



ASSEMBLY COMMITTEE ON
HOUSING AND COMMUNITY DEVELOPMENT

DAVID CHIU, CHAIR

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ASSEMBLYMEMBER, SEVENTEENTH DISTRICT

April 14, 2016

Honorable Adrin Nazarian
Assemblymember Forty-sixth District
Chair, Assembly Budget Sub-4 Committee
State Capitol, Room 4146
Sacramento, CA 95814

Dear Assemblymember Nazarian,

As you know, California faces an affordable housing crisis that tarnishes the promise of our great state. When the costs of our record high rents and home prices are factored in we have the highest poverty rate in the nation. Since 2008, median rents in California have increased by over 20 percent, as median incomes have dropped by 8 percent. Over 1.5 million low-income families lack access to an affordable rental home, and our state includes 20 percent of our country's homeless population. As affordable housing production by the private sector has significantly diminished, and the state has significantly reduced its investment in affordable housing, now more than ever we need to prioritize the production of new affordable units.

California's homeownership rate is at a record low of 54 percent, as skyrocketing home prices have outpaced median incomes. In high cost areas, teachers, nurses, firefighters, police officers and other middle class public servants can no longer afford to live in the communities they serve. The imbalance of affordable housing near jobs has far-reaching negative impacts, exacerbating traffic congestion, climate change, and income inequality.

A precipitous drop in state and federal divestment in affordable housing has intensified these problems. With the elimination of California's redevelopment agencies and the exhaustion of state housing bonds, California has reduced its funding for the development and preservation of affordable homes by 79 percent - approximately \$1.7 billion a year. No permanent or sustainable source of funding has been created to compensate for this loss. The housing crisis has contributed to a growing homeless population, increased pressure on local social safety nets, created an unstable development and construction marketplace, and has led to the departure of tens of thousands of long-time Californians.

While we continue work on a permanent funding source for affordable housing in the state, Californians cannot wait. Immediate action is needed. We need to make a strategic investment in this budget year to address our housing crisis.

Investing one-time surplus funding in affordable housing production makes sense. Housing does not require ongoing state maintenance or investment, but creates long term benefits: our state programs require state-funded housing to be provided to lower-income families for 55 years. Investment in many state programs results in significant leverage of private, federal, and local investment. Furthermore:

- Affordable housing saves money -- on average, a single homeless Californian incurs \$2,897 per month in county costs for emergency room visits and in-patient hospital stays as well as the costs of arrests and incarceration. Roughly 79 percent of these costs are cut when that person has an affordable home.
- Development creates jobs -- an estimated 29,000 jobs are created for every \$500 million spent on affordable housing production.
- Affordable housing alleviates poverty -- California households with the lowest 25 percent of incomes spend 67 percent of their income on housing, leaving little left over for other essential needs.

As our state economy continues to rebound, we have begun restoring some of the cuts made to many of our state's critical programs, but unfortunately, housing was not one of these areas. Affordable housing resources that were reduced to zero when redevelopment was eliminated must be among these restorations.

For these reasons, we request the following investment into the following key areas to address our housing affordability crisis:

Rental Housing for Lower Income Working Families

- \$300 million for the Low income Housing Tax Credit (LIHTC). This program funds the construction, rehabilitation, acquisition of multi-family rental housing for families and individuals at 60 percent of area median income (AMI) or below. This one time investment will leverage \$550 million in federal 4% LIHTC and at least \$400 million in federal tax-exempt bond authority.
- \$200 million for the Multi-family Housing Program (MHP). This program funds the construction, rehabilitation, and acquisition of multi-family rental housing for families and individuals at 60 percent of AMI or below.

Homeownership Opportunities and Rental Housing for Working Families

- \$200 million for the Local Funding Grants for Workforce Housing. This new program will provide funding to local governments for down payment assistance, homeownership assistance, rental housing, and to address displacement for individuals

and families. In high cost areas local governments could serve families that make up to 120 percent of AMI. The program would require local jurisdictions to provide a funding match.

- \$200 million for CalHome. This program provides for grants and loans to local governments and nonprofit organizations for rehabilitation of existing homes, mortgage assistance, real property acquisition, site development, predevelopment, and construction period expenses of homeownership development projects, or permanent financing for mutual housing and cooperative developments. Within this program is the Self-Help Housing Program that provides grants to nonprofit organizations for construction supervision of groups of families building their own homes.

Housing for Farmworkers and their Families

- \$50 million Joe Serna Farmworker Housing Grant Program. This program finances the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households.
- \$25 million increase to the Farmworker Housing Tax Credit. This program funds the construction, rehabilitation, and acquisition of multi-family rental housing for farmworkers and their families who make up to 60 percent of AMI.
- \$250,000 for the Napa County Farmworker Housing Centers. Napa County is not eligible for funding from the Office of Migrant Services program; however, to maintain the County's three farmworker housing centers, additional funding is needed.

Seismic Retrofit of Soft-Story Homes

- \$60 million for Personal Income Tax Credit for Seismic Retrofit of Soft Story buildings. This program allows a credit equal to 30 percent of a qualified taxpayer's qualified costs incurred for seismic retrofit construction.

Housing Assistance and Production for Homeless Individuals and Families

- \$200 million for Multi-Family Housing Program – Supportive Housing. This program funds the construction, rehabilitation, acquisition of rental housing with supportive services for families and individuals who are homeless or at-risk of homelessness whose incomes do not exceed 30 percent of AMI.
- \$60 million for the Medi-Cal Housing Program. This new program would provide rental assistance for people who are homeless and enrolled in Medi-Cal served through a county's 1115 Waiver Whole Person Care Pilot Program. The federal government has authorized \$1.5 billion in funding for funding for services for the Whole Person Care

Pilot Program. Ongoing funding for the program would come from future savings by Medi-Cal due to housing high-risk homeless clients.

- \$40 million for the Emergency Shelter Grant Program. This program assists persons at risk of becoming homeless with homelessness prevention assistance and rapid rehousing.

We appreciate your consideration of this request and look forward to working with you to ensure that California's families are served through these vital housing programs.

Sincerely,



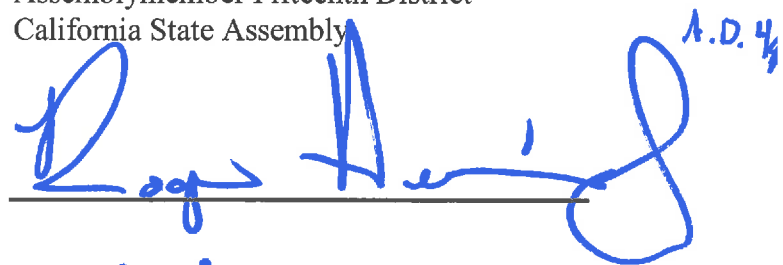
David Chiu, Chair
Housing and Community Development
Committee



Tony Thurmond,
Assemblymember Fifteenth District
California State Assembly



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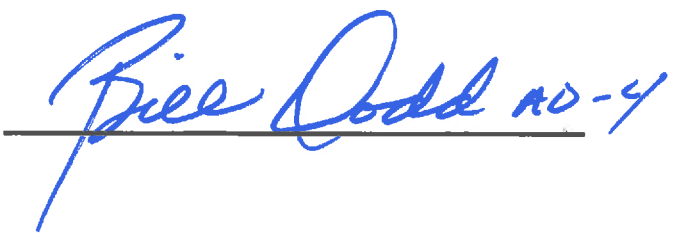
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Jonie H. Atkins AV78

Cc: Speaker Anthony Rendon
Assemblymember Philip Y. Ting