



California
Housing
Partnership
Corporation

*California's Experts on Affordable
Housing Finance, Advocacy & Policy*

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

CBPC Policy Insights Conference
March 22, 2018

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

Official Poverty Measure (OPM)

15.4%

Unadjusted for Housing Costs

California Poverty Measure (CPM)

20.4%

Adjusted for Housing Costs and Social Benefits

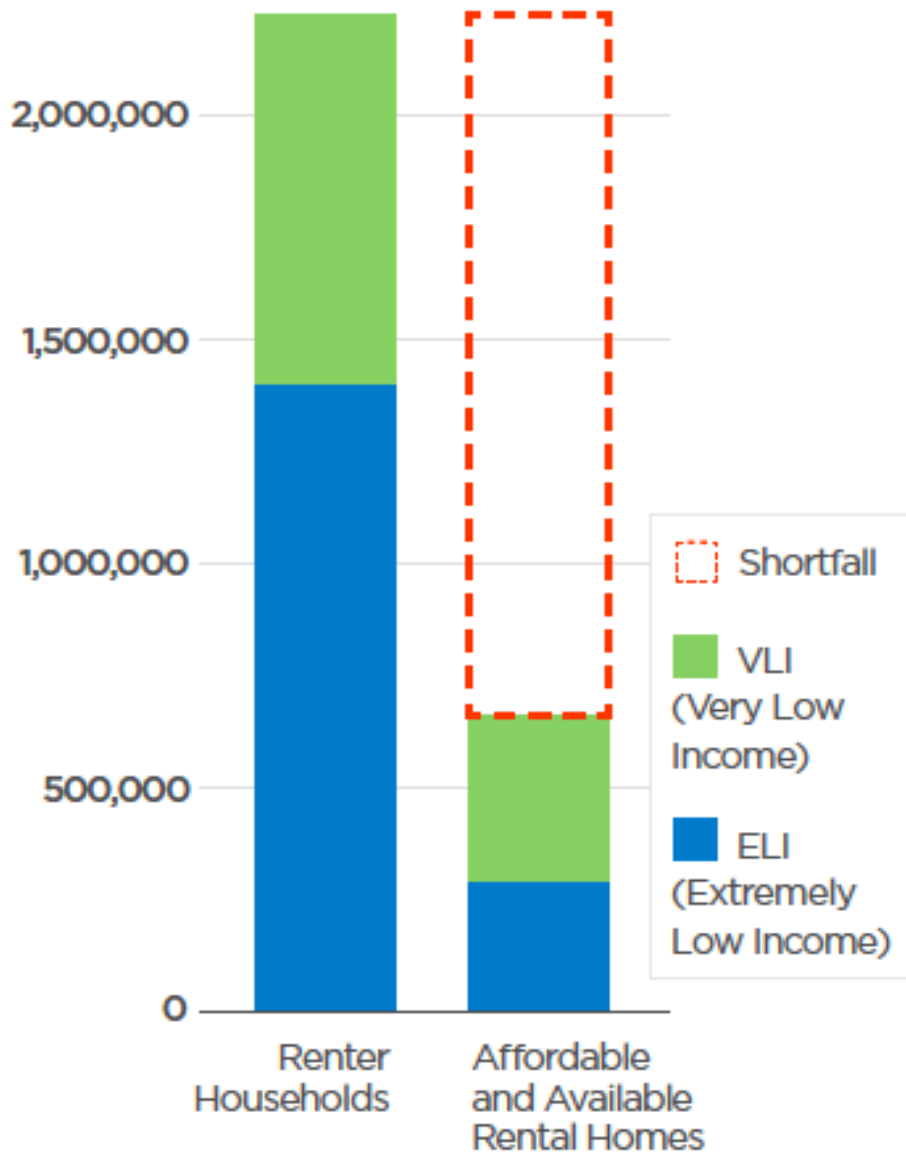
Source: Public Policy Institute of California (PPIC), California Poverty by County and Legislative District, 2013-2015.

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

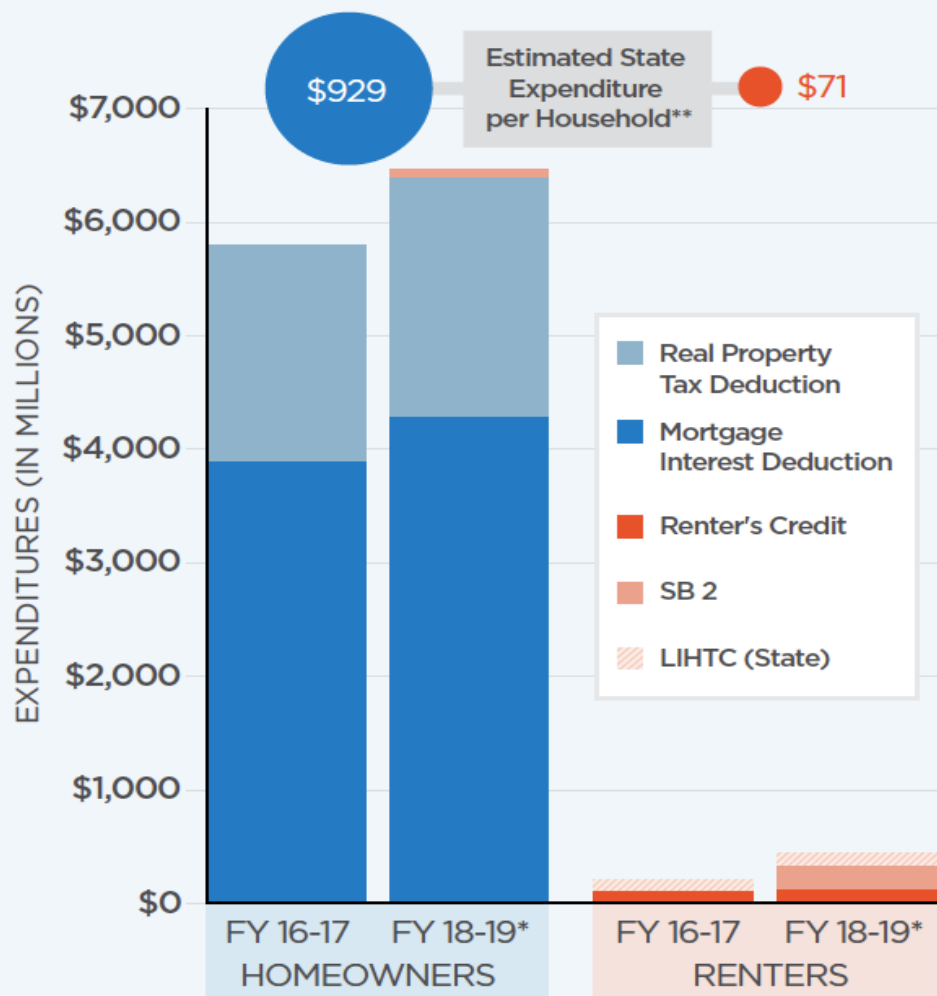
County	Shortfall	OPM		CPM	Rental Vacancy
Los Angeles*	-568,255	17.2%	↗	24.9%	1.6%
San Diego	-143,800	13.3%	↗	20.4%	1.8%
Orange	-92,738	11.9%	↗	21.3%	1.3%
San Bernardino	-72,032	19.0%	↘	18.7%	1.6%
Riverside	-64,526	16.3%	↗	19.0%	1.5%
Santa Clara	-58,583	7.9%	↗	16.2%	1.4%
Sacramento	-58,552	16.6%	↗	17.5%	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.

CALIFORNIA NEEDS 1.5 MILLION MORE AFFORDABLE RENTAL HOMES



STATE EXPENDITURES ARE HIGHLY INEQUITABLE BETWEEN HOMEOWNERS AND RENTERS

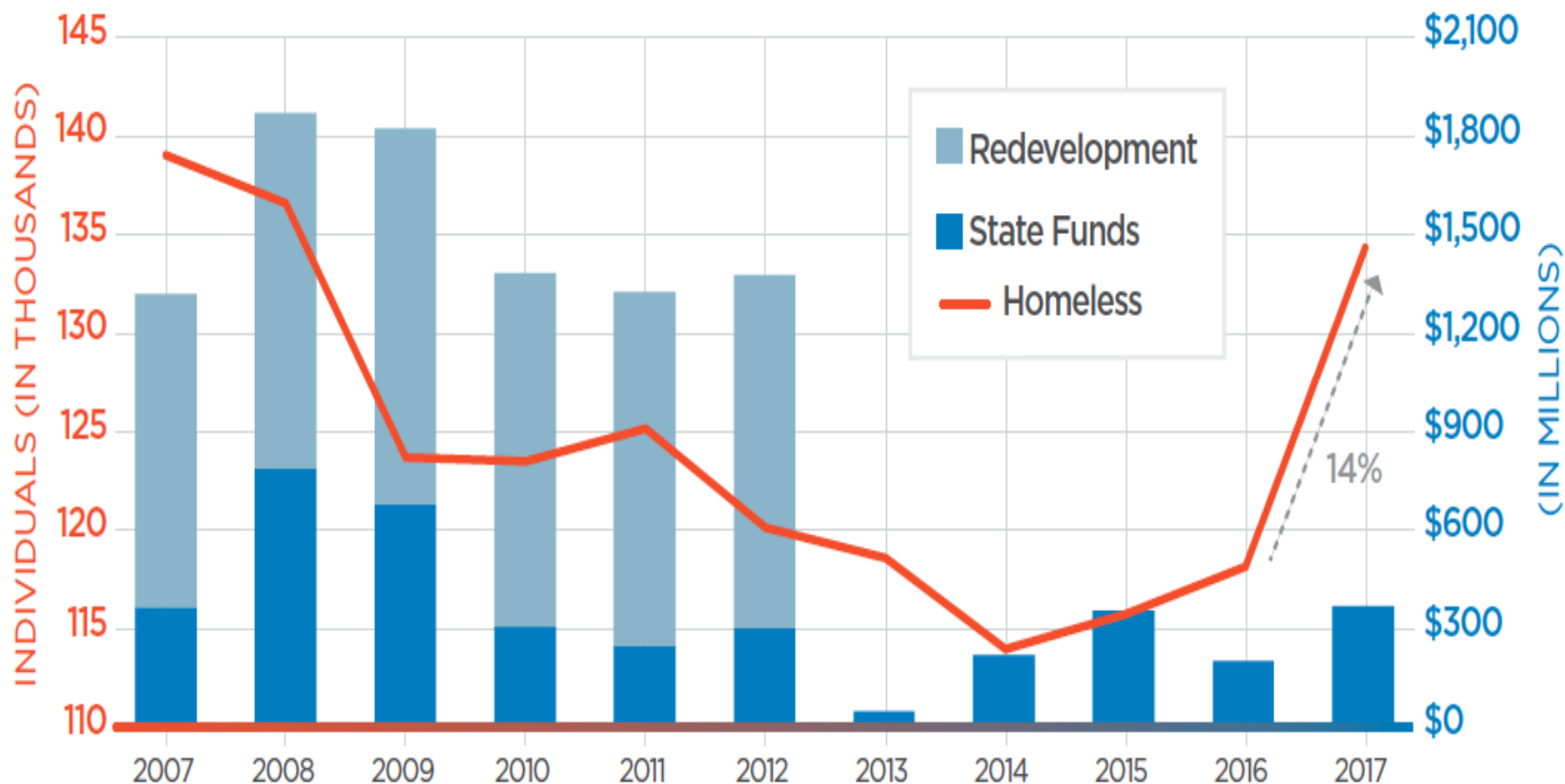


Source: State of California Franchise Tax Board (FTB). California Income Tax Expenditures Compendium of Individual Provisions Report for 2014 Tax Year Data. Ftb.ca.gov. CA Tax Credit Allocation Committee (TCAC) Credit Estimates.

*Estimates produced by the FTB and TCAC.

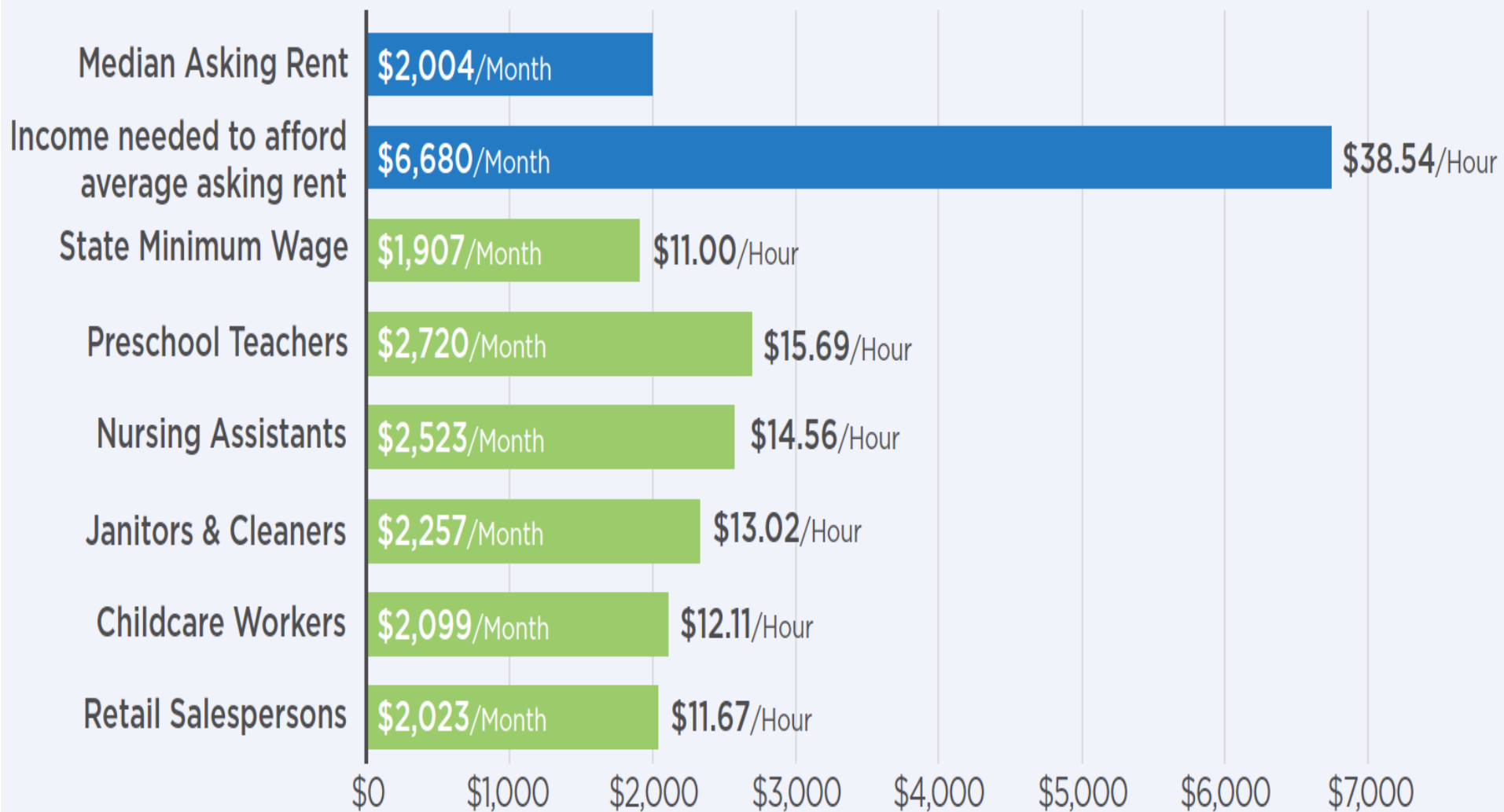
**Estimates based on tenure of households as reported in 2016 ACS data.

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).

RENTERS NEED TO EARN 3.5 TIMES MINIMUM WAGE TO AFFORD MEDIAN ASKING RENTS



Source: Paul Waddell, Urban Analytics Lab, University of California, Berkeley, retrieved from analysis of online Craigslist listings in February 2018. CHPC analysis of Bureau of Labor Statistics Medial Annual Wage Data for CA Occupations for 2016.

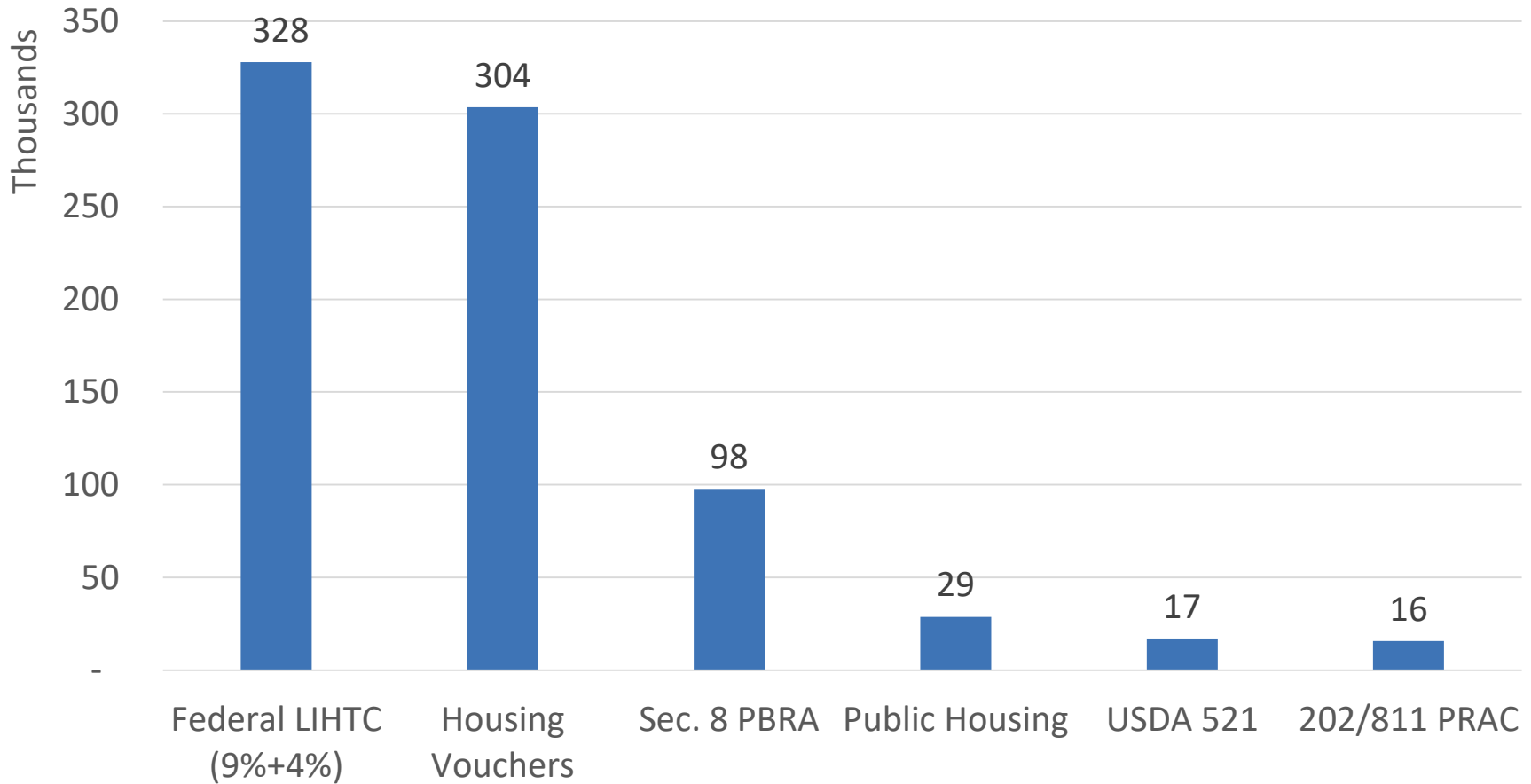
What Should the CA Legislature Do?

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

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

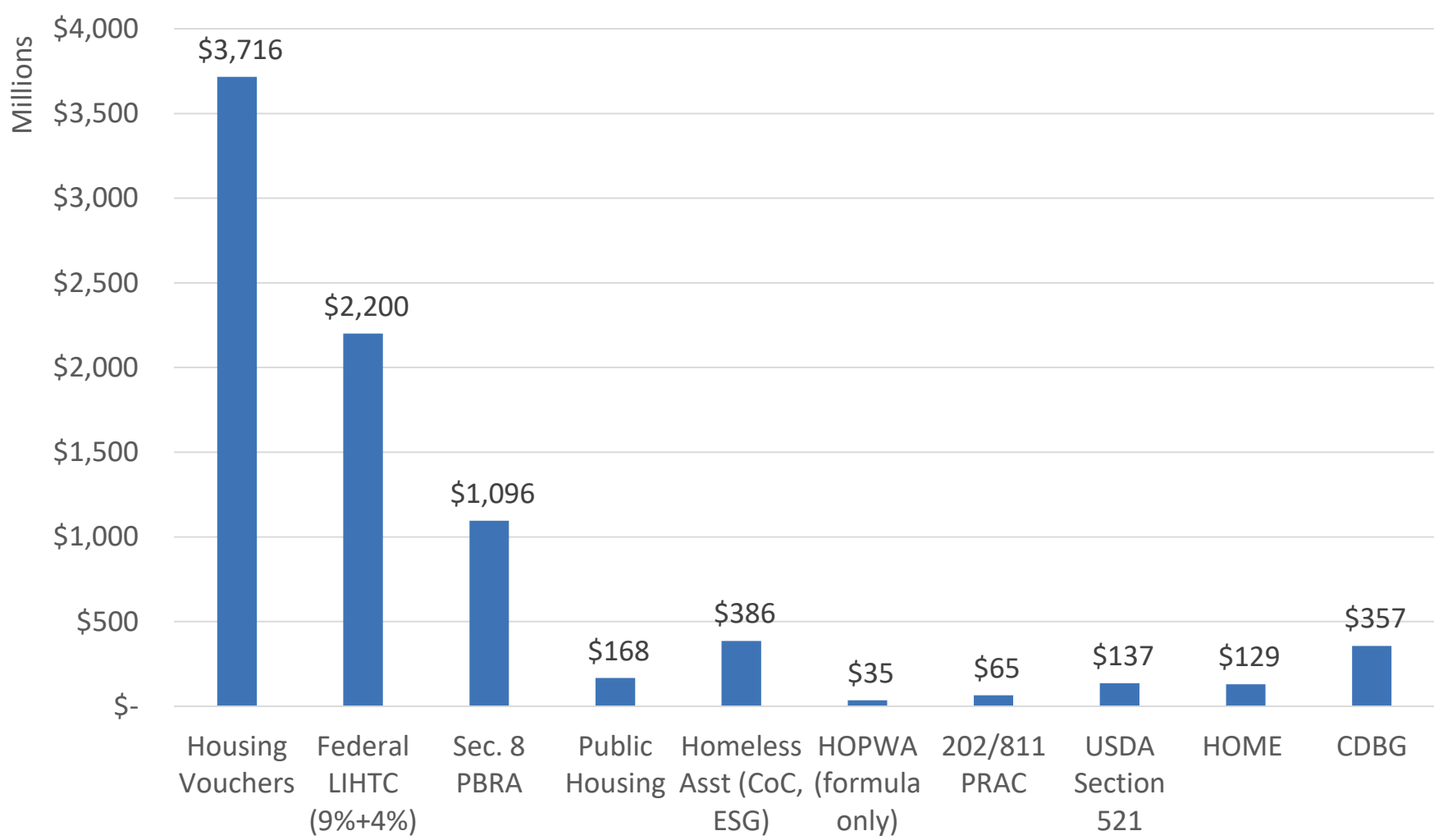
Federal Low Income Housing Tax Credits now assist more CA households than Vouchers

Number of assisted units in CA in 2017, in thousands



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

Largest federal housing program \$ in CA in 2017



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

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

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 $\leq 30\%$ Area Median Income level (e.g. 30%, 50% and 60% AMI) assuming 1.5 persons per bedroom
- Gross rents include utility allowance

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

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%

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%

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