



## How Housing Prices Drive California's High Cost of Living and What We Can Do

CBPC Policy Insights Conference  
March 22, 2018

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### California Housing Partnership

- Created by State Legislature (1988) to provide leadership on affordable housing policy issues
- Governor, Speaker & Pro Tem appoint board but a private nonprofit in all other respects
- Provides TA to more than 100 NP & Gov'ts
- Financed 70,000+ affordable rental homes
- Provided training to 15,000+
- Advocate for energy/water access for renters

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### Housing Cost – Poverty Relationship

CALIFORNIA'S POVERTY RATE RISES TO 20% WHEN HIGH HOUSING COSTS ARE INCLUDED

<p style="text-align: center;">Official Poverty Measure (OPM)</p> <p style="text-align: center; font-size: 24px; font-weight: bold;">15.4%</p> <p style="text-align: center;">Unadjusted for Housing Costs</p>	<p style="text-align: center;">California Poverty Measure (CPM)</p> <p style="text-align: center; font-size: 24px; font-weight: bold;">20.4%</p> <p style="text-align: center;">Adjusted for Housing Costs and Social Benefits</p>
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Source: Public Policy Institute of California (PPIC), California Poverty by County and Legislative District, 2013-2015.

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### Poverty Increases in 8 of 10 Most Populous Counties When Adjusted for Housing Costs

County	Shortfall	OPM	CPM	Rental Vacancy
Los Angeles*	-568,255	17.2%	24.9%	1.6%
San Diego	-143,800	13.3%	20.4%	1.8%
Orange	-92,738	11.9%	21.3%	1.3%
San Bernardino	-72,032	19.0%	18.7%	1.6%
Riverside	-64,526	16.3%	19.0%	1.5%
Santa Clara	-58,583	7.9%	16.2%	1.4%
Sacramento	-58,552	16.6%	17.5%	1.6%
Alameda	-53,691	11.3%	17.1%	1.0%
Fresno	-41,108	26.1%	20.4%	1.5%
Contra Costa	-31,193	10.0%	15.5%	0.6%

Source: NLIHC analysis of 2016 PUMS data. Public Policy Institute California (PPIC), California Poverty by County and Legislative District, 2013-2015. CHPC analysis of vacancy rates in 2016 ACS data. \*CHPC analysis of 2016 PUMS data.

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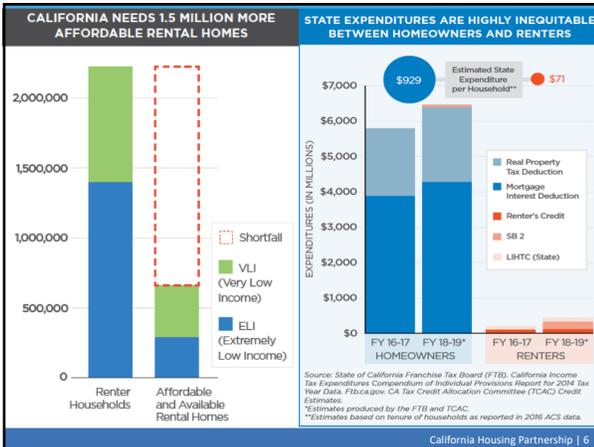
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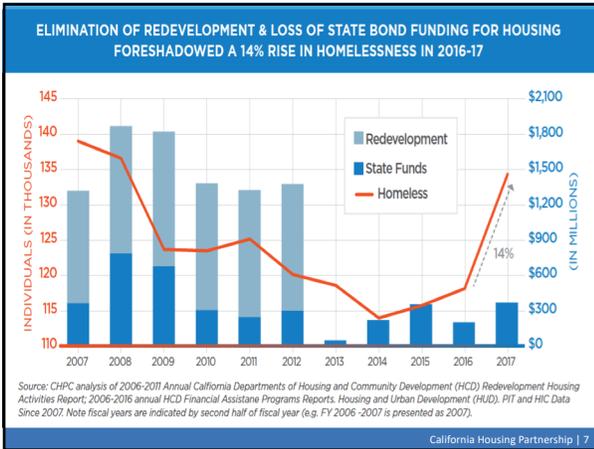
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## What Should the CA Legislature Do?

1. Use \$2 billion of the \$6 billion State budget surplus to:
  - a. Create and preserve 15,000 affordable rental homes (\$1B)
  - b. Provide homeless housing subsidies & services (\$1B)
  - c. SB 912 (Jim Beall, San Jose)
2. Pass **Make It Fair Proposition 13 Commercial Property Tax Reform** in November and use \$1 billion of the \$11 billion of new funding annually to replace former redevelopment \$\$ and create 15,000 more homes/year
3. Pass the **Veterans and Affordable Housing Bond Act of 2018** to provide \$4 billion in funding to create and preserve 50,000 affordable homes

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## What is the role of Federal Housing Programs in California, What is at Stake and What Should be Done?

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### Federal Low Income Housing Tax Credits now assist more CA households than Vouchers

**Number of assisted units in CA in 2017, in thousands**

Program	Number of assisted units (in thousands)
Federal LIHTC (9%+4%)	328
Housing Vouchers	304
Sec. 8 PBRA	98
Public Housing	29
USDA 521	17
202/811 PRAC	16

Compiled by CHPC and CBPP from HUD, OMB, USDA sources

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### Largest federal housing program \$ in CA in 2017

Program	Funding (in millions)
Housing Vouchers	\$3,716
Federal LIHTC (9%+4%)	\$2,200
Sec. 8 PBRA	\$1,096
Public Housing	\$168
Homeless Asst (CoC, ESG)	\$386
HOPWA (formula only)	\$35
202/811 PRAC	\$65
USDA Section 521	\$137
HOME	\$129
CDBG	\$357

Compiled by CHPC and CBPP from HUD, OMB, USDA sources

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### What is the Low Income Housing Tax Credit?

- Examples of Tax Credits include:
  - Earned Income Tax Credit
  - Child Care Tax Credit
  - Higher Education Tax Credit
- 1986 Tax Reform Act Created the Housing Credit (Section 42 of the IRC)
- In CA, the Tax Credit Allocation Committee is the allocating agency
  - Developers (nonprofit and for-profit) apply to TCAC for housing credits
  - Amount of credits is based on eligible construction related costs
  - TCAC monitors projects for 15/55-year compliance period (per Section 42)
- Developers “sell” housing credits to investors who use the credits to reduce taxes over 10-year period
- Investors pay cash up front which is used to build the housing

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### LIHTC – Credits, Income and Rent Limitations

- Housing Credit Equity investment typically pays for 30-65% of total development costs
- Remaining costs paid with private and local government loans
- Initial incomes must not exceed 60% AMI with averages closer to 45% AMI if competitive programs are used
- Rents restricted for 55 years and must be ≤ 30% Area Median Income level (e.g. 30%, 50% and 60% AMI) assuming 1.5 persons per bedroom
- Gross rents include utility allowance

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### Impact of Tax Reform on CA LIHTC 2017

- 2016 California LIHTC Market value was \$3.6 billion
- In 2017, California LIHTC Market value dropped \$1.4 billion (39%) to \$2.2 billion, more than three times bigger than predicted
- Affordable rental home production dropped 45% from 24,319 in 2016 to 13,335 in 2017
- New construction rental homes dropped 20% from 9,285 in 2016 to 7,407 in 2017
- Acquisition/Rehab dropped 61% from 15,032 in 2016 to 5,928 in 2017

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### Actual Impact of Tax Reform on CA LIHTC

**LOW INCOME HOUSING TAX CREDIT (LIHTC) PRODUCTION IN CALIFORNIA DECLINED 45% IN ANTICIPATION OF FEDERAL TAX REFORM**

State			
Type	2016	2017	Change %
New Construction	9,285	7,407	-20%
Acquisition & Rehab	15,032	5,928	-61%
All	24,317	13,335	-45%

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### Impact of Tax Reform on CA LIHTC by Region

Bay Area			
Type	2016	2017	Change %
New Construction	3,230	2,514	-22%
Acquisition & Rehab	5,016	1,629	-68%
All	8,246	4,143	-50%

Los Angeles County			
Type	2016	2017	Change %
New Construction	1,853	1,456	-21%
Acquisition & Rehab	3,292	891	-73%
All	5,145	2,347	-54%

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- ### What Do We Ask Congress to Do?
1. Include provisions from bipartisan bills to improve the LIHTC: S. 548/H.R. 1661
  2. Defend Community Reinvestment Act (CRA) Regulations that incentive banks to purchase invest in and lend to affordable housing
  3. Fully fund HUD & USDA housing programs
  4. Fight unfair tenant & owner rent policies
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