Homelessness and Housing Affordability

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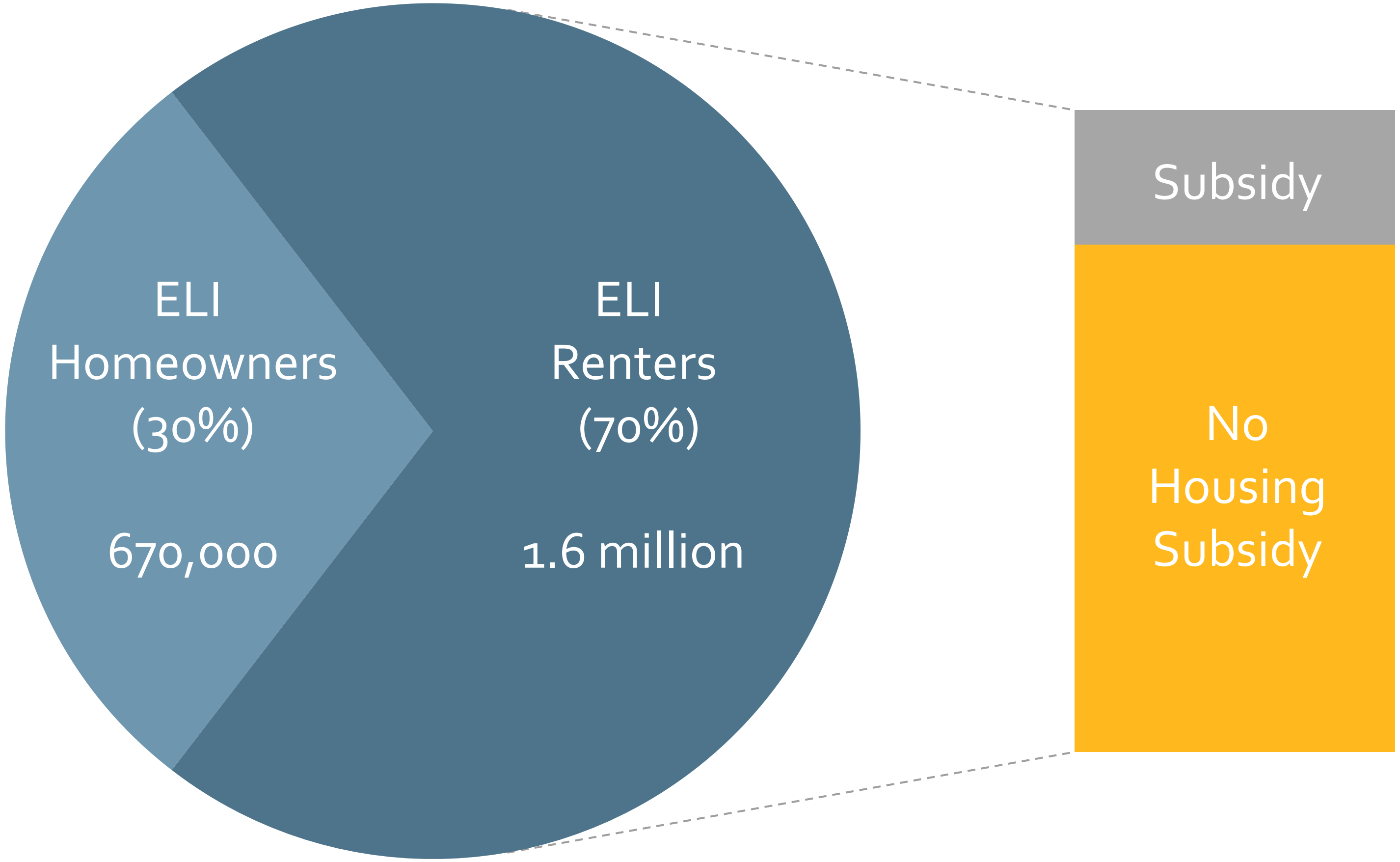
California’s homelessness rate is directly tied to its housing affordability crisis

- At the individual level, the causes of homelessness are complex, making it difficult to predict who will become unhoused
- But studies have consistently shown that regions with higher housing cost burdens—where households spend more than 30 percent of their income on rent—have higher rates of homelessness
- The risks are especially high for extremely low-income (ELI) renters, those earning less than 30 percent of the median income for the county in which they live
  - Data show that the economic impacts of the COVID-19 pandemic have disproportionately affected ELI renters, raising concerns that they will face heightened housing insecurity in 2022 as moratoria and aid efforts end

California has over 2.2 million households earning less than 30% AMI, the majority of them renters

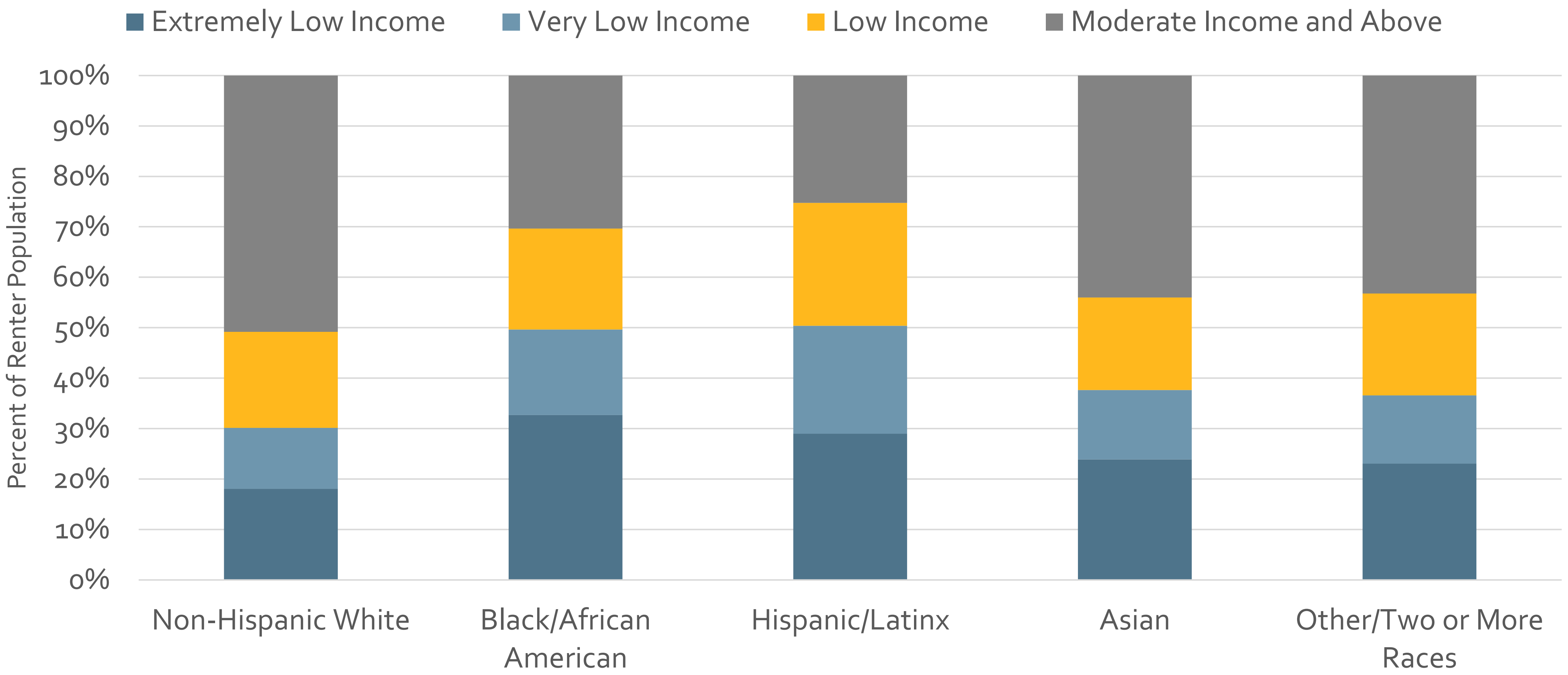


Estimate that 20% of ELI renters receive some form of housing assistance

The rest, ~1.28 million households, face significant housing insecurity

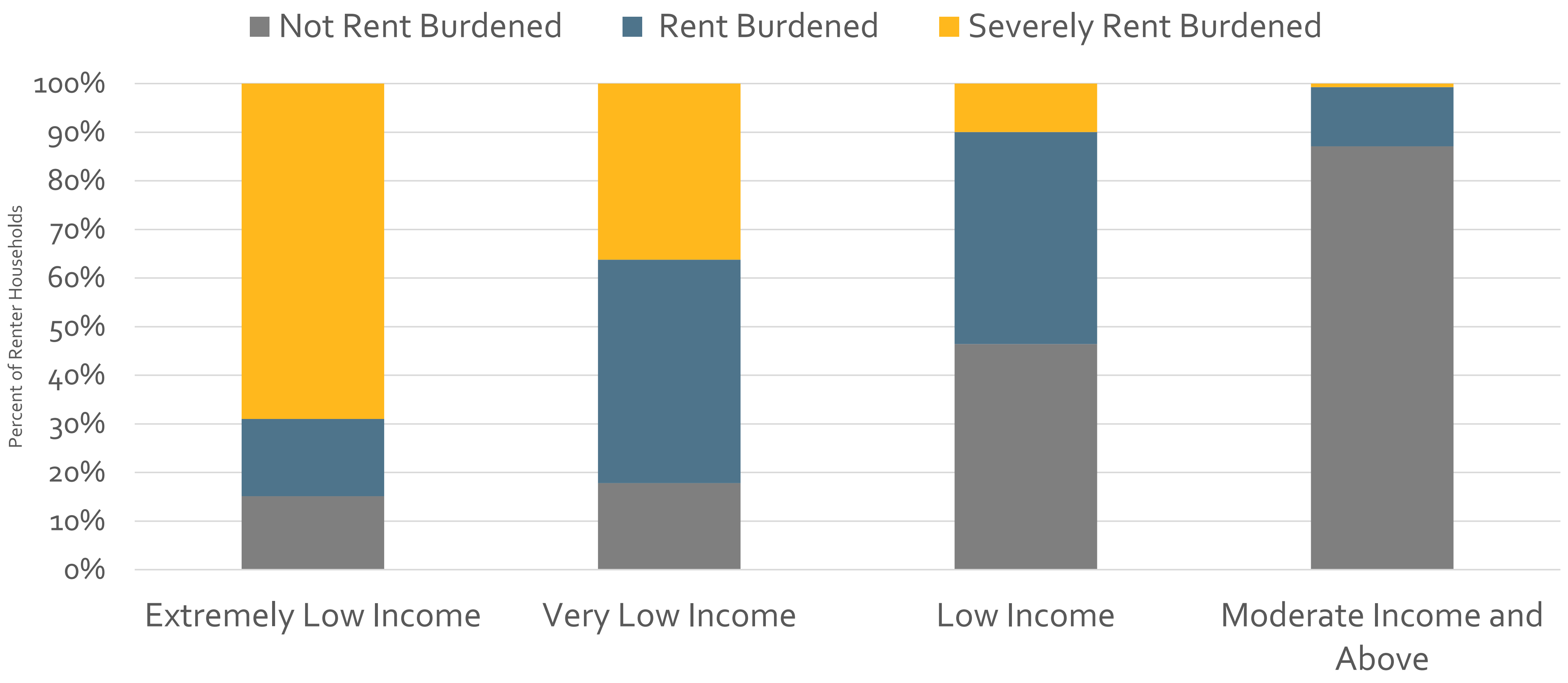
Source: American Community Survey 2019 5-year estimates, California HCD Income Limits (2019)

Black and Hispanic/Latinx individuals disproportionately represented among ELI renter households



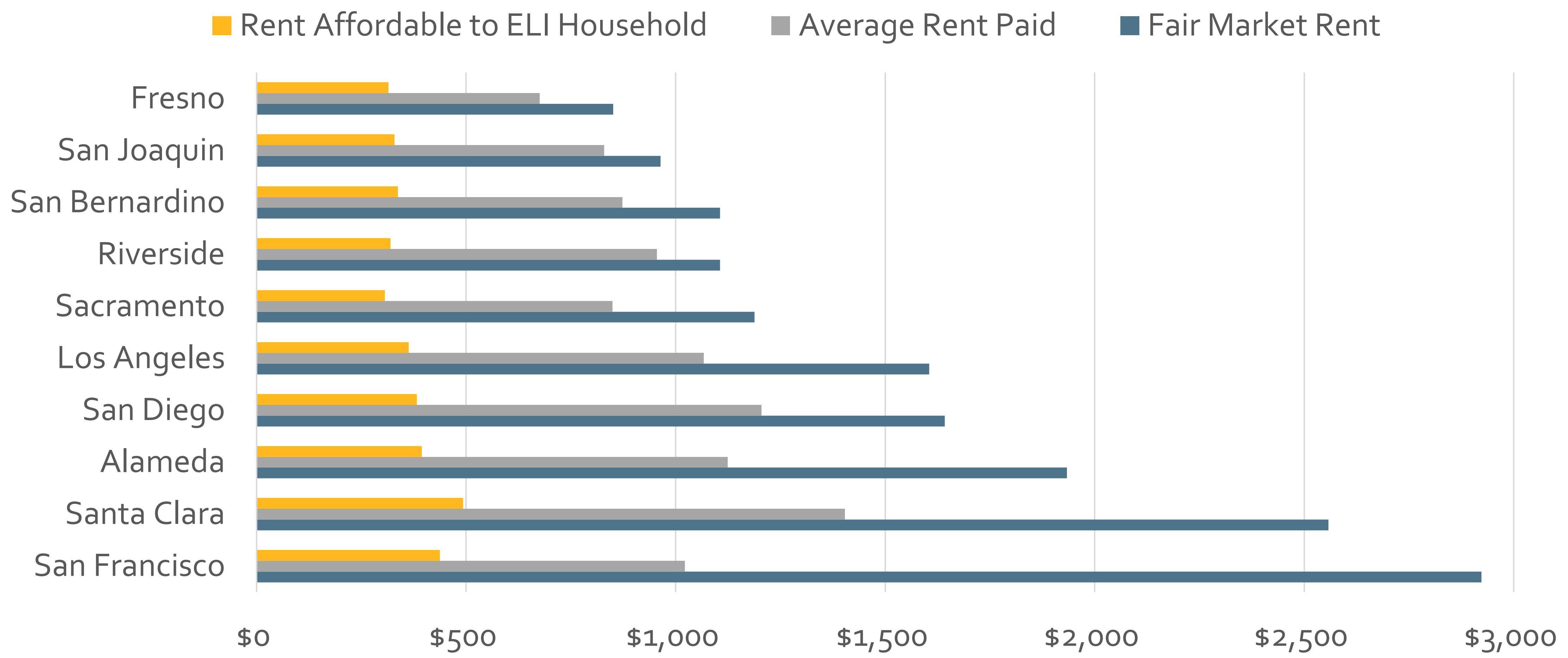
Source: American Community Survey 2019 5-year estimates

ELI renter households face significant housing cost burdens; direct link to increased homelessness



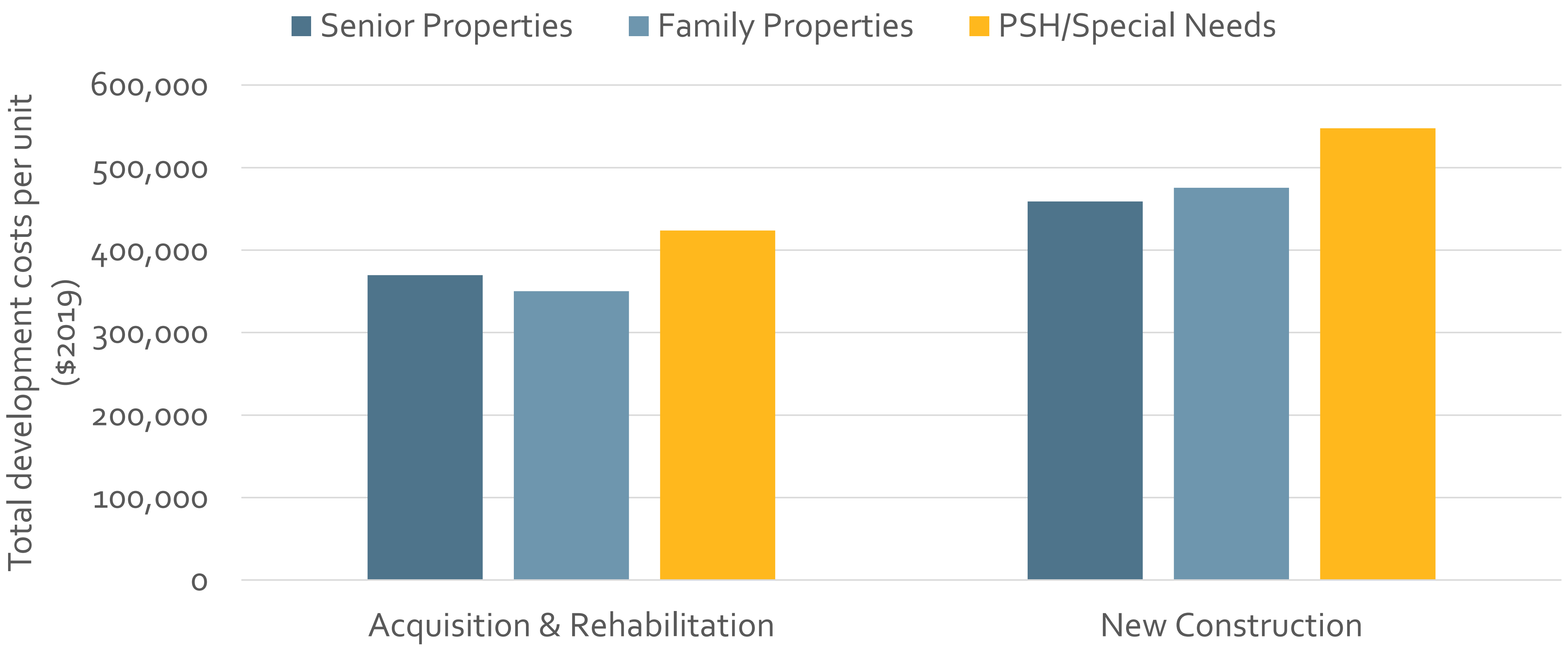
Source: American Community Survey 2019 5-year estimates, California HCD Income Limits (2019)

Gap between affordable rents and market prices increases housing insecurity and subsidy costs



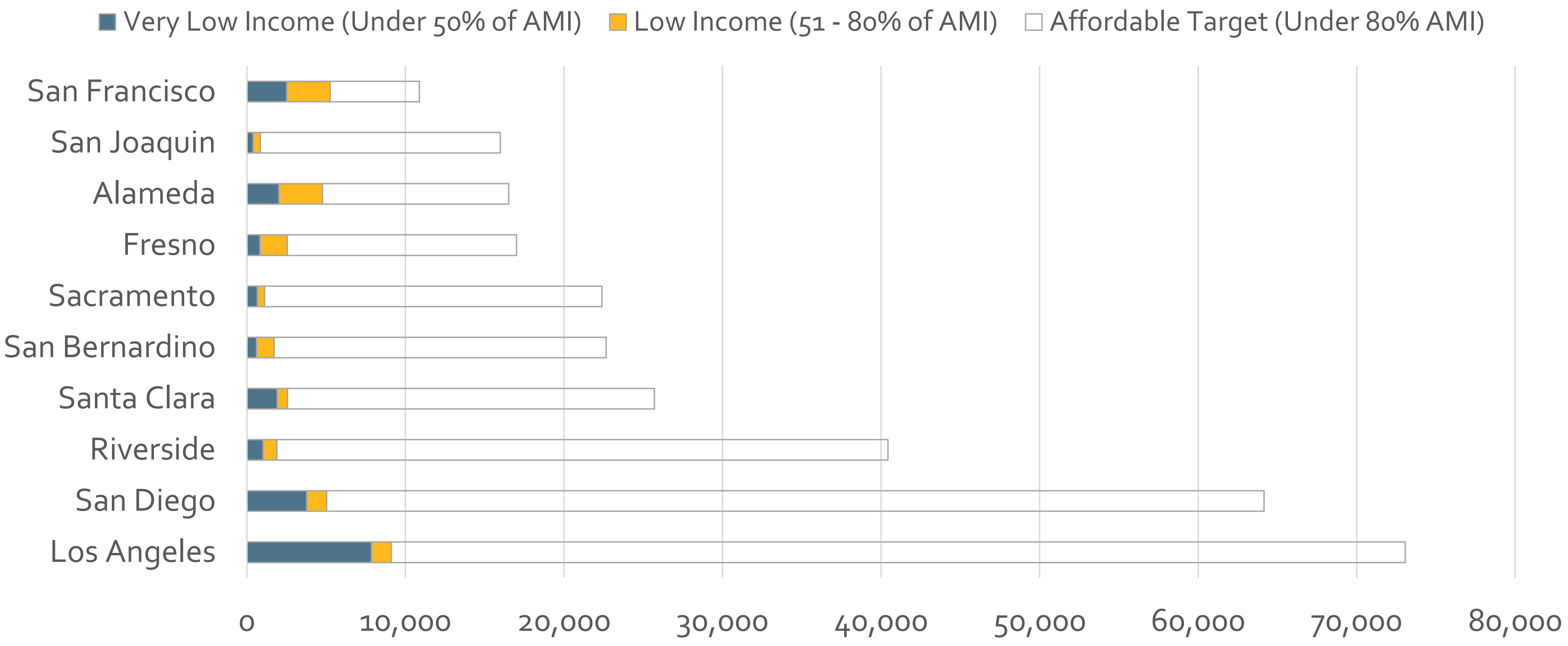
Source: American Community Survey 2019 5-year estimates, California HCD Income Limits (2019), HUD Fair Market Rents

High development costs limit how much affordable housing can be built with existing funds



Source: Reid, Carolina. "The Costs of Affordable Housing Production: Insights from California's 9% Low-Income Housing Tax Credit Program." Berkeley, CA: Terner Center for Housing Innovation, March 2020. https://ternercenter.berkeley.edu/research-and-policy/development-costs-lihtc-9-percent-california/.

Lack of sufficient subsidies and high costs contribute to challenges in meeting RHNA targets for affordable units



Source: California Department of Housing and Community Development, RHNA Annual Progress Reports, October 2021, 5th Cycle

Significant policy progress to build on…

- Strengthening of legal framework for added supply at the state level
  - Increased zoned capacity for residential
  - Expanded streamlining for proposed affordable projects
  - Greater accountability for Regional Housing Needs Allocation process
- After decades of cutbacks, support for affordable housing and resident services is growing
  - Local and state governments are prioritizing housing investments, especially to address homelessness
    - For example, Homekey, the Homeless Housing, Assistance and Prevention (HHAP) program, No Place Like Home (NPLH), and CalAIM hold significant promise
    - Local ballot measures in some regions are helping to fill key funding gaps
  - Build Back Better: stalled but not dead – administration support for expanded voucher authority critical for California
  - Philanthropic sector is engaged and helping to spur innovation

But challenges remain, highlighting the importance of continuing to prioritize housing statewide

- Ongoing resistance to building new housing, especially for multifamily, affordable, and permanent supportive housing
- High development costs impact the level of subsidy needed for every unit, and also prevent market from producing lower-cost supply
  - Supply pressures on all market segments lead to rising rents across the board
- Insufficient and fragmented subsidies complicate and delay affordable housing production
  - Lack of operating subsidies for long-term sustainability of PSH properties is a significant challenge
- Widening income inequality contributes to and exacerbates housing crisis
- Long-term economic (and health) impacts of COVID-19 pandemic

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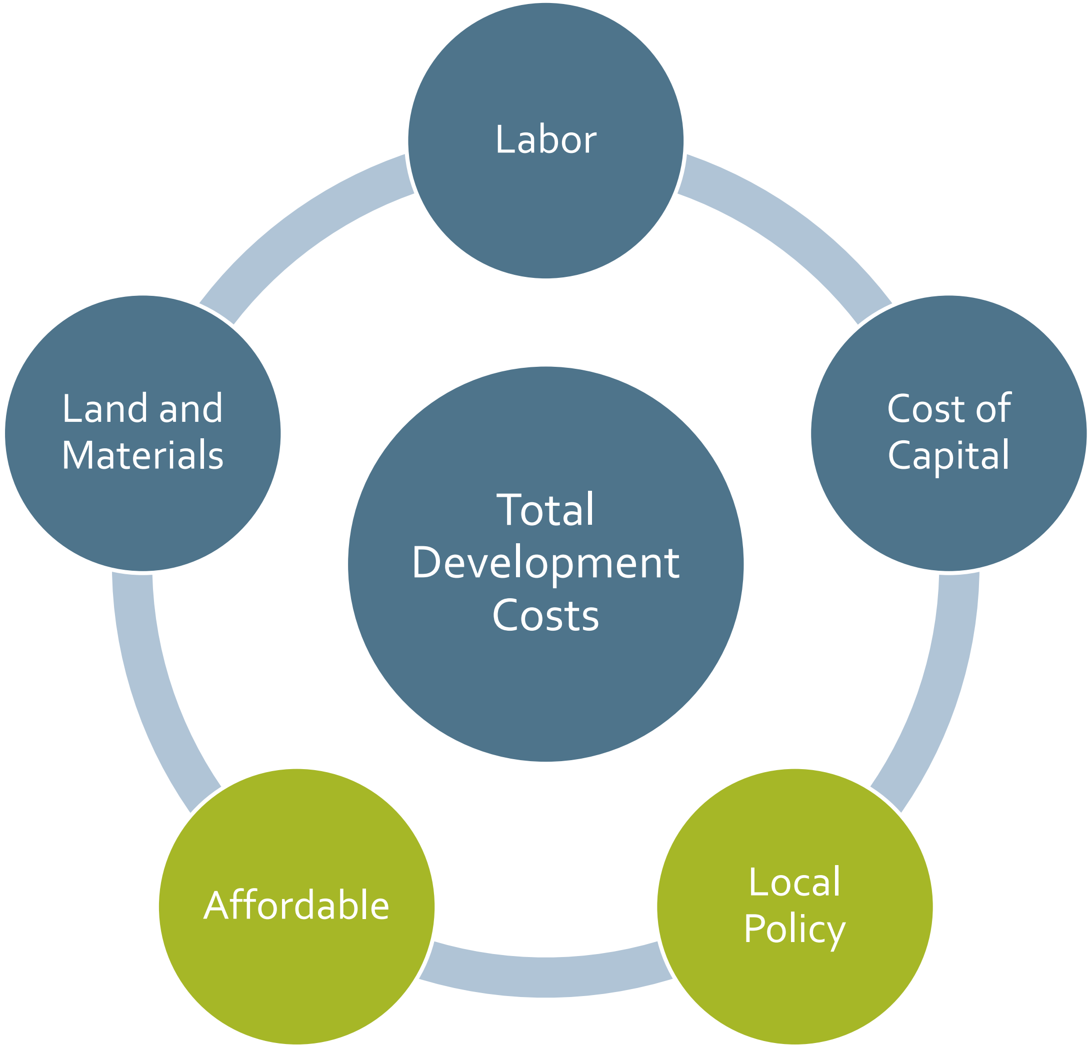
THANK YOU!

California’s affordability crisis has multiple causes, and has been decades in the making

Post WWII building boom	• Suburban development • Development largely benefits non-Hispanic White households: urban renewal, redlining, racial covenants, and other discriminatory real estate practices reinforce racial segregation and inequality in housing market
1970s – 1990s	• California Environmental Quality Act (CEQA) is passed in 1970; becomes a tool that is often misused to halt development • Proposition 13 (1978) creates incentives for jurisdictions to prioritize commercial over housing development; increases use of impact fees • Cities establish stricter controls on residential development, slowing down development process, increasing costs and limiting housing production
2000s - 2020	• Declines in funding and development capacity (e.g., dissolution of redevelopment, cuts in HOME, CDBG) and rising costs • Foreclosure crisis: consolidation of rental property owners (including single family), rise in rental demand • Rising income inequality, “hourglass” labor market

Drivers of development costs



Market-driven costs

- Land, materials, labor, cost of capital

Policy cost drivers

- Entitlement and permitting timelines
  - Delays due to NIMBY opposition/CEQA
- Impact fees
- Parking requirements
- Design, building and environmental sustainability requirements (local and state)
- Local hire/prevailing wage

Affordable housing cost drivers

- Funding fragmentation and complexity
- Services and higher operating costs (PSH)