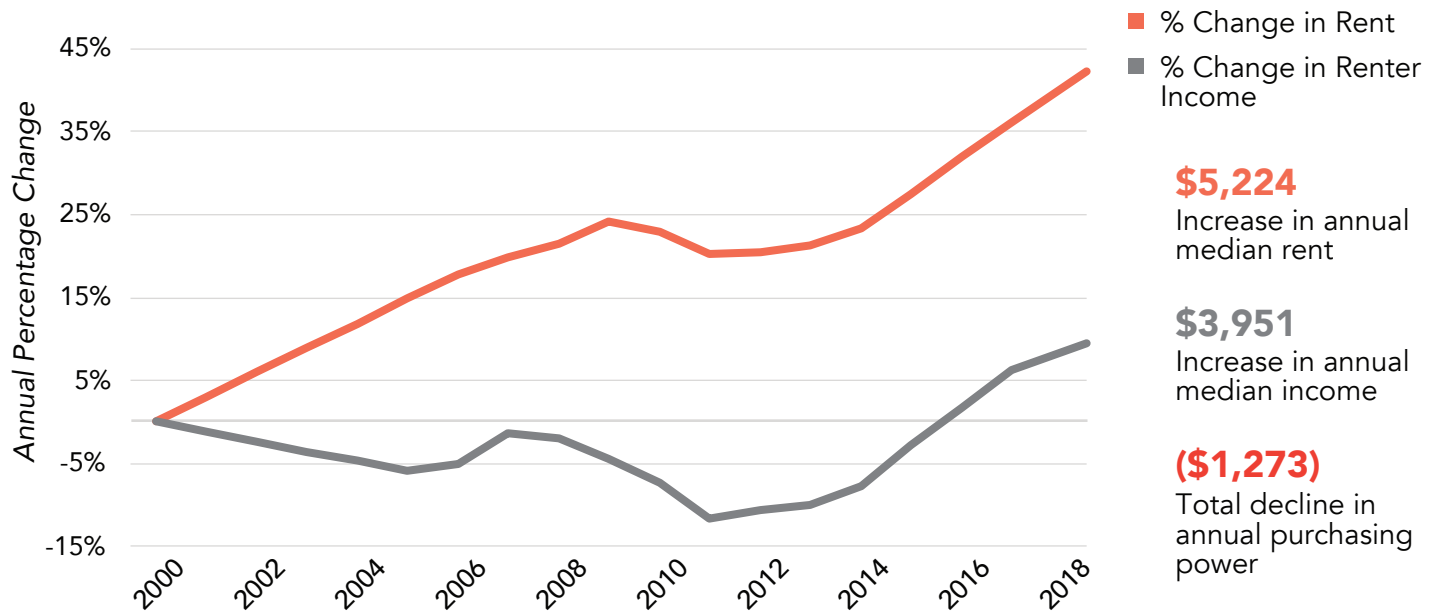
**ELI: Extremely Low-Income, VLI: Very Low-Income, LI: Low-Income, MI: Moderate-Income, >MI: Above Moderate-Income

RENTERS NEED TO EARN 2.9 TIMES THE STATE MINIMUM WAGE TO AFFORD AVERAGE ASKING RENTS



Source: CoStar Group as of January 2020. Bureau of Labor Statistics Average Annual Wage Data for California Occupations, 2018.

FROM 2000 TO 2018, CALIFORNIA'S MEDIAN RENT INCREASED 40% WHILE MEDIAN RENTER INCOME INCREASED ONLY 8%



Source: California Housing Partnership analysis of the Census Bureau's 2000–2018 American Community Survey (ACS) data. Median renter income and rent from 2001–2004 are estimated trends. Median rent and median renter income are inflation adjusted to 2018 dollars.

CALIFORNIA'S POVERTY RATE INCREASES 34% WHEN HIGH HOUSING COSTS ARE INCLUDED

Official Poverty Measure (OPM)

13.3%

(Unadjusted)

California Poverty Measure (CPM)

17.8%

(Adjusted for Housing Costs & Social Benefits)

Source: American Community Survey (ACS), Table S1701: Poverty Status, 2017. Public Policy Institute of California (PPIC), 2017 CPM.

ACKNOWLEDGEMENTS

Danielle M. Mazzella
Preservation & Data Manager

Lindsay Rosenfeld
Policy Research Manager

Mark Stivers
Director of Legislative & Regulatory Advocacy

Christina Gotuaco
Director of Communications

Matt Schwartz
President & CEO