

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT



ASSEMBLY HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE

February 22, 2017

Director Metcalf's Presentation

Thank you Chairman Chiu, and members of the Committee for the Opportunity to testify today.

“California’s Housing Future: Challenges and Opportunities,” the topic for today, is a Draft Statewide Housing Assessment that has been more than a year in the making. We see it as a tool in helping inform the critical housing conversations that your input and contributions will enrich.

In our assessment, we identify 5 challenges that face California in addressing the housing crisis.

- The **First challenge** is that annual new home construction is significantly below housing need.
 - Demographic projections reflect a need to produce 180,000 new housing units annually between 2015 and 2025 to meet housing demand.
 - Production, however, has only **averaged 80,000 new homes annually over the last 10 years (2006-2015)**, less than half of projected need.
- The **Second Challenge** is that we are **not seeing housing growth in optimal locations**.
 - Higher job growth is occurring in coastal areas; but sufficient housing production is not occurring near job centers and transportation modes.
 - Single driver trips and longer distances increase personal and public transportation cost, decrease family income for housing and other necessities, and adversely impacts quality of life and the environment.

- The **Third Challenge** facing California in terms of housing affordability is unstable funding for housing.
 - **Federal HOME and CDBG funding to California has declined** from \$1.08 million in 2003 to only \$470,000 in 2015.
 - General Obligation Bond funding from housing propositions 46 and 1C, in early 2000, is nearly exhausted but carries long-term debt service on the bonds.
- The **Fourth Challenge** we identify in the assessment is that people experiencing homelessness and other **vulnerable populations face additional barriers to obtaining housing**.
 - Forty-one percent (41%) of complaints filed with Department of Fair Housing and Employment were from persons that felt discriminated against due to their disability.
 - We have the **largest homeless population in the country**. California accounts for a disproportionate 22% of the nation's homeless population, but only 12% of the overall population.
- The **Fifth Challenge** identified in the assessment is that lack of affordable housing has far-reaching negative impacts.
 - California families continue to struggle to make ends meet. **One-third of renters pay more than 50% of their income toward rent** and **homeownership rates are at their lowest since the 1940s**.
 - **More people are living in distressed neighborhoods** and the increase of poor residents in high poverty census tracts is much higher than other areas.¹
 - **Families suffer long-term consequences**. Studies indicate that **where** a child is raised affects the future economic potential of that child. Children with greater exposure to poverty during childhood are up to **45% more likely to have difficulty escaping poverty as adults**.

¹ According to Brookings, the number of people living in distressed neighborhoods has grown by more than 5 million since 2000. Brookings found that since 2000 the growth in the poor population for California's 10 largest metro areas was an average of 28%, but the growth of poor residents in the high poverty census tracts was an average of 53%.

- **Lack of housing supply, affordable units, and rising costs are compounding growing inequality for younger Californians**, threatening California's economic future.
- In estimated dollar terms, CA loses **roughly \$240 billion per year in economic output due to insufficient affordable housing**, or **6 percent** of our entire state GDP.
 - More than \$90 billion is lost activity for the construction industry,
 - More than \$50 billion is lost consumption crowded out by housing costs,
 - Additional spending occurs to address homelessness (shelter, emergency room visits, policing, mental health interventions, and other services).
- While California's challenges appear daunting, we are making progress and we can take strides to **correct our course**:
 - Among other steps forward, last year saw the creation of the **"No Place Like Home"** program, which authorizes a \$2 billion-dollar bond to fund permanent supportive housing for Californians experiencing homelessness and mental illness. **The sheer size of this funding commitment is impressive.**
 - During the November 2016 election, voters in five jurisdictions across the state also **approved \$2.7 billion in local bonds** to house the homeless and support the construction of affordable housing.
 - The 2016 Budget Act included nearly \$150 million in new funding for homeless programs including **\$35 million for the new California Emergency Solutions Grant program.**
 - Last year we also saw several bills making it **easier to create homes through Accessory Dwelling Units**, a step forward in increasing our housing supply.
 - We are now in our **third round of funding through the Veterans Housing and Homelessness Prevention program**. This program is authorized \$600 million in existing bond authority approved by voters through Proposition 41 to provide multifamily housing for veterans and their families experiencing homelessness.
 - Annually 20% of Greenhouse Gas Reduction Fund revenues support the **Affordable Housing Sustainable Communities Program**, with at least half of the funds for affordable housing.

- Just a few of weeks ago, the Governor announced in his budget, **a strong commitment to work with the legislature to address the state's housing shortage and affordability pressures.** Within the budget, he provided a set of principles to consider in developing a comprehensive package including **the need for streamlining regulatory processes and increasing both accountability and incentives for building more housing.** Any investments in housing require significant reforms, and may be provided as a permanent on-going, non-general fund revenue source.
- The ideas in the Governor's Budget **align and build from the framework presented in "California's Housing Future,"** and the data and principles from the final version will not only inform policy making in the near term, but for the next decade to come.