ROADMAP HOME 2030

A Roadmap to Thriving Communities for California | Appendix

March 25, 2021

Contents

1. Research and Policy Development Process

Housing California and California Housing Partnership came together to design a process for developing California's Roadmap Home 2030 that was comprehensive, inclusive, and based on the very best evidence available. Beginning in early 2020, we brought together two advisory committees. We convened and worked with the Research Advisory Committee to gather and analyze data to determine the current and projected needs in the state. The Policy Advisory Committee provided input and feedback on policy ideas, through five working groups: Affordable Housing Supply, Affordable Housing Development Efficiency, Housing Instability, Homelessness, and Funding Sources.

The policy ideas generated by the working groups were researched and developed, and then evaluated by California Housing Partnership and the California Budget and Policy Center researchers on the basis of potential impact to meet the housing needs of Californians. We also consulted hundreds of stakeholders in focus groups and meetings (organized by groups such as Housing NOW, Southern California Association of Nonprofit Housing, Nonprofit Housing Association of Northern California, California Coalition on Rural Housing, California Homelessness and Housing Policy Funders Network, and Residents United Network) to discuss and provide input into the Roadmap Home 2030. In the fall of 2020, Race Forward led a process with Roadmap leadership and partners that analyzed the Roadmap Home framework and policies to ensure that they advance racial equity.

2. Methodology for defining the Roadmap goals and overall impact

2.1. GOALS

The methodology for defining Roadmap goals is summarized below.

Projecting Housing Production Need by Income

Adapted from the 6th Cycle RHNA Methodology: The housing need projection methodology used for the Roadmap Home 2030 is modeled on the 6th Cycle Regional Housing Need Allocation (RHNA) methodology created by the California Department of Housing and Community Development (HCD), with minor modifications to data sources and the methodology to improve the accuracy and precision of the housing need estimate.[1] Housing need estimates are calculated separately at the COG or county level (where the county is the COG), in order to faithfully replicate HCD's current methodology, and added together to calculate statewide housing need.

Approach to estimating housing need: The 6th Cycle RHNA methodology uses data on projected household growth, vacancy rates, overcrowding, demolitions, and cost burden to estimate current and future housing need for different income groups in each region. The steps below detail each element of the Roadmap's housing need/6th Cycle RHNA methodology, the data source used, and the calculation performed to complete each step. Each step also includes an example calculation and formula where possible. All modifications made to HCD's 6th Cycle RHNA methodology are explicitly listed in the footnotes.

Step 1: Project the number of households by 2030

First, we estimate the projected number of households in each region by 2030 using data from the California Department of Finance (DOF) (Table P-4).[2] These projections estimate population growth, migration trends, and the propensity of individuals to form households at different age groups.

Example: For the SCAG region, the projected number of households in 2030 is 6,614,958. (This figure will be referenced in the examples throughout the methodology summary).

Step 2: Calculate vacancy adjustment and add to projected households

---

[1] The Regional Housing Needs Allocation (RHNA) is a state-mandated calculation that quantifies housing need in each Council of Government (COG) throughout the state during specified planning periods, usually eight years. The housing need calculated for each COG through RHNA is then distributed to jurisdictions within the region as the basis for zoning and planning requirements mandated in the housing portion of each jurisdiction's general plan, or the "housing element." For more information on RHNA and Housing Elements, see HCD's website.
[2] "P-4: Household Projections," California Department of Finance, accessed April 13th, 2020.

The vacancy adjustment is meant to estimate the additional homes needed to provide a healthy market vacancy rate to facilitate housing availability, resident stability, and mobility. The adjustment is calculated as the difference between a standard vacancy rate and the region's vacancy rate.

The calculate the regional vacancy rate, add together the number of available vacant homes in the region and divide by the total number of homes in the region.[3]

$$vacancy\ \% = \frac{(for\ rent, not\ occupied\ + for\ sale, not\ occupied)}{(total\ units)}$$

Next, we calculate the vacancy adjustment or the difference between the standard vacancy rate and the region's vacancy rate. The standard vacancy rate is 5% for most COGs/counties. For smaller regions with higher rates of homeownership, the standard vacancy rate is 4%. The difference between the vacancy rate calculated above and the standard vacancy rate is then multiplied by the total projected households from step 1, the product of which is the number of households added as an adjustment. In regions where the vacancy rate is lower than the standard rate, the vacancy adjustment is 0.

$$vacancy\ adjustment = (COG\ vacancy\ \% - standard\ vacancy\ \%) * \ projected\ HH$$

<u>Example:</u> An example of what this calculation looks like for the SCAG region is below:

$$vacancy\ \% = \frac{(105{,}306 + 40{,}104)}{6{,}198{,}528} = 2.35\%$$

$$\begin{aligned} vacancy\ adjustment &= (5\%\ standard - 2.35\%\ vacancy\ rate) * \ 6{,}614{,}958\ projected\ HH \\ &= \ 175{,}569\ units \end{aligned}$$

Step 3: Calculate overcrowding adjustment and add to projected households

[3] HCD determines the region's current vacancy rate using 2013-2017 5-year American Community Survey (ACS) data. Because more current ACS data is now available, the Roadmap Home uses 2014-2018 5-year ACS data (Tables B25003 and B25004).

Like the vacancy adjustment, the overcrowding adjustment is meant to estimate the additional homes needed to provide a healthy housing market where overcrowding is not greater than national overcrowding rates. For this calculation, we define an overcrowded household based on the San Francisco Housing Authority's occupancy standards, which is a maximum two people per bedroom, with an exception given to heads of household with no co-resident partner/spouse.[4,5]

To calculate the overcrowding rate, we first identify the number of overcrowded households in each region using data from the U.S. Census Bureau's American Community Survey (ACS) Public Use Microdata Sample (PUMS).[6] Then, we divide the number of overcrowded households by the total number of households in

the region.

$$overcrowding\ \% = \frac{\#\ overcrowded\ HH}{\#\ total\ HH}$$

Next, we calculate the difference between the U.S. overcrowding rate and the region's overcrowding rate, which is then multiplied by the total projected households from step 1, the product of which is the number of households added as an adjustment. In regions where the vacancy rate is lower than the standard rate, the vacancy adjustment is 0.

$$overcrowding\ adjustment = (COG\ overcrowding\ \% - national\ average\ \%) * \ projected\ HH$$

<u>Example</u>: See below for an example of the overcrowding adjustment calculation using data from the SCAG region:

$$\begin{aligned} &overcrowding\ adjustment \\ &\quad = (11.7\%\ overcrowding\ rate - 4.3\%\ national\ average) \\ &\quad *\ 6{,}614{,}958\ projected\ HH = 489{,}507\ units \end{aligned}$$

Step 4: Calculate replacement adjustment and add to projected households

---

[4] HCD follows the U.S. Census Bureau definition of overcrowding as more than one person per room and defines a room as a bedroom, living room, dining room, kitchen, or enclosed porch. To try and capture overcrowding in a more intuitive and robust manner consistent with housing authority occupancy standards, the Roadmap Home modified the overcrowding definition to mirror the San Francisco Housing Authority (SFHA) occupancy standards, which define a household as overcrowded if more than two people occupy a bedroom, except the head of household is allowed a separate bedroom if they have no partner/spouse in the household.

[5] Please note that the SFHA occupancy standard also applies more complex gender-age bedroom allowances for children that were not incorporated because of data limitations. These allowances require two children of same gender to share a room at any age, but two children of different gender are not required to share a room if they are age five or older.

[6] The Roadmap Home uses customizable data from the ACS PUMS from 2016-2018 instead of the pre-tabulated ACS data from 2013-2017 used by HCD.

The replacement adjustment accounts for the homes that are projected to be demolished over the projection period by applying an adjustment to the total housing stock based on the average number of demolitions the region has experienced for the last ten years. The demolition rate is calculated using DOF building demolition data for 2010–2019, as well as DOF household estimates (Table E-5).[7]

First, we calculate the average number of demolitions that have occurred in the last ten years for each region. Next, we divide the average number of demolitions by the average number of households in the region for the last ten years and multiply by 10 for the number of years in the Roadmap projection period. We multiply the formula by (-1) because the demolition data is negative, as it represents buildings lost, but we want the adjustment to be positive.

$$replacement\ \% = (-1) * \frac{avg\ total\ demolitions_{region}}{avg\ total\ households_{region}} * 10$$

Unlike the vacancy and overcrowding adjustments, the replacement adjustment has a minimum of 0.5% and a maximum of 5% in an effort to account for a higher number of demolitions than average on the low end and to cap the adjustment in areas that have experienced a large number of demolitions, such as after a natural disaster.[8]

Next, we calculate the replacement adjustment by multiplying the replacement percent calculated above by the total projected households from step 1, the product of which is the number of households added as an adjustment. In regions outside of the 0.5 to 5% range, the minimum or maximum is used as the multiplier.

$$replacement\ adjustment = replacement\ \% * total\ projected\ HH$$

<u>Example</u>: See below for an example of this calculation using data from the SCAG region:

$$replacement\ \% = (-1) * \left(\frac{-3{,}212\ avg\ demolitions}{5{,}948{,}681\ avg\ HH}\right) * 10 = 0.540\%$$

$$replacement\ adjustment = (0.540\% *\ 6{,}614{,}958\ projected\ HH = 35{,}715\ units$$

Step 5: Subtract occupied homes from total of steps 1–4

---

[7] Demolition data available from DOF upon request. Table E-5: Population and Housing Estimates for Cities, Counties, and the State, accessed March 19, 2020.

[8] In the 6th Cycle RHNA determination for Butte County, HCD included an additional 8,800 homes to the housing need total to account for housing lost due to the Camp Fire. The RHNA process is conducted for each COG/county individually and therefore it is possible for HCD to make exceptions or adjustments specific to certain COGs based on their circumstances, such as adding additional homes beyond the 5% maximum in the replacement adjustment. Because the methodology used for the Roadmap Home is designed to calculate total housing need throughout the state, such exceptions or individualized adjustments were not made in an effort to maintain consistency across COGs/counties.

This step of the methodology accounts for the housing stock that already exists and is occupied at the start of the projection period by subtracting the number of occupied homes from the housing need projection calculated thus far. Occupied homes at the beginning of the projection period come from DOF (Table P-4).[9,10]

$$\begin{aligned} &housing\ need\ subtotal \\ &\quad = projected\ housholds + vacancy\ adjustment + replacement\ adjustment \\ &\quad + overcrowding\ adjustment - occupied\ housing\ units \end{aligned}$$

The subtotal calculated above represents the projected regional housing need, accounting for existing stock and adjustment made to improve the health of the housing market. In the following steps we use the subtotal to calculate the remaining adjustments, which include the addition of households experiencing homelessness and an adjustment to account for the rate of cost burden throughout the region.

Example: See below for an example of this calculation using data from the SCAG region:

$$\begin{aligned} &housing\ need\ subtotal \\ &\quad = 6{,}614{,}958\ projected\ HH + 175{,}569\ units\ (vacancy) + 489{,}507\ units\ (overcrowding) \\ &\quad + 35{,}715\ units\ (replacement) - 6{,}143{,}538\ occupied\ housing\ units = 1{,}172{,}211\ units \end{aligned}$$

Step 6: Calculate cost burden adjustment

Like the vacancy and overcrowding adjustments, the cost burden adjustment is meant to estimate the additional homes needed for different income groups to provide a healthy housing market where rates of cost burden are not greater than U.S. cost burden rates. A household is cost burdened if it spends more than 30% of income on housing costs. Households earning 80% of area median income (AMI) and below (extremely low-income (ELI), very low-income (VLI), and low-income (LI) households) and households earning more than 80% of AMI (moderate-income (MI) and above moderate-income (above MI) households) are split into two distinct groups, and an adjustment is calculated for each.

We calculate the cost burden adjustment as the difference between the U.S. cost burden rate and the region's cost burden rate for each of the two, aggregated income groups described above.[11]

Step 6a: Calculate cost burden rate for above and below 80% AMI

First, calculate the share of cost burdened households within each income group, the total number of households in each income group, and the share of households in each income group, using 2016-2018 PUMS data.

---

[9] Occupied homes does not include individuals residing in "group quarters," which includes institutional housing, such as nursing homes, mental hospitals, and correctional facilities, and non-institutional housing, such as college dorms, military barracks, groups homes, and shelters. These types of housing are excluded from 6th Cycle RHNA calculation as they are considered "non-housing" homes.

[10] "P-4: Household Projections," California Department of Finance, accessed April 13, 2020.

[11] HCD calculates the percent of cost burdened households in each region and nationally using 2013-2016 Comprehensive Housing Affordability Strategy (CHAS) data. The Roadmap Home uses ACS PUMS data from 2016-2018 to provide a timelier and more accurate picture of cost burden.

Example: The table below shows this cost burden data for the SCAG region:

SCAG	ELI	VLI	LI	MI	Above MI
% of HH Experiencing Cost Burden	89%	79%	60%	37%	12%
Total HH	1,001,000	695,000	1,020,000	1,090,000	2,209,000
% HH in Income Group	17%	12%	17%	18%	37%

Next, we multiply the share of households that are cost burdened in each income group by the number of households in that income group, dividing by that income group's share of households in the category (either above or below 80% AMI). We perform this calculation for each of the two, aggregate income groups:

$$\begin{aligned} &below\ 80\%\ AMI\ cost\ burden\ rate \\ &\quad = \left(ELI\ cost\ burden\ \% * \left(\frac{ELI\ HH}{below\ 80\%\ AMI\ HH}\right)\right) \\ &\quad + \left(VLI\ cost\ burden\ \% * \left(\frac{VLI\ HH}{below\ 80\%\ AMI\ HH}\right)\right) \\ &\quad + \left(LI\ cost\ burden\ \% * \left(\frac{LI\ HH}{below\ 80\%\ AMI\ HH}\right)\right) \end{aligned}$$

This calculation produces a cost burden rate for all households in the region making below 80% AMI. The same equation is used to calculate cost burden for households above 80% AMI:

$$\begin{aligned} &above\ 80\%\ AMI\ cost\ burden\ rate \\ &\quad = \left(MI\ cost\ burden\ \% * \left(\frac{MI\ HH}{below\ 80\%\ AMI\ HH}\right)\right) \\ &\quad + \left(above\ MI\ cost\ burden\ \% * \left(\frac{above\ MI\ HH}{below\ 80\%\ AMI\ HH}\right)\right) \end{aligned}$$

Example: See below for an example of this calculation using data for the SCAG region:

$$\begin{aligned} below\ 80\%\ AMI\ cost\ burden &= 89\% * \left(\frac{1{,}001{,}000}{2{,}716{,}000}\right) + 79\% * \left(\frac{695{,}000}{2{,}716{,}000}\right) + 60\ \% * \left(\frac{1{,}020{,}000}{2{,}716{,}000}\right) \\ &= 75.56\% \end{aligned}$$

$$above\ 80\%\ AMI\ cost\ burden = 37\% * \left(\frac{1{,}090{,}000}{3{,}299{,}000}\right) + 12\% * \left(\frac{2{,}209{,}000}{3{,}299{,}000}\right) = 19.99\%$$

Step 6b: Calculate the cost burden adjustment

Next, we calculate the cost burden adjustment by finding the difference between the rate of cost burden for both income groups in the region and the national average.

$$\begin{aligned} &\textit{below } 80\% \textit{ AMI adjustment} \\ &\qquad = (\textit{below } 80\% \textit{ AMI cost burden}_{region} - \textit{below } 80\% \textit{ AMI cost burden}_{national}) \\ &\qquad * \textit{housing need subtotal}_{below\ 80\%\ AMI} \end{aligned}$$

$$\begin{aligned} &\textit{above } 80\% \textit{ AMI adjustment} \\ &\qquad = (\textit{above } 80\% \textit{ AMI cost burden}_{region} - \textit{above } 80\% \textit{ AMI cost burden}_{national}) \\ &\qquad * \textit{housing need subtotal}_{above\ 80\%\ AMI} \end{aligned}$$

<u>Example:</u> The process for calculating the cost burden adjustment for the SCAG region is shown below:

$$\textit{below } 80\% \textit{ AMI adjustment} = (75.56\% - 64.47\%) * 529{,}298 = 58{,}705 \textit{ units}$$

$$\textit{above } 80\% \textit{ AMI adjustment} = (19.99\% - 10.09\%) * 642{,}913 = 64{,}887 \textit{ units}$$

Step 7: Calculate new income group proportions, including cost burden adjustment[12]

Next, we allocate the projected housing need across each region's five income groups (ELI, VLI, LI, MI, and above MI) based on the share of households in each income group (step 6a) and the results of the cost burden adjustment (step 6b).[13] See the table below for example formulas used for these calculations for the VLI and MI income groups. Ultimately, these formulas are applied to ELI, LI, and above MI income groups, as well.

Income Group	Share of Subtotal (%)	Cost burden adjustment	# of Homes Allocated to Each Income Group
VLI	$= \frac{\textit{VLI share of subtotal}}{\textit{Below } 80\% \textit{ AMI subtotal}}$	$= \textit{VLI share of below } 80\% \textit{ subtotal} * \textit{below } 80\% \textit{ cost burden adjustment}$	$= \textit{VLI share of subtotal} + \textit{VLI portion of below } 80\% \textit{ AMI cost burden adjustment}$

[12] HCD determines income groups for the cost burden adjustment and for distributing the total projected need use 2013-2017 5-year ACS data and local median incomes, which does not account for differences in household size. For a more accurate estimate, the Roadmap Home uses 2016-2018 ACS PUMS data to calculate each region's income distribution according to the Department of Housing and Urban Development's (HUD) income group thresholds, which account for household size and include an upward adjustment for high-cost markets. In counties with small sample sizes, PUMS data was combined in order to calculate cost burden rate. In addition, where HCD includes the households with the lowest incomes (<30% AMI or extremely low-income) in the very low-income category, the Roadmap Home represents the projected housing need for extremely low-income households distinctly.

[13] This is done in order to accurately distribute the total housing need to the income groups; in some regions there is a larger percentage of moderate and above moderate-income households, and if we distributed total housing need without recalculating the income group shares, a portion of the cost burden adjustment meant for lower-income households would go to the higher-income groups.

MI	$= \frac{MI\ share\ of\ subtotal}{Above\ 80\%\ AMI\ subtotal}$	$= MI\ share\ of\ above\ 80\%\ subtotal * above\ 80\%\ cost\ burden\ adjustment$	$= MI\ share\ of\ subtotal + MI\ portion\ of\ above\ 80\%\ AMI\ cost\ burden\ adjustment$

Step 8: Add PIT count to ELI housing need

HCD does not include an adjustment to account for the number of households experiencing homelessness in its 6th Cycle RHNA methodology because there are other mechanisms in the Housing Element process designed to address these housing needs. Because the Roadmap Home strives to quantify and address housing instability and unaffordability comprehensively—including homelessness—we add California's count of homeless households from the HUD 2019 Point-in-Time (PIT) Count to the projected housing need for extremely low-income households.[14]

Step 9: Calculate statewide housing need

We perform steps 1-8 for each COG/county (where the county is the COG) in the state to estimate housing need by 2030 and distribute housing need across the five income groups. We then add up the housing need totals for each region to calculate statewide housing need.

Example: The housing need total for the SCAG region is shown in the tables below. The first table is a summary of total housing need, including the projected households, adjustments, and occupied homes (steps 1-6). The second table shows the housing need total distributed by income group, with the additional of the PIT count in the ELI income group:

Component of Calculation	**Homes added or subtracted**
Projected Households	6,614,958
Vacancy Adjustment (+)	+175,569
Overcrowding Adjustment (+)	+489,507
Replacement Adjustment (+)	+35,715
Occupied Households (-)	(6,143,538)
Cost Burden Adjustment (+)	+123,593
PIT Count (+)	+65,339
SCAG Housing Need	1,361,142

[14] "PIT and HIC Data Since 2007," US Department of Housing and Urban Development (webpage), accessed March 18, 2020.

Income Group	Share of Need Total	Homes
Extremely Low	16.7%	282,051
Very Low	11.6%	150,465
Low	17.0%	220,826
Moderate	18.1%	233,860
Above Moderate	36.6%	473,941
Total	100.0%	1,361,142

Statewide results are shown in the table below:[15]

Income Group	Share of Need Total	Homes
Extremely Low	19.9%	528,429
Very Low	9.7%	257,089
Low	15.4%	407,353
Moderate	16.8%	445,378
Above Moderate	38.2%	1,010,538
Total	100.0%	2,648,786

Homelessness

The Roadmap aims to end homelessness for all Californians who experience homelessness throughout the year, specifically for the more than 150,000 individuals who are unhoused on a given night and the more than 400,000 individuals who are unhoused throughout the year. These goals are derived from HUD 2019 Point-in-Time Count data for California, which showed 151,278 individuals homeless on January 29, 2019, the nationwide date for the HUD PIT count.[16] These HUD PIT count data are the best available statewide data for the number of individuals homeless on a given night, despite known limitations of local variation in methods and data quality.

[15] The total for extremely low, very low, and low-income housing need adds up to the 1.2 million affordable homes needed to address statewide low-income housing need.

[16] U.S. Department of Housing and Urban Development, HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California (January 29, 2019). Note that the Roadmap uses HUD 2019 PIT data, the most recent available at the time of data analysis. In mid-March 2021 HUD released the 2020 PIT data, which showed an approximately 7% increase in the number of individuals experiencing homelessness in California.

Detailed statewide data to estimate the total number of individuals experiencing homelessness over the course of a year are not readily available, so we apply a multiplier to the PIT data to estimate the annual number of individuals. A rule of thumb for converting homeless PIT counts to annual counts is to multiply the PIT count by 2 to 3. This approach is supported by national data from the HUD 2017 Annual Homeless Assessment Report (AHAR) Part 2, which showed a national PIT count of 550,996 individuals and a total of 1,416,908 individuals captured nationally in annual Homeless Management Information System (HMIS) data, for a ratio of 2.6 individuals served by homeless providers annually per each homeless individual identified at the time of the PIT count.[17]

Data from Los Angeles County also support this rule of thumb, with the HUD 2017 PIT count showing about 47,000 homeless adults not living with children, while a Los Angeles County multi-agency services dataset showed contact with about 90,000 homeless adults annually in 2017, for a ratio of 1.9 adults served annually for each adult reported in the PIT count.[18] Because these sources of annual data include only individuals who made contact with services, they undercount the total individuals experiencing homelessness over the course of a year. As a result, applying a somewhat larger multiplier to the PIT count is reasonable to account for homeless individuals who do not access services. Overall, these considerations justify multiplying the statewide PIT count by 2 to 3 to represent the total individuals experiencing homelessness over the course of a year, resulting in an estimated annual total of about 300,000 to 450,000 Californians experiencing homelessness.

In calculating the impact of individual Roadmap policy proposals, we use a more fine-grained approach to estimating the number of Californians experiencing homelessness annually, as described in the individual policy summaries. This approach involves calculating separate estimates for those experiencing chronic homelessness and those who experience non-chronic homelessness, focusing on the number of households expected to need housing and other supports to achieve stable housing, and results in an overall ratio of about 2.5 individuals experiencing homelessness annually for each individual identified as homeless in the PIT count. Additional households falling into very short periods of homelessness who remain stable housing without public support are the targets of the Roadmap's proposals to address housing instability.

Renter Protections

In terms of renter protections, the Roadmap goal is to protect 1 million low-income renter households from losing their homes, including more than 300,000 who face eviction each year. An estimated 982,000 renter households with incomes below 80% of AMI (ELI, VLI, and LI) are currently excluded from tenant protections provided by the statewide just cause eviction and rent cap law (AB 1842), according to analysis of ACS PUMS data for 2016-2018.

[17] U.S. Department of Housing and Urban Development, *HUD 2017 Annual Homeless Assessment Report (AHAR) Part 2* (October 2018), p.xiii.

[18] U.S. Department of Housing and Urban Development, HUD 2017 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: Los Angeles City and County CoC (January 26, 2017) and Till Von Wachter, et al. *Predicting and Preventing Homelessness in Los Angeles* (California Policy Lab: September 2019), p.7 (note to Figure 1).

Eviction data obtained by Tenants Together from the State Judicial Council estimates 160,000 households annually faced formal court eviction in California from 2014 to 2016.[19] Therefore we estimate that 160,000 x 2 = 320,000 households statewide face formal or informal eviction annually. Various Roadmap proposals aim to extend tenant legal protections and ensure renters with low incomes have access to the resources they need to effectively enforce their tenant rights, as well as improve access to affordable housing and incomes adequate to afford housing costs, so that California's renters with low incomes can avoid losing their homes.

Closing Racial Equity Gaps

A priority throughout the Roadmap is closing substantial racial equity gaps in homelessness, housing affordability and stability, and homeownership in California. These inequitable gaps are visible across a variety of housing data.

Racial inequities are startlingly apparent in experiences of homelessness, with Black Californians comprising about 30% of all individuals experiencing homelessness, according to HUD 2019 PIT data, while representing only about 6% of the state population. American Indian or Alaska Native and Pacific Islander Californians are also overrepresented among individuals experiencing homelessness.[20]

With respect to housing affordability, patterns of unaffordable housing cost burden demonstrate racial equity gaps. Analysis of ACS PUMS data for 2019 shows that more than half of California households with a Black head of household (54%) and about 4 in 10 Latinx (46%), Pacific Islander (42%), and American Indian or Alaska Native (39%) households were paying more than 30% of their income toward housing costs, considered an unaffordable housing cost burden, compared to only about 1 in 3 white (35%) and Asian (36%) households.

Homeownership data also show significant racial equity gaps, reflecting in part a legacy of explicitly racist and discriminatory housing policies. According to analysis of ACS PUMS data for 2017 to 2019, only about 1 in 3 California households with a Black household head owns their own home (35%), and somewhat more than 4 in 10 Pacific Islander (45%) and Latinx (44%) households are homeowners, while more than half of American Indian or Alaska Native (55%) and Asian households (59%) own their own homes. The homeownership rate for white households is the highest, with almost two-thirds (63%) owning their homes, nearly twice the Black homeownership rate.

Closing these inequitable gaps is a key goal of policies across all arenas addressed in the Roadmap.

---

[19] Inglis, Aime, and Dean Preston, *California Evictions Are Fast and Frequent* (Tenants Together, May 2018).

[20] U.S. Department of Housing and Urban Development, HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California (January 29, 2019).

2.2. OVERALL IMPACTS

The combined impact of Roadmap Home proposals is summarized below.

Homes Created

If implemented, proposals related to creation of affordable homes—such as increases in funding, zoning and land use reforms, and cost-saving measures—would combine to meet the Roadmap goal of producing 1.2 million new affordable homes, including 530,000 for extremely low-income households, 257,000 for very low-income households, and 407,000 for low-income households.

What counts? To determine which of the Roadmap-created affordable homes would count as progress towards meeting projected housing need, we use the criteria from Government Code section 65583.1, which HCD uses in monitoring California jurisdictions' progress toward RHNA.[21] Qualifying homes include all new construction homes and eligible homes that are rehabilitated, preserved, or acquired, given the requirements outlined in GC 65583.1.[22]

In addition to the newly created or preserved homes made possible through the Roadmap Home, we also estimate the number of affordable homes that could be created by state programs given current funding levels and program design during the Roadmap's ten-year period. We estimate this baseline of annual affordable housing activity based on historical trends in production and preservation for the Low-Income Housing Tax Credit (LIHTC) program from 2017 to 2020.

Homelessness

Full implementation of the Roadmap policies that address homelessness would meet the goal of ending homelessness for all Californians experiencing homelessness each year. In particular, funding the statewide homelessness flexible funding pool proposal (A1) at the full amount identified would provide resources adequate to provide appropriate support to all individuals estimated to experience homelessness annually to enable them to exit homelessness and maintain stable housing. While actual uses of the statewide flexible pool funds would depend on local service gaps and housing needs, the full amount includes resources adequate for supportive housing for 42,000 households over the course of a year experiencing chronic homelessness, for deeply affordable housing for 202,500 households experiencing non-chronic homelessness over the course of a year, and shallow rental subsidies for 67,500 households experiencing non-chronic homelessness. Full funding of the statewide homelessness flexible funding pool would also provide adequate resources to provide shallow rental subsidies for 274,500 renter households with extremely low incomes (<30% AMI) paying more than half of their income toward rent, to address the needs of those at risk of experiencing housing instability or falling into homelessness.

---

[21] See HCD's Housing Element Annual Progress Report (APR) Instructions at https://www.hcd.ca.gov/community-development/housing-element/docs/housing-element-annual-progress-report-instructions-2020.pdf.
[22] California Legislative Information, Government Code section 65583.1, accessed January 1, 2021, https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=65583.1.

Policies to improve discharge policies (E9), to support housing navigation and tenancy support services for homeless individuals through Medi-Cal (A15), to address the needs of formerly incarcerated individuals (A8) and veterans (F6) facing homelessness, to support local housing subsidy flex pools (A1), and to improve

homelessness funding coordination (E2) and planning (E8) would strengthen the state system of support to address and prevent homelessness. When calculating the overall cost of the statewide homelessness flexible funding pool over 10 years, we assume a cumulative 25% reduction over the ten-year period in the number of households who would need shallow rent subsidies, as well as a more modest reduction over time in the number of households in need of deeply subsidized affordable housing, as a result of the full implementation of all other Roadmap policies.

Renter Protections

Several Roadmap proposals would strengthen protections for renters to provide legal and financial resources to meet the goal of protecting 1 million low-income renters from losing their homes. Proposed changes to the statewide just cause and rent cap law (D1) would extend legal protections to 785,000 low-income renter households that are currently excluded. The proposal to fully fund a right to counsel for low-income renters facing eviction (D3) would ensure that 320,000 renter households annually have legal support to enforce their rights as tenants and negotiate resolutions with landlords to avoid disruptive housing displacement. Changes to unlawful detainer law (D8), the Ellis Act (D6), Costa Hawkins (D2), and tenant screening and security deposit rules (D4) would strengthen other protections for tenants. State and federal proposals to proactively plan to address renter needs during future emergencies like the COVID-19 pandemic or severe wildfires would provide support to renters during community-wide crises (D5, F2). Other Roadmap proposals would help low-income renters cover the costs of housing so that they are able to maintain stable homes. These proposals include shallow rental subsidies for as many as 274,500 ELI households with severe housing cost burden (A1); a housing stability benefit demonstration project in three targeted localities (A17); advocacy for full federal funding of Housing Choice Vouchers (F1); and advocacy to strengthen federal income and safety net supports that help families and individuals pay for housing costs or address other basic needs, making resources available to pay for housing (F4). This comprehensive array of proposals would strengthen protections and address low-income renters' housing needs across multiple dimensions to protect renters from losing their homes.

Closing Racial Equity Gaps

As noted above, addressing racial equity gaps is an important goal of the proposed policies in all arenas addressed by the Roadmap. Each individual policy summary includes specific data on racial inequities that could be addressed by the policy.

These include creating a statewide racial equity framework for investment of all funding sources; ensuring that solutions are grounded in and emerge from the experience of the most affected communities; extending benefits and protections to Californians regardless of immigration status; and using, developing, and publishing disaggregated data to track and improve racial equity outcomes.

How We Avoid Double Counting

Our methodology for avoiding double counting and accounting for interaction between proposals is described below.

Housing production: Because the Roadmap Home includes proposals to expand many of the funding sources affordable housing providers rely upon, a single affordable home could be financed by multiple programs included in the platform (e.g., a development could receive state tax credits and funding from the $10 billion bond proceeds).[23] In order to avoid counting an affordable home more than once towards the 1.2 million production goal, we estimate the number of unique affordable homes that could be created from all five production funding proposals combined. In other words, we model the impacts of a single pool of state and local subsidy using the following formula:

$$\#\ of\ affordable\ homes = \frac{total\ funding\ available}{local\ and\ state\ subsidy\ needed\ per\ unit_{efficient}}$$

The *total funding available* variable totals $86.9 billion over ten years and includes funding from all five production funding proposals included in the Roadmap Home platform: $10 billion statewide housing bond, $500 million in state tax credits annually, $3 billion in local funding measures, $3.5 billion in other local funding annually, and $3.5 billion in additional state funding annually.

We estimate the *local and state subsidy needed per unit* variable using development cost data for properties receiving Low-Income Housing Tax Credits (LIHTC) from 2012-2019.[24] Using this development cost data, we estimate the average local and subsidy needed for developments utilizing 4% tax credits by modeling the likely composition of sources (e.g., share of funding from tax credit equity, local sources, state sources, etc.), using both historical data from LIHTC development and estimates of future financing trends given the newly enacted 4% credit floor. Therefore, we estimate that developments receiving these state and local funds will need $153,000 per affordable home in state and local subsidy on average.

[23] Because rents in deed-restricted affordable housing are set to levels affordable to households with low incomes, there is often a financing gap between the funds needed to build the housing and the money lenders and investors provide. In order to finance the construction and preservation of affordable homes, developers therefore rely on funding from multiple private and public sources, including mortgages, tax credits, bonds, and various other federal, state and local sources.

[24] The data comes primarily from LIHTC applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of funding and residential development cost line items. When application data was not available, we used TCAC staff reports created for each LIHTC development, which include summary financing data. Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index. Commercial costs were excluded.

Several Roadmap Home proposals designed to make California's affordable housing finance and service delivery systems more efficient. Therefore, to fully capture the impact of the fully implemented Roadmap Home platform, we assume that all efficiency proposals are in effect, which would reduce the per-unit subsidy estimate calculated above by approximately 11%.

Using the formula above, we estimate that 633,000 unique affordable homes could be created with these five production funding proposals.

While we measure progress towards the 1.2 million production need number using this de-duplicated figure, each Roadmap Home proposal still has a distinct impact estimate associated with it based on the results of the aforementioned financial modeling. For more details on these estimates, see each proposal's methodology summary.

Homelessness and housing needs for extremely low-income households: A few proposals in the Roadmap overlap in addressing the needs of individuals experiencing homelessness and supporting low-income renters, and we account for this overlap in calculating the overall cost and impact of all Roadmap proposals combined. The proposal to shift savings from state prison closures to address housing needs for formerly incarcerated individuals experiencing homelessness (A8) would address needs that would otherwise be met through the state homelessness flexible funding pool (A1), so we reduce total state flexible funding pool expenses by a corresponding amount when calculating overall Roadmap costs. Similarly, the proposed housing stability benefit demonstration project (A17) would provide rental assistance to ELI renters with severe housing cost burden, the same population targeted by shallow subsidies proposed as an eligible use of the statewide homelessness flexible funding pool (A1), so we reduce total state flexible funding pool expenses by a matching amount for the calculation of overall Roadmap costs. Finally, proposed uses of the state flexible homelessness funding pool include subsidizing operating costs in deed-restricted affordable housing or supportive housing and supporting master leases in private market rental housing to make housing units affordable over the long term to individuals exiting homelessness with deeply low incomes. This proposed use of funds is incorporated into the modeling to calculate the total number of affordable homes for ELI households produced across all Roadmap proposals combined.

Financial Model and Assumptions for LIHTC Development

To estimate the number of affordable homes that could be created and preserved over a ten-year period by the Roadmap Home platform, we developed a financial model of sources and uses for affordable housing developments receiving Low-Income Housing Tax Credits (LIHTC).

To create this model, we compiled detailed development cost data from more than 1,600 developments awarded LIHTCs in California from 2012 to 2019. The data comes primarily from applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of permanent funding and development cost line items.[25]

[25] Year in this analysis corresponds with the LIHTC award year. This data reflects the developer's best estimate of project costs at the time of application and not the final costs of development.

When application data was not available, we relied on TCAC staff reports created for each LIHTC development, which include summary financing data.[26] The model has distinct estimates for developments by construction type (new construction vs. acquisition/rehabilitation), by credit type (4% LIHTC vs. 9% LIHTC), and by financing structure (e.g., receiving state funding). Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index.

Below are the key assumptions underlying the financial model:

1. *4% credit rate floor:* Because the 4% credit floor was not in effect until the end of 2020, its impacts are not observable in the 2012-2019 LIHTC cost data. Therefore, we assume that the newly enacted 4% credit rate floor will unlock additional capital for LIHTC developments financed with private activity bonds, reducing the gap financing needs of the development.
2. *Applying Roadmap-created efficiencies:* There are several Roadmap Home proposals designed to make California's affordable housing finance and service delivery systems more efficient. Therefore, to fully capture the impact of the fully implemented Roadmap Home platform, each proposal's impact estimate assumes that all efficiency proposals are in effect.
3. *Bond cap and 4% credit availability:* The financial models assume that there is enough private activity bond cap and 4% LIHTC availability in California to support the full implementation of the Roadmap.
4. *Private hard debt:* All of the estimates assume that private hard debt is scalable and inexhaustible with the increased availability of LIHTC equity and public funding for affordable housing production.
5. *Inflation:* To estimate the financing needs over time, the models assume construction costs increase by 3% annually. These cost increases lead to a higher amount of tax credits, bonds, and additional gap financing needed to finance each unit each year for the ten-year period.[27]
6. *Moving Forward Act provisions:* One of the Roadmap Home proposals is to advocate for the full passage of the Moving Forward Act of 2020.[28] While there is a distinct methodology write-up for the provisions relating to 9% LIHTCs, we incorporate the impact of the 4% basis boosts into the financial model itself. Similar to the 4% credit rate floor, we assume that the 4% basis boosts will unlock additional capital for LIHTC developments financed with private activity bonds, reducing the gap financing needs of the development.

---

[26] TCAC staff reports can be accessed online the TCAC website.
[27] The 3% inflation adjustment is based on historical trends in the RS Means Construction Cost Index from 1987 to 2020.
[28] House Resolution 2 – Moving Forward Act.

3. Full list of policy proposal summaries

3.1. INVEST IN OUR VALUES

A1. Provide local governments with flexible ongoing funding for a range of homelessness solutions

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Even before the recession triggered by the COVID-19 pandemic, California had the largest number of homeless residents in the nation. The 2019 HUD Homeless Point in Time Count showed more than 150,000 individuals experiencing homelessness on a single night, with more than 100,000 of these individuals unsheltered. Over the course of a year, this translates into an estimated 375,000 Californians who experience homelessness and need support to exit homelessness and sustain stable housing, according to Roadmap estimates, while additional individuals may exit homelessness without support but remain at risk of housing instability.[29] Adequately addressing the state's homelessness crisis requires a sustained, substantial investment of resources that is commensurate with the scale of the challenge.

Description:

This proposal would provide a pool of ongoing, predictable, flexible state funding, sized to meet the scale of the homelessness crisis, to allow local stakeholders to invest in evidence-based solutions to meet the needs of all Californians experiencing homelessness. Funds would be administered jointly by the Department of Housing and Community Development and the Department of Social Services as part of a unified state homeless funding application, described under a separate Roadmap proposal (E2). Counties, large cities, and Continuums of Care would be eligible for large multi-year grants with specific evaluation and reporting requirements. Allowed uses for these funds would be specifically outlined, including standards for housing and service models. Key eligible uses would include:

- Supportive housing to meet the needs of individuals with significant service needs experiencing chronic homelessness, in deed-restricted units or through master leases or rental subsidies in private market housing;

[29] For details of how annual estimates of homeless individuals are calculated for the Roadmap, see the methodology description for overall Roadmap goals in Appendix 2.1 and descriptions in the individual policy summaries for A1.1 and A1.2 below.

- Deeply affordable housing to enable individuals and families without significant service needs to exit homelessness and maintain permanent, stable housing, in deed-restricted units or through master leases or rental subsidies in private market housing;
- Shallow rental subsidies to close the gap between housing costs and incomes for people exiting homelessness, or for those with extremely low incomes who have not fallen into homelessness but face unsustainable housing costs and high risk of housing instability;
- Operations of local flexible housing subsidy pools to effectively coordinate rental subsidies and housing placements and to provide support for tenants and landlords to sustain stable housing.

Funds could also be used on a limited basis for interim housing needed to meet immediate emergency need for shelter for individuals experiencing homelessness.

The actual uses of the funds in the state pool would depend on locally identified housing needs and homeless service gaps. To estimate the overall scale of funding required for this state flexible homeless funding pool in order to meet the needs of all Californians experiencing homelessness, costs are estimated for housing and supports that would be appropriate to address the needs of all individuals estimated to be homeless over the course of a year. These include costs of supportive housing for all chronically homeless individuals, costs of deeply affordable housing for the majority of non-chronically homeless households, and costs of shallow rental subsidies for the remaining non-chronically homeless households and for a share of renters with extremely low incomes and severe housing cost burden who face high risk of housing instability or homelessness. Because capital funding for production of deed-restricted affordable housing is addressed through several other Roadmap proposals, the costs assumed for the state flexible homeless funding pool do not include capital expenses. Based on these estimates, an initial annual investment of $4.2 billion would be expected to fully fund support for all Californians experiencing homelessness and also address needs of renters most at risk of housing instability.[30]

Potential statewide impact of key eligible uses for the state homeless flexible funding pool, including implications for racial equity, are described separately in policy summaries A1.1, A1.2, A1.3, and A1.4 below.

---

[30] Assumptions incorporated into this $4.2 billion estimate include that 75% of supportive and deeply affordable housing units would be secured through rental subsidies (master leases or tenant-based rent subsidies) in private market housing, while 25% would be secured through deed-restricted affordable housing. This estimate also assumes support from the federal government to increase funding for federal Housing Choice Vouchers, making 50,000 vouchers newly available to support deeply affordable or supportive housing for households exiting homelessness.

A1.1 Supportive housing to meet the needs of individuals with significant service needs experiencing chronic homelessness.

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Supportive housing is designed to address chronic homelessness for adults with complex behavioral and physical health challenges, including mental health, substance use, and other disabilities. It provides ongoing affordable housing with case management and voluntary support services to meet the housing and service needs of individuals experiencing or at risk of chronic homelessness. Those considered chronically homeless must have a documented disability and multiple prolonged episodes of homelessness, leading to the high barriers they face to exiting homelessness and the additional services they require to meet their needs. The level of support provided through supportive housing enables those with the greatest needs to successfully exit homelessness and prevent future re-entry.

Research indicates supportive housing is a highly effective method to end homelessness for individuals with intensive service needs while also reducing public service costs through lower utilization rates. It has been shown to promote increased housing tenure, decreased emergency room visits and hospitalization, decreased involvement with the criminal justice system, and improved mental health for participants.

Description:

This proposal would provide support for housing operations or rental subsidies and supportive services in supportive housing for chronically homeless individuals. This proposal is included in the Roadmap as a proposed use of funds in the state homeless flexible funding pool. Note that capital costs for construction, acquisition, or preservation of housing units are addressed elsewhere in the Roadmap.

Target Population: Chronically homeless individuals.

Racial equity

While race and ethnicity breakdowns for chronically homeless Californians specifically are not readily available, racial inequities are clearly apparent in experiences of homelessness overall. Black Californians carry a disproportionate burden of homelessness, comprising about 30% of the individuals experiencing homelessness on a given night but only about 6% of the overall state population. American Indian and Pacific Islander Californians are also overrepresented among individuals who are homeless. Nationally, about 45% of people living in supportive housing are Black, significantly higher than their share of the overall population.

Approach to estimating impact

According to calculations using data from the 2019 HUD Point in Time Count (PIT), roughly 37,500 households in California (comprised of roughly 42,000 individuals)—approximately 25% of the total individuals experiencing homelessness—were chronically homeless. Given longer spells of homelessness among individuals experiencing chronic homelessness, this analysis assumes that the annual number of chronically homeless households in need of supportive housing is equal to the PIT number x 1.12.[31]

For costs of operating housing, this analysis identified multiple sources:

Operating costs in deed-restricted affordable housing:

- Average annual operating expenses per unit in California TCAC properties, based on data for 2018 (adjusted to $2020)—equal to approximately $8,800 per unit annually, reduced to $6,750 per unit annually after accounting for expected tenant contributions to rent;

Rental subsidy in market-rate housing:

- Rental costs of $14,000 per unit per year, from Corporation for Supportive Housing modeling of Fair Market Rents in more expensive jurisdictions minus estimated tenant contribution to rent;

Estimates of costs of providing supportive services:

- Average services costs of $6,000 per household per year, from Corporation for Supportive Housing national modeling of services costs in supportive housing.

Quantification outputs

Because this proposal is included as one proposed use of funds in the state homeless flexible funding pool, the number of households served and corresponding costs would reflect the requests for this use in applications for funding by local jurisdictions based on local analysis of needs, gaps, and capacity. The estimate presented here reflects the statewide estimate of all households that could potentially benefit from this support:

- Lower cost estimate: 42,000 chronically homeless households x ($6,750 annually for housing operations + $6,000 annually for supportive services) = $536 million annually
- Higher cost estimate: 42,000 chronically homeless households x ($14,000 annually for housing operations + $6,000 annually for supportive services) = $840 million annually

[31] Because chronically homeless individuals are slow to exit homelessness, the number of individuals chronically homeless at a point in time will be similar to the number chronically homeless over the course of a year. Multiplying the PIT number by 1.12 provides an allowance for new individuals entering chronic homeless equal to 1% of the PIT count each month.

Accounting for documented cost savings in other public systems and services associated with using supportive housing to meet the needs of chronically homeless individuals could reduce the net cost to the state, especially over the long term. For example, results from Los Angeles showed that supportive housing was associated with:

- Nearly 60% decrease in public service utilization costs per participant (from $38,146 to $15,358)
- 20% total net cost savings (accounting for supportive housing operating costs)
- 1.64 fewer ER visits per year
- 4 days less of inpatient hospital stays[32]

Sources

California Tax Credit Allocation Committee, 2018 operating expenses data provided to California Housing Partnership.

Davalos, Monica and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center, May 2020).

Dohler, Ehren, Peggy Bailey, Douglas Rice, and Hannah Katch, *Supportive Housing Helps Vulnerable People Live and Thrive in the Community* (Center on Budget and Policy Priorities, May 2016).

Hunter, Sarah Melody Harvey, Brian Briscombe, and Matthew Cefalu, *Evaluation of Housing for Health Permanent Supportive Housing Program* (RAND Corporation, 2017).

Rapport, Sharon, Corporation for Supportive Housing, email message to author, January 8, 2021.

US Department of Housing and Urban Development, *HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California* (January 29, 2019).

[32] Sarah Hunter, Melody Harvey, Brian Briscombe, and Matthew Cefalu, *Evaluation of Housing for Health Permanent Supportive Housing Program* (RAND Corporation: 2017).

A1.2. Deeply affordable housing to enable individuals and families without significant service needs to exit homelessness and maintain permanent, stable housing

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Roughly 3 in 4 Californians experiencing homelessness at a point in time—and a larger share over the course of a year—are not chronically homeless. Most of these households do not need intensive ongoing supportive services in order to maintain housing; they primarily need permanent housing that is affordable at their low incomes. Some of these households can maintain stable housing with shallow rent subsidies, described in a separate Roadmap proposal (A1.3). Others need ongoing long-term subsidized housing with deep subsidies in order to successfully exit homelessness and maintain stable housing.

Description:

This proposal would provide support for housing operations or rental subsidies for deeply affordable permanent housing for individuals exiting homelessness who do not require substantial ongoing supportive services. This proposal is included in the Roadmap as a proposed use of funds in the state homeless flexible funding pool. Note that capital costs for construction, acquisition, or preservation of housing units are addressed elsewhere in the Roadmap.

Target Population: Households experiencing homelessness that do not have significant ongoing supportive service needs, whose housing needs cannot be met with shallow rent subsidies.

Racial equity

Black Californians are disproportionately represented in the homeless population. While Black individuals only comprise about 6% of the state population, about 30% of individuals experiencing homelessness in California are Black. American Indian individuals are also disproportionately likely to experience homelessness. Among the broader population with deeply low incomes, Pacific Islander, Asian, American Indian, Black, and Latinx Californians are overrepresented among one-person households with deeply low incomes, with about 15% to 18% of single individuals in each of these groups having incomes below 15% of AMI. Among California households with children with deeply low incomes, households with Black and American Indian heads of household are especially overrepresented. Deeply subsidized affordable housing could particularly benefit these Californians, whose low incomes and high rates of homelessness reflect the legacy of discriminatory policies and practices in housing, employment, education, criminal justice, and other arenas.

Approach to estimating impact

According to calculations using data from the 2019 HUD Point in Time Count (PIT), roughly 90,000 households in California (comprised of roughly 110,000 individuals)—approximately 75% of the total individuals experiencing homelessness—were homeless but not chronically homeless. The number of non-chronically homeless households needing support to exit homelessness annually is estimated as three times the point-in-time number, for an estimated annual total of 270,000 non-chronically homeless households.

For costs of operating housing, this analysis identified multiple sources:

Operating costs in deed-restricted affordable housing:

- Average annual operating expenses per unit in California TCAC properties, based on data for 2018 (adjusted to $2020)—equal to approximately $8,800 per unit annually, reduced to $6,750 per unit annually after accounting for expected tenant contributions to rent;

Rental subsidy in market-rate housing:

- Rental costs of $14,000 per unit per year, from Corporation for Supportive Housing modeling of Fair Market Rents in more expensive jurisdictions minus estimated tenant contribution to rent.

Published estimates of the share of non-chronically homeless households that would require an ongoing deep subsidy to successfully exit homelessness versus those whose needs could be met through a shallow rent subsidy (described separately in Roadmap proposal A1.3) have not yet been identified. This analysis assumes that 75% of these households would require a deep subsidy, while 25% could successfully secure and maintain stable housing with a shallow subsidy.

Quantification outputs

Because this proposal is included as one proposed use of funds in the state homeless flexible funding pool, the number of households served and corresponding costs would reflect the requests for this use in applications for funding by local jurisdictions based on local analysis of needs, gaps, and capacity. The estimate presented here reflects the statewide estimate of all households that could potentially benefit from this support annually:

270,000 non-chronically homeless households x 0.75 = 202,500 households

- Lower cost estimate:
  202,500 households x $6,750 annually (in deed-restricted housing) = $1.367 billion annually
- Higher cost estimate:
  202,500 households x $14,000 annually (in private rental housing) = $ 2.835 billion annually

Note that these estimates assume no other available sources of deep housing subsidy, such as federal Housing Choice Vouchers, to meet the needs of households exiting homelessness, though the federal government has proposed significantly boosting the supply of vouchers. With an additional 50,000 federal vouchers available to address the needs of deeply low-income households exiting homelessness, for example, the costs outlined above would be reduced to $1.029 billion (lower estimate) to $2.135 billion (higher estimate).

Sources

California Budget & Policy Center analysis of US Census Bureau, American Community Survey public-use microdata for 2016-2018 downloaded from IPUMS-USA (University of Minnesota).

California Tax Credit Allocation Committee, 2018 operating expenses data provided to California Housing Partnership.

Davalos, Monica and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center, May 2020).

Rapport, Sharon, Corporation for Supportive Housing, email message to author, January 8, 2021.

US Department of Housing and Urban Development, *HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California* (January 29, 2019).

A1.3. Shallow rental subsidies to close the gap between housing costs and incomes for people exiting homelessness, or for those with extremely low incomes who have not fallen into homelessness but face unsustainable housing costs and high risk of housing instability

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Shallow rental subsidies are targeted to households for whom a small subsidy of up to a couple hundred of dollars per month is sufficient to meet housing needs and maintain housing stability. This allows the government to stretch limited financial resources to a larger number of individuals but provides a smaller amount per household than more typical deep subsidies like Housing Choice Vouchers. Shallow rental subsidies can be an effective support to achieve housing stability for individuals recently rehoused or unstably housed living in a high-cost environment where shared housing (e.g., with a roommate or relative) can meet their needs. These subsidies can also be effective for those with fluctuating employment and income, and for those on fixed incomes who need a small amount of ongoing assistance to afford ongoing rents. For example, these subsidies could benefit Californians on fixed incomes such as SSI/SSP, where maximum monthly benefits were just $944 in 2020, leaving them still below the federal poverty line and unable to afford typical rents in many parts of the state.[33] These subsidies could also support Californians living in rent-controlled units with below-market rents who are struggling to pay for housing costs, thereby helping to maintain the supply of affordable housing by ensuring that units do not lose rent affordability due tenant turnover.

Shallow subsidies have gained traction in recent years, and new initiatives have emerged in Los Angeles and Philadelphia, as well as a program by the US Department of Veterans Affairs targeting veterans in cities across the country. Many of these recently-launched shallow subsidy initiatives have not yet been in operation long enough to produce evaluation data. One seminal study conducted in Alameda County showed that shallow subsidies were effective in keeping low-income people and their families independently housed.[34] The program provided individuals with HIV or AIDs with incomes below 50% of AMI between $175 to $425 per month depending on household size and number of bedrooms in the unit. The analysis showed that 99% of households who received a shallow subsidy remained stably housed after one year in contrast to only 32% of the comparison group. Similarly, 96% remained independently housed after 2 years, compared to only 10% of the comparison group.

---

[33] Esi Hutchful, *The SSI/SSP Grant: A Critical Support for Older Women and People of Color in California Left Behind by the Labor Market and State Policy* (California Budget & Policy Center: February 2020).
[34] Lisa K. Dasinger and Richard Speiglman, *Homeless Prevention: The Effect of a Shallow Rent Subsidy Program on Housing Outcomes among People with HIV or AIDS* (June 19, 2007).

Description:

This proposal would provide shallow rental subsidies to support individuals exiting homelessness and/or extremely low-income renters with severe housing cost burden who are at risk of housing instability and homelessness. It would provide a small ongoing rent subsidy, distinct from short-term rapid re-housing support or ongoing deep subsidy programs. This proposal is included in the Roadmap as a proposed use of funds in the state homeless flexible funding pool.

Target Population: Households experiencing homelessness, and/or households with incomes at or below 30% of AMI (the HUD VLI threshold) with severe housing cost burden (paying more than half of income toward housing) and with some ongoing income who are at risk of housing instability or homelessness.

Racial equity

Black Californians are disproportionately represented in the homeless population. While Black individuals only comprise 6% of the state population, nearly 1 in 3 individuals experiencing homelessness in California are Black. American Indian and Pacific Islander Californians are also overrepresented among individuals who are homeless. About a third of California renter households with Black head of household or American Indian or Alaska Native head of household are ELI (with incomes at or below 30% of area median income), as well as about one-fourth of Asian, Latinx, and Pacific Islander renter households, compared to about one-fifth of white renter households. Black and Latinx California households are also most likely to face severe housing cost burden.

Approach to estimating impact

This analysis assumes that a shallow rental subsidy statewide would average $400 monthly per household ($4,800 per year), replicating the median amount offered in a recently-launched Los Angeles shallow subsidy program. In 2019 the Los Angeles Homeless Services Authority awarded The Salvation Army's Community Integration Services (CIS) Shallow Subsidy program a $12 million grant to provide subsidies ranging from $300 to $500 per household with incomes at or below 50% of AMI and who pay more than 60% of their income toward rent.

To estimate the number of households who could benefit from this proposal and the associated costs, this analysis provides two calculations:

- The first estimate focuses on shallow subsidies as a tool to enable exits from homelessness. Per the 2019 HUD Point in Time Count, about 90,000 households were homeless but not chronically homeless, for an annual estimated total of about 270,000 households assuming 3x annual flow-through. Some of these homeless households could have housing needs met successfully with this type of shallow subsidy, particularly those with some ongoing stable income and those for whom shared housing is viable—while others would require ongoing deep subsidies (described in a separate Roadmap policy proposal, A1.2), particularly those with no stable source of income and those in larger households. Published data have not been identified to estimate what share of this non-chronically homeless population could be adequately served with shallow subsidies. This analysis assumes that 25% of these households could achieve housing stability with shallow subsidies.
- The second estimate focuses on shallow subsidies as a tool to proactively protect precariously-housed households from falling into housing instability or homelessness. This estimate assumes targeting of shallow subsidies to non-homeless ELI households (at or below 30% of AMI) who also pay at least 50% of their incomes toward housing costs. This totals about 1,098,000 households per Budget Center

  analysis of US Census Bureau, American Community Survey public-use microdata for 2016-2018. As above, this analysis assumes that 25% of these households could maintain housing stability with shallow subsidies. While all of these households are at risk of housing instability and homelessness, support could be targeted to focus on those with lowest incomes, highest housing cost burden, or other risk factors.

Quantification outputs

Because this proposal is included as one proposed use of funds in the state homeless flexible funding pool, the number of households served and corresponding costs would reflect the requests for this use in applications for funding by local jurisdictions based on local analysis of needs, gaps, and capacity. The estimate presented here reflects the statewide estimate of all households that could potentially benefit from this support annually.

Exits from homelessness:
$400 per month for 25% of homeless households that are not chronically homeless

- 270,000 households x 0.25 x ($400 x 12) = $324 million annually

Proactive protection against housing instability:
$400 per month for 25% of ELI renter households (at or below 30% AMI) who pay at least 50% of their income towards rent

- 1,098,000 households x 0.25 x ($400 x 12) = approximately $1.318 billion annually

Note that these estimates assume no other available sources of housing subsidy, such as federal Housing Choice Vouchers, to meet the needs of these households.

Sources

California Budget & Policy Center analysis of US Census Bureau, American Community Survey public-use microdata for 2017-2019 downloaded from IPUMS-USA (University of Minnesota).

Dasinger, Lisa K. and Richard Speiglman, *Homeless Prevention: The Effect of a Shallow Rent Subsidy Program on Housing Outcomes among People with HIV or AIDS* (June 19, 2007).

Davalos, Monica, and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center, April 2020).

Davalos, Monica, Sara Kimberlin, and Aureo Mesquita, *California's 17 Million Renters Face Housing Instability and Inequity Before and After COVID-19* (California Budget & Policy Center, January 2021).

Hutchful, Esi, *The SSI/SSP Grant: A Critical Support for Older Women and People of Color in California Left Behind by the Labor Market and State Policy* (California Budget & Policy Center, February 2020).

"Shallow Subsidy Program," The Salvation Army (webpage), accessed December 2, 2020.

"Supportive Services for Veteran Families: Shallow Subsidy Compliance Guide," US Department of Veterans Affairs (webpage), accessed January, 11, 2021.

A1.4 Operations of local flexible housing subsidy pools to effectively coordinate rental subsidies and housing placements and to provide support for tenants and landlords

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Even when homeless individuals and other households with low incomes are eligible for housing vouchers, supportive services, or affordable or supportive housing placements, many fall through the cracks when trying to navigate the process of successfully leasing up with vouchers or connecting with appropriate housing and services. A 2000 study of households receiving federal Housing Choice Vouchers found nearly 1 in 3 (31%) failed to secure a rental unit within the allowed timeframe, and a more recent 2010 study in Seattle, an area with high housing costs like much of coastal urban California, found that 40% of voucher recipients failed to successful utilize their vouchers within 120 days. Public systems and institutions seeking to prevent clients from discharging into homelessness often face similar challenges in navigating available supports. Affordable housing developers also face challenges in linking to sources of rental subsidies and providers of supportive services needed to successfully house individuals exiting homelessness, and private landlords are often reluctant to accept these individuals or other tenants that use rental subsidies due to concerns about the bureaucratic requirements to manage rental subsidies and lack of support to resolve landlord-tenant conflicts that may arise.

Local flexible housing subsidy pools are a promising practice to address these challenges of coordination and to provide support for tenants and landlords to maximize utilization and successful housing outcomes using available rental subsidy and supportive service resources. Los Angeles County has a well-established local flex pool, and several other local jurisdictions in California and nationally have launched similar local flex pools. The flex pool model includes a single administrative coordinating entity—in Los Angeles County this is a nonprofit organization—that recruits and supports private landlords and affordable housing providers, administers rental subsidies from a variety of sources, coordinates provision of case management services provided by a variety of service providers, and matches tenants to housing placements that include appropriate rental subsidy, tenancy support services, and case management services. This model also addresses barriers to successful use of rental subsidy resources by covering costs to hold units before and between tenancies, providing private landlord incentives, and covering costs to complete minor repairs or damage to units where needed to ensure that tenants are able to maintain housing and that units remain available as affordable housing.

Description:

This proposal would provide support for the administration of local housing subsidy pools to address the needs of individuals exiting or avoiding homelessness, as well as associated operational costs outside of regular ongoing rent subsidies and case management and supportive services (e.g., costs to hold units, landlord incentives, unit repairs). This proposal is included in the Roadmap as a proposed use of funds in the state homeless flexible funding pool.

Target Population: Households experiencing or at imminent risk of homelessness have been the primary target population to date. This model can also be used to facilitate successful use of rental assistance (e.g., federal Housing Choice Vouchers) by households with low incomes who are not experiencing or at imminent risk of homelessness.

Racial equity

Racial inequities are clearly apparent in experiences of homelessness. Black Californians carry a disproportionate burden of homelessness, comprising about 30% of the individuals experiencing homelessness but only about 6% of the overall state population. American Indian and Pacific Islander Californians are also overrepresented among individuals who are homeless. Among the broader population with deeply low incomes, Pacific Islander, Asian, American Indian or Alaska Native, Black, and Latinx Californians are overrepresented among one-person households with deeply low incomes, with about 15% to 18% of single individuals in each of these groups having incomes below 15% of AMI. Among California households with children with deeply low incomes, households with Black and American Indian heads of household are especially overrepresented. More efficient and effective utilization of rental subsidy and support service resources could particularly benefit these Californians, whose low incomes and high rates of homelessness reflect the legacy of discriminatory policies and practices in housing, employment, education, criminal justice, and other arenas.

Approach to estimating impact

Cost estimates to operate and support a local flex pool are based on data provided by Brilliant Corners, which operates the Los Angeles Flexible Housing Subsidy Pool and local flex pools in San Francisco, San Diego, and the Inland Empire. These estimates include:

- Ongoing per-client administrative costs of about $275 to $300 per month, or about $3,450 per client annually. This covers ongoing staffing costs to recruit and support landlords and housing providers, provide tenancy support services, coordinate third-party case management services, and administer rent subsidy payments, tenant applications, and other administrative support.

- Additional move-in and one-time operational costs outside of regular ongoing rent subsidies and tenancy support services. These include funding to hold units, move-in payments for security deposit and first and last month's rent, furnishing and utilities turn-on at move-in, landlord participation incentives, and flexible tenancy support costs such as unit repairs or minor modifications. These costs are typically incurred per client move-in, and vary depending on local system partners and rental market conditions. Typical one-time costs per client for the local flex pools in Los Angeles and San Francisco include:

One-time Costs per Client Move-in	Los Angeles	San Francisco
Vacancy cost to hold unit for up to 2 months before or between client placements, based on 1-bedroom Fair Market Rent	$3,336	$5,800
Move-in costs including security deposit, utility start-up, furniture	$5,400	$7,000
Total one-time move-in costs per client	**$8,736**	**$12,800**

These one-time costs are significantly lower per client when converted to an annual basis due to strong client housing retention with ongoing tenancy support services. Among individuals placed through the Los Angeles flex pool, 87% retain housing for at least two years (excluding clients who participate in the Office of Diversion and Reentry programs or who are in Enriched Residential Care Facilities), so that one-time costs per client, averaged per year over a client's full stay in housing, are generally half or less of the costs shown above.

Quantification outputs

Because this proposal is included as one proposed use of funds in the state homeless flexible funding pool, the number of households served and corresponding costs would reflect the requests for this use in applications for funding by local jurisdictions based on local analysis of needs, gaps, and capacity.

Sources

Abt Associates, *Flexible Housing Subsidy Pool Brief Evaluation of the Conrad N. Hilton Foundation Chronic Homelessness Initiative* (March 2017).

California Budget & Policy Center analysis of US Census Bureau, American Community Survey public-use microdata for 2016-2018 downloaded from IPUMS-USA (University of Minnesota).

Pickel, Bill and Chris Contreras, Brilliant Corners, email message to author, February 16 and March 19, 2021.

US Department of Housing and Urban Development, Office of Policy Development and Research, "Landlords: Critical Participants in the Housing Choice Voucher Program," *Evidence Matters* (Winter 2019).

US Department of Housing and Urban Development. Office of Policy Development and Research. *Study on Section 8 Voucher Success Rates, Volume I: Quantitative Study of Success Rates in Metropolitan Areas*, by Meryl Finkel and Larry Buron, 2001.

A2. Scale state housing programs to meet the need and commit to funding them at that level for ten years

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

State funding for affordable housing in California has declined dramatically since 2011, when the state eliminated local redevelopment agencies. While new and expanded public funding sources for affordable housing have emerged in recent years—including bond measures (e.g., Proposition 41 and Proposition 2), cap-and-trade funding, and additional investments from the state's general and revolving funds—public investment in housing has not returned to pre-2011 levels and remains in short supply relative to demand and projected need.[35]

California already has successful programs to finance affordable homes and solutions to homelessness, but they are not scaled to meet the need. Growing these proven programs by $3.5 billion per year, along with making $2.5 billion in operating subsidy available annually to ensure this housing is serving extremely low-income Californians, is necessary to achieve the goal of creating 1.2 million affordable homes by 2030.

Description:

This proposal entails a $3.5 billion annual expansion to state funding programs and $2.5 billion in operating subsidy for the creation of new affordable housing for low-income renter households and with set-asides for different housing needs set by the Legislature and Governor. The State would not need to provide this amount of operating subsidy if federal housing choice vouchers significantly expand, as proposed by the Biden administration.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing and affordable homeownership opportunities. These policies help protect residents from involuntary displacement and unaffordable rent increases and help reduce racial/ethnic disparities in housing outcomes.

[35] California Housing Partnership, Housing Needs Dashboard (website), accessed March 1, 2021.

For example, Black and Latinx headed households are more likely than their white counterparts to be low-income renters and to have unaffordable housing costs. Forty-three percent (43%) of Black households and 38% of Latinx households are low-income renters, while only 17% of white household and 22% of Asian and Pacific Islander households are low-income renters.[36] In addition, 63% of Black households and

57% of Latinx households in California have unaffordable housing costs, known as cost burden.[37] Severe cost burden—paying more than 50% of household income on housing costs—is also more prevalent for renters of color in California. Thirty-six percent (36%) of Black households, 31% of Pacific Islander households, 30% of Native American households, 29% of Latinx households, and 27% of Asian households experience severe cost burden. In contrast, 25% of white households experience severe cost burden.[38]

In addition, renters of color comprise the majority of households benefitting from state subsidized affordable homes. While Black households make up 6% of all households in California and 10% of low-income renter households, they comprise 18% of households in rental housing financed with Low-Income Housing Tax Credits (LIHTCs). While Latinx households make up 30% of all households in California and 44% of low-income renter households, they comprise 39% of households in rental housing financed with LIHTCs. In contrast, white households make up 47% of all households in California, 31% of low-income renter households, and 25% of households in rental housing financed with LIHTCs.[39]

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development of new affordable housing.

---

[36] This data comes from an analysis of 1-year ACS PUMS data for 2017, 2018, and 2019, and represents the race/ethnicity of the head of household or householder—the person or one of the people in each household in whose name the home is owned, being bought, or rented and who is listed on line one of the survey.
[37] A household is cost burdened if they pay more than 30% of household income on housing costs.
[38] Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).
[39] Because tenants are not required to share race and ethnicity information, the estimates provided here are an underestimate of the share of LIHTC households identifying with each race and ethnic group. Seventy-nine percent (79%) of properties submitted tenant and household-level data in California and race/ethnicity was not reported by 14% of reporting households. HUD publishes tenant and household-level data on residents of LIHTC developments at https://www.huduser.gov/portal/datasets/lihtc/tenant.html#data.

Step 1: Estimate amount of state subsidy needed

To estimate the number of new affordable homes that could be produced with $3.5 billion in additional state funding each year, we first calculate the typical median cost to develop one unit of affordable housing in California from development cost data for properties receiving Low-Income Housing Tax Credits (LIHTC) from 2012-2019.[40] This data comes from sources and uses information included in LIHTC applications submitted to the California Tax Credit Allocation Committee (TCAC) and reflects the developer's best estimates of project costs at the time of application.

Given the nature of this proposal, we only include new construction developments receiving 4% LIHTCs in the calculation to best reflect the likely financing structure of properties seeking this additional state gap financing. We estimate that the median per-unit development cost is $475,000 (2019$). To reflect the cost

escalation and inflation that will likely occur over the next decade, we further assume that total development costs will increase by 3% each year.[41]

Because this additional state funding would ultimately complement other sources of local, federal, and private financing, we next model the average subsidy amount for developments receiving these state funds. We use the same universe of 4% developments receiving LIHTCs from 2012-2019 to model the likely composition of sources (e.g., share of funding state sources, tax credit equity, local sources, etc.), using both historical data from LIHTC development and estimates of future financing trends given the newly enacted 4% credit floor. This modeling produced the following results for a new construction 4% LIHTC development: $97,000 per unit (2019$).

Step 2: Apply efficiency adjustments

Several Roadmap Home proposals are designed to make California's affordable housing finance and service delivery systems more efficient (e.g., C6, E1, and E4). Therefore, to fully capture the impact of the fully implemented Roadmap Home platform, we assume that all efficiency proposals are in effect, which would reduce median per-unit development costs and per-unit subsidy calculated in step 1 by approximately 11%.

Step 3: Estimate the number of new affordable homes that could be created with these additional state resources

Using the estimates from steps 1 and 2, we estimate the potential impact this policy could have on the development of new affordable housing with the following formula:

$$\#\ of\ new\ affordable\ homes\ (annual) = \frac{state\ investment}{subsidy\ assumption_{efficient}}$$

[40] The data comes primarily from LIHTC applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of funding and residential development cost line items. When application data was not available, we used TCAC staff reports created for each LIHTC development, which include summary financing data. Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index. Commercial costs were excluded.

[41] The 3% inflation adjustment is based on historical trends in the RS Means Construction Cost Index from 1987 to 2020.

Step 4: Estimate the amount of operating subsidy needed to ensure this housing serves extremely low-income Californians

In addition to growing state funding programs by $3.5 billion per year, this proposal also includes $2.5 billion in operating subsidy annually to ensure this housing is serving extremely low-income Californians, which is essential to ensure that all Californians can access the additional affordable rental homes financed with this proposal. We estimate the amount of operating subsidy needed by using the median per-unit cost of the capitalized operating subsidy reserve (COSR) requests from 2018-2020 for California's No Place Like Home (NPLH) program, which was $153,000. We then multiply this value by 161,000 homes or the number of affordable homes for ELI households that we estimate will need rental assistance beyond what will be captured in other Roadmap Home proposals (e.g., for the flex pool, project-based voucher expansion, etc.).

The State would not need to provide this amount of operating subsidy if federal housing choice vouchers significantly expand, as proposed by the Biden administration.

Quantification outputs

- 37,000 new affordable homes created annually on average; 371,000 new affordable homes created over ten years
- 1,077,000 people served per year

Sources

Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).

California Housing Partnership, Housing Needs Dashboard (website), accessed March 1, 2021.

California Housing Partnership, LIHTC Cost Database (2012-2019) compiled from TCAC LIHTC Applications and Staff Reports.

"Low-Income Housing Tax Credit (LIHTC): Tenant Level Data," US Department of Housing and Urban Development Office of Policy and Research (website), accessed on March 13, 2021.

A3. Initiate a $10 billion statewide housing bond

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

In 2018, California voters passed Propositions 1 and 2, making $6 billion available for successful housing finance programs at the Department of Housing and Community Development (HCD) that address homelessness, workforce housing, and homeownership needs. HCD will award the last of these funds by 2022. Passing a housing bond of this magnitude on the November 2022 ballot would sustain California's current level of affordable housing production.

Description:

This proposal initiates a $10 billion statewide housing bond to fund five more years of affordable homes for low-income households and people experiencing homelessness.

- 90% of funds will support the creation and preservation of rental homes affordable to low-income households
- 10% of funds will support homeownership opportunities for first-time low-income homebuyers

Racial equity

Lower incomes, lower rates of homeownership, and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing and affordable homeownership opportunities. These policies help protect residents from involuntary displacement and unaffordable rent increases, create wealth building opportunities for low-income families, and help reduce racial/ethnic disparities in housing outcomes.

For example, Black and Latinx headed households are more likely than their white counterparts to be low-income renters and to have unaffordable housing costs. Forty-three percent (43%) of Black households and 38% of Latinx households are low-income renters, while only 17% of white household and 22% of Asian and Pacific Islander households are low-income renters.[42]

---

[42] This data comes from an analysis of 1-year ACS PUMS data for 2017, 2018, and 2019, and represents the race/ethnicity of the head of household or householder—the person or one of the people in each household in whose name the home is owned, being bought, or rented and who is listed on line one of the survey.

In addition, 63% of Black households and 57% of Latinx households in California have unaffordable housing costs, known as cost burden.[43] Severe cost burden—paying more than 50% of household income on housing costs—is also more prevalent for renters of color in California. Thirty-six percent (36%) of Black households, 31% of Pacific Islander households, 30% of Native American households, 29% of Latinx households, and 27% of Asian households experience severe cost burden. In contrast, 25% of white households experience severe cost burden.[44]

In addition, renters of color comprise the majority of households benefitting from state subsidized affordable homes. While Black households make up 6% of all households in California and 10% of low-income renter households, they comprise 18% of households in rental housing financed with Low-Income Housing Tax Credits (LIHTCs). While Latinx households make up 30% of all households in California and 44% of low-income renter households, they comprise 39% of households in rental housing financed with LIHTCs. In contrast, white households make up 47% of all households in California, 31% of low-income renter households, and 25% of households in rental housing financed with LIHTCs.[45]

Black and Latinx households are also underrepresented among homeowners in California compared to their share of the population. For example, Latinx households of any race make up close to 30% of all households but only 24% of homeowning households, and Black households account for 6% of all households in California, yet only account for 4% of homeowners. The rate of homeownership within Black and Latinx populations lags behind that of white households: homeownership rates for Black and Latinx households are estimated at 35% and 44% respectively, compared to 64% of white households statewide.[46]

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes and homeownership programs for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development and preservation of affordable housing and creation of affordable homeownership opportunities.

---

[43] A household is cost burdened if they pay more than 30% of household income on housing costs.
[44] Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).
[45] Because tenants are not required to share race and ethnicity information, the estimates provided here are an underestimate of the share of LIHTC households identifying with each race and ethnic group. Seventy-nine percent (79%) of properties submitted tenant and household-level data in California and race/ethnicity was not reported by 14% of reporting households. HUD publishes tenant and household-level data on residents of LIHTC developments at https://www.huduser.gov/portal/datasets/lihtc/tenant.html#data.
[46] Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).

<u>Funding for the creation and presentation of affordable rental homes</u>

Step 1: Estimate amount of state subsidy needed

To estimate the number of rental affordable homes that could be produced with $9 billion in additional state funding, we first calculate the typical median cost to develop one unit of affordable housing in California from development cost data for properties receiving Low-Income Housing Tax Credits (LIHTC) from 2012-2019.[47] This data comes from sources and uses information included in LIHTC applications submitted to the California Tax Credit Allocation Committee (TCAC) and reflects the developer's best estimates of project costs at the time of application.

Given the nature of this proposal, we consider developments receiving 4% LIHTCs—both new construction and acquisition/rehabilitation—and state funding to best reflect the likely financing structure of properties seeking this additional state financing. We estimate that the median per-unit total development cost (TDC) for a newly construction affordable home is $475,000 (2019$). We estimate that the median per-unit TDC for an acquisition/rehabilitation affordable home is $267,000 (2019$). To reflect the cost escalation and inflation that will likely occur over the next decade, we further assume that total development costs will increase by 3% each year.[48]

Because this additional local funding would ultimately complement other sources of local, federal, and private financing, we next model the average subsidy amount for developments receiving these local funds. We use the same universe of 4% developments receiving LIHTCs from 2012-2019 to model the likely composition of sources (e.g., share of funding from tax credit equity, local sources, etc.), using both historical data from LIHTC development and estimates of future financing trends given the newly enacted 4% credit floor. This modeling produced the following results:

- New construction 4% LIHTC: $97,000 per unit (2019$)
- Acquisition/rehabilitation 4% LIHTC: $35,000 per unit (2019$)

Step 2: Apply efficiency adjustments

Several Roadmap Home proposals are designed to make California's affordable housing finance and service delivery systems more efficient (e.g., C6, E1, and E4). Therefore, to fully capture the impact of the fully implemented Roadmap Home platform, we assume that all efficiency proposals are in effect, which would reduce median per-unit development costs and per-unit subsidy calculated in step 1 by approximately 11%.

Step 3: Estimate the number of affordable homes that could be created with these additional state resources

[47] The data comes primarily from LIHTC applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of funding and residential development cost line items. When application data was not available, we used TCAC staff reports created for each LIHTC development, which include summary financing data. Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index. Commercial costs were excluded.

[48] The 3% inflation adjustment is based on historical trends in the RS Means Construction Cost Index from 1987 to 2020.

We then estimate the potential impact this policy could have on the development of new affordable housing with the following formula:[49]

$$\#\ of\ new\ affordable\ homes = \frac{(state\ investment\ for\ new\ construction)}{(subsidy\ assumption_{efficient})}$$

We also estimate the potential impact this policy could have on the development of acquisition/rehabilitation affordable housing with the following formula:

$$\#\ of\ acq/rehab\ affordable\ homes = \frac{(state\ investment\ for\ acq/rehab)}{(subsidy\ assumption_{efficient})}$$

<u>Funding for homeownership opportunities for first-time low-income homebuyers</u>

Step 1: Determine the funding limit per household for first-time homebuyer assistance

This proposal recommends more robustly funding the CalHome program, which administers a first-time homebuyer program targeted to low-income households. CalHome currently has a funding limit of $100,000 per household, or 40% of the purchase price. While the funding amount provided to each household will vary during the program's implementation, we use the $100,000 limit to conservatively estimate the number of households that could be provided assistance.

Step 2: Estimate the number of homeownership opportunities created

The number of homeownership opportunities created for first-time, low-income homebuyers is estimated by dividing the state investment—or $1 billion—by the per-household funding limit from step 1 above:

$$\#\ of\ homebuyers\ assisted = \frac{state\ investment\ for\ homeownership}{(funding\ limit\ per\ HH)}$$

Quantification outputs

- 10,000 new affordable homes created annually on average; 102,000 new affordable homes created over ten years
  - 295,000 people served per year
- 700 affordable homes preserved annually on average; 7,000 affordable homes preserved over ten years
  - 21,000 people served per year
- 1,000 affordable homes created and purchased by first-time homebuyers annually on average; 10,000 affordable homes created and purchased by first-time homebuyers over ten years

[49] We assume that 97% of funds will support new construction activity and 3% will support acquisition/rehabilitation, which mirrors trends in the distribution of funding between new construction and acquisition/rehabilitation for the Multifamily Housing Program (MHP).

– 29,000 people served per year

Sources

Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).

California Housing Partnership, LIHTC Cost Database (2012-2019) compiled from TCAC LIHTC Applications and Staff Reports.

"Low-Income Housing Tax Credit (LIHTC): Tenant Level Data," US Department of Housing and Urban Development Office of Policy and Research (webpage), accessed on March 13, 2021, https://www.huduser.gov/portal/datasets/lihtc/tenant.html#data.

A4. Make permanent the $500 million expansion of the state Low-Income Housing Tax Credit

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

State funding for affordable housing in California has declined dramatically since 2011, when the state eliminated local redevelopment agencies. While new and expanded public funding sources for affordable housing have emerged in recent years—including bond measures (e.g., Proposition 41 and Proposition 2), cap-and-trade funding, and additional investments from the state's general and revolving funds, and an additional $500 million in state Low-Income Housing Tax Credits (LIHTCs) in 2019 and 2020—public investment in housing has not returned to pre-2011 levels and remains in short supply relative to demand and projected need.[50]

Because federal LIHTCs are the basic building blocks with which almost all affordable rental housing is financed in California, having additional state credits would allow federal credits to be stretched further, resulting in more homes affordable to lower-income households, including people experiencing homelessness.

Description:

This proposal entails making the $500 million expansion of the state LIHTCs permanent to increase affordable housing production through public-private partnerships.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposal A2.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes and homeownership programs for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

---

[50] California Housing Partnership, Housing Needs Dashboard (website), accessed March 1, 2021, https://chpc.net/housing needs/?view= 37.405074,-119.26758,5&county=California&group=funding&chart=funding|current,state-funding.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development of new affordable housing.

Step 1: Estimate the number of units that could be developed with $500 million in state credits

To estimate the number of new affordable homes that could be produced by making the $500 million expansion of state LIHTCs permanent, we use data from the Tax Credit Allocation Committee (TCAC) on the number of units developed with $500 million in state LIHTCs from 2020.[51]

According to this data, 6,593 affordable homes received state LIHTCs in 2020.

Step 2: Estimate the average per-unit subsidy and composition of sources

Next, we calculate the average per-unit subsidy provided by state LIHTCs in 2020 by dividing the total annual funding amount ($500 million) by the number of affordable homes receiving state LIHTCs in 2020 as described in step 1. Therefore, we estimate that each affordable home receiving state LIHTCs will receive $76,000 on average.

Next, we model the likely composition of sources for developments receiving these state credits using development cost data for properties receiving LIHTCs from 2012-2019.[52] Given the nature of this proposal, we only include new construction developments receiving 4% LIHTCs in the calculation to best reflect the likely financing structure of properties seeking state LIHTCs. We estimate that, on average, the median per-unit development cost is $475,000 (2019$) and that state credits could finance approximately 16% of development costs or $76,000 per-unit.

Step 3: Apply efficiency adjustments

Several Roadmap Home proposals are designed to make California's affordable housing finance and service delivery systems more efficient (e.g., C6, E1, and E4). Therefore, to fully capture the impact of the fully implemented Roadmap Home platform, we assume that all efficiency proposals are in effect, which would reduce median per-unit development costs and per-unit subsidy calculated in step 2 by approximately 11%.

Step 4: Estimate the number of affordable homes that could be created with these additional state resources

We then estimate the potential impact this policy could have on the development of new affordable housing with the following formula:

---

[51] California Tax Credit Allocation Committee, 2020 $500 Million Total State Tax Credit Dashboard (webpage), accessed March 2, 2021, at https://www.treasurer.ca.gov/ctcac/dashboard-2.asp.

[52] The data comes primarily from LIHTC applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of funding and residential development cost line items. When application data was not available, we used TCAC staff reports created for each LIHTC development, which include summary financing data. Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index. Commercial costs were excluded.

$$\# \, of \, new \, affordable \, homes = \frac{(state \, investment)}{(subsidy \, assumption_{efficient})}$$

Quantification outputs

- 7,400 new affordable homes created annually on average; 74,000 new affordable homes over ten years
- 215,000 people served per year

Sources

California Housing Partnership, Housing Needs Dashboard (website), accessed March 1, 2021, https://chpc.net/housing needs/?view= 37.405074,-119.26758,5&county=California&group=funding&chart=funding|current,state-funding.

California Housing Partnership, LIHTC Cost Database (2012-2019) compiled from TCAC LIHTC Applications and Staff Reports.

California Tax Credit Allocation Committee, 2020 $500 Million Total State Tax Credit Dashboard (webpage), accessed March 2, 2021, at https://www.treasurer.ca.gov/ctcac/dashboard-2.asp.

A5. Give local government the funding they need to create and preserve affordable housing

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

State funding for affordable housing in California has declined dramatically since 2011, when the state eliminated local redevelopment agencies. Although new and expanded public funding sources for affordable housing have emerged in recent years—including bond measures (e.g., Proposition 41 and Proposition 2), cap-and-trade funding, and additional investments from the state's general and revolving funds—public investment in housing has not returned to pre-2011 levels and remains in short supply relative to demand and projected need.[53]

Local governments are a key partner in addressing California's affordable housing and homelessness challenges, but since the loss of redevelopment they have had few funds at their disposal. This proposal would provide $3.5 billion annually to local governments so that they can contribute to ending the state's affordable housing shortage by catalyzing new affordable home development with early capital investments.

Description:

This proposal would significantly expand local resources for affordable housing development by allocating $3.5 billion annually to jurisdictions across California. These funds would be conditioned on Housing Element compliance related to low-income housing goals and submission of Annual Progress Reports.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposal A2.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in

[53] California Housing Partnership, Housing Needs Dashboard (website), accessed March 1, 2021.

estimating the potential impact this policy could have on the development of new affordable housing.

Step 1: Estimate amount of local subsidy needed

To estimate the number of new affordable homes that could be produced with $3.5 billion in additional funding each year, we first calculate the median cost to develop one unit of affordable housing in California from development cost data for properties receiving Low-Income Housing Tax Credits (LIHTC) from 2012-2019.[54] This data comes from sources and uses information included in LIHTC applications submitted to the California Tax Credit Allocation Committee (TCAC) and reflects the developer's best estimates of project costs at the time of application.

Given the nature of this proposal, we only include new construction developments receiving 4% LIHTCs and local funding in the calculation to best reflect the likely financing structure of properties seeking this additional local financing. Accordingly, we estimate that the median per-unit development cost is $434,000 (2019$). To reflect the cost escalation and inflation that will likely occur over the next decade, we further assume that total development costs will increase by 3% each year.[55]

Because this additional local funding would ultimately complement other sources of state, federal, and private financing, we next model the average subsidy amount for developments receiving these local funds. We use the same universe of 4% developments receiving LIHTCs from 2012-2019 to model the likely composition of sources (e.g., share of funding from tax credit equity, local sources, etc.), using both historical data from LIHTC development and estimates of future financing trends given the newly enacted 4% credit floor. This modeling produced the following results for a new construction 4% LIHTC development: $88,000 per unit (2019$).

Step 2: Apply efficiency adjustments

There are several Roadmap Home proposals designed to make California's affordable housing finance and service delivery systems more efficient (e.g., C6, E1, and E4). Therefore, to fully capture the impact of the fully implemented Roadmap Home platform, we assume that all efficiency proposals are in effect, which would reduce median per-unit development costs and per-unit subsidy calculated in step 1 by approximately 11%.

Step 3: Estimate the number of new affordable homes that could be created with these additional local resources

Using the estimates from step 1 and 2, we estimate the potential impact this policy could have on the development of new affordable housing with the following formula:

[54] The data comes primarily from LIHTC applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of funding and residential development cost line items. When application data was not available, we used TCAC staff reports created for each LIHTC development, which include summary financing data. Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index. Commercial costs were excluded.

[55] The 3% inflation adjustment is based on historical trends in the RS Means Construction Cost Index from 1987 to 2020.

$$\#\ of\ new\ affordable\ homes\ (annual) = \frac{state\ investment\ to\ localities}{subsidy\ assumption_{efficient}}$$

Quantification outputs

- 42,000 new affordable homes created annually on average; 422,000 new affordable homes created over ten years
- 1,224,000 people served per year

Sources

California Housing Partnership, LIHTC Cost Database (2012-2019) compiled from TCAC LIHTC Applications and Staff Reports.

California Housing Partnership, Housing Needs Dashboard (website), accessed March 1, 2021.

A6. Empower voters to support building affordable homes locally by setting the threshold for passage of housing ballot measures at 55%

Analysis prepared by the California Housing Partnership and California Budget & Policy Center

Description of policy

Rationale:

As a result of Proposition 13 of 1978, the California State Constitution requires two-thirds of local voters to approve all local special taxes and general obligation bonds. There is an exception for certain school bonds, which require a 55% vote to pass as a result of Proposition 39, approved by California voters in 2000. Issuing bonds is the most common way for local governments to finance affordable housing. However, many local bonds for housing and homeless services have won ample majority voter support only to fall short of the current two-thirds supermajority requirement.

Data show that regardless of their purpose, local taxes and bonds requiring a majority or 55% vote have been more likely to pass than those requiring a two-thirds supermajority. Between 2001 and 2019, 76% of majority vote measures and 84% of school bond measures requiring a 55% vote were approved, compared to just 53% of measures requiring a two-thirds vote.[56]

Among local homelessness and housing measures during this time period requiring a two-thirds vote to pass, about 60% were approved by voters.[57] While this approval rate is higher than the average for all two-thirds vote measures, it remains significantly lower than the approval rate for measures that required only a majority or 55% of voters to pass. Conforming to the 55% threshold for school bonds will better reflect the will of voters to invest in creating new affordable homes and ending homelessness in their communities.

Description:

This proposal would lower the required voter approval threshold for local funding measures to support housing and homeless services (including local general obligation bonds and special taxes for affordable housing and public infrastructure) from two-thirds to 55%.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes.

---

[56] CaliforniaCityFinance.com, *An Overview of Local Revenue Measures in California Since 2001*, accessed on February 16, 2021.
[57] CaliforniaCityFinance.com, *An Overview of Local Revenue Measures in California Since 2001*, accessed on February 16, 2021.

In addition, local funding measures can be funded through property taxes. Californians of color are generally least likely, and white Californians are most likely to own property, due to a legacy of explicitly

racist homeownership policies as well as other discriminatory policies and practices in housing, employment, and other areas that have contributed to significant racial gaps in income and wealth.[58] Consequently, taxing local property owners to support housing and services that benefit Californians with lower incomes and less wealth, who struggle to afford housing, can improve the racial equity of local tax and service systems. For supporting data, see the racial equity section of proposals A2 and A3.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes and homeownership programs for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development and preservation of affordable housing.

Step 1: Identify the local funding measures for housing and homeless services that fell short of a two-thirds supermajority that would have passed with a 55% vote

The results from local tax and bond measures are tabulated by California City Finance and show the percentage of “Yes” and “No” votes that contributing to each measure’s passage or failure. Along with the share of “Yes” votes, this data includes the type of ballot measure (sales tax, special tax, general obligation bond, etc.), the proposed use intended for that measure, and the revenue amount that would be generated by each measure. This data is published for every election between 2000 and 2020, including elections that took place in March or June.[59]

Using this data, we compiled a list of all housing-related special tax or general obligation bond ballot measures that occurred between 2010 and 2020, which are the two types that require a two-thirds majority to pass. In some instances, a proposed use is not included in the data, in which case we compare the name and year of the ballot measure to state records in order to determine its purpose. If we determine that the ballot measure is intended for affordable housing or homeless services, it is included in the list.

---

[58] Esi Hutchful, *The Racial Wealth Gap: What California Can Do About a Long-Standing Obstacle to Shared Prosperity* (California Budget and Policy Center: December 2018). Downloaded March 1, 2021.

[59] Local tax and bond measure results compiled by Michael Coleman of California City Finance. Last updated December 2020.

From the list of housing-related special tax and general obligations, we use the percentage of "Yes" and "No" votes to determine which of the measures that did not pass would have passed had the voter threshold been 55% rather than 66% (two-thirds). For example, a measure that failed with 49% "Yes" votes would not be included, as it did not reach the proposed 55% threshold, and its funding amount is not included in our estimate; on the other hand, a measure that failed with 59% "Yes" votes would be included.

We also consulted with campaign professionals knowledgeable of local ballot initiatives in different parts of the state over the previous decade that were expected to exceed 55 voter approval (e.g., based on polling), but did not advance to the ballot due to the unlikelihood of garnering two-thirds of the vote, in order to generate an estimate for the amount of revenue that could have been generated had these initiatives had they been placed on the ballot.[60]

Step 2: Estimate amount of local revenue that could have been generated with a 55% passage threshold

We then estimate the total amount of revenue that could have been generated by the housing-related ballot measures that failed with between 55% and 66% "Yes" votes as identified in step 1 by summing the revenue data affiliated with each measure. Accordingly, we estimate that empowering voters to support building affordable homes locally by setting the threshold for passage of housing ballot measures at 55% could generate approximately $3 billion in local revenue over the coming decade.

Step 3: Estimate amount of local subsidy needed

To estimate the number of affordable homes that could be produced with $3 billion in additional local funding, we first calculate the typical median cost to develop one unit of affordable housing in California from development cost data for properties receiving Low-Income Housing Tax Credits (LIHTC) from 2012-2019.[61]

Given the nature of this proposal, we consider developments receiving 4% LIHTCs—both new construction and acquisition/rehabilitation—and local funding to best reflect the likely financing structure of properties seeking this additional local gap financing. We estimate that the median per-unit total development cost (TDC) for a newly construction affordable home is $434,000 (2019$). We estimate that the median per-unit TDC for an acquisition/rehabilitation affordable home is $289,000 (2019$). To reflect the cost escalation and inflation that will likely occur over the next decade, we further assume that total development costs will increase by 3% each year.[62]

---

[60] Consultation with JR Starrett (Non-Profit Housing Association of Northern California) and Tommy Newman (United Way of Greater Los Angeles).

[61] The data comes primarily from LIHTC applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of funding and residential development cost line items. When application data was not available, we used TCAC staff reports created for each LIHTC development, which include summary financing data. Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index. Commercial costs were excluded.

[62] The 3% inflation adjustment is based on historical trends in the RS Means Construction Cost Index from 1987 to 2020.

Because this additional local funding would ultimately complement other sources of state, federal, and private financing, we next model the average subsidy amount for developments receiving these local funds. We use the same universe of 4% developments receiving LIHTCs from 2012-2019 to model the likely composition of sources (e.g., share of funding from tax credit equity, local sources, etc.), using both historical data from LIHTC development and estimates of future financing trends given the newly enacted 4% credit floor. This modeling produced the following results:

- New construction 4% LIHTC: $88,000 per unit (2019$)
- Acquisition/rehabilitation 4% LIHTC: $35,000 per unit (2019$)

Step 4: Apply efficiency adjustments

Several Roadmap Home proposals are designed to make California's affordable housing finance and service delivery systems more efficient (e.g., C6, E1, and E4). To fully capture the impact of the fully implemented Roadmap Home platform, we assume that all efficiency proposals are in effect, which would reduce median per-unit development costs and per-unit subsidy calculated in step 3 by approximately 11%.

Step 5: Estimate the number of affordable homes that could be created with these additional local resources

We then estimate the potential impact this policy could have on the development of new affordable housing with the following formula:[63]

$$\#\ of\ new\ affordable\ homes = \frac{(state\ investment)}{(subsidy\ assumption_{efficient})}$$

We also estimate the potential impact this policy could have on the development of acquisition/rehabilitation affordable housing with the following formula:

$$\#\ of\ acq/rehab\ affordable\ homes = \frac{(state\ investment\ for\ acq/rehab)}{(subsidy\ assumption_{efficient})}$$

Quantification outputs

- 3,500 new affordable homes created annually on average; 35,000 new affordable homes created over ten years
  - 101,000 people served per year
- 300 acquisition/rehabilitation affordable homes created annually on average; 3,000 acquisition/rehabilitation affordable homes created over ten years
  - 9,000 people served per year

[63] We assume that 97% of funds will support new construction activity and 3% will support acquisition/rehabilitation, which mirrors trends in the distribution of funding between new construction and acquisition/rehabilitation for the Multifamily Housing Program (MHP).

Sources

CaliforniaCityFinance.com, *An Overview of Local Revenue Measures in California Since 2001*, accessed on February 16, 2021.

California Housing Partnership, LIHTC Cost Database (2012-2019) compiled from TCAC LIHTC Applications and Staff Reports.

Consultation with JR Starrett (Non-Profit Housing Association of Northern California) and Tommy Newman (United Way of Greater Los Angeles).

Esi Hutchful, *The Racial Wealth Gap: What California Can Do About a Long-Standing Obstacle to Shared Prosperity* (California Budget and Policy Center: December 2018). Downloaded March 1, 2021.

A7. Fund the conversion of commercial properties and rental properties occupied by low-income households currently on the private market into affordable homes

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Because of their age and location (and potentially other reasons), many apartment buildings across California are relatively affordable to low-income households even though they have no government subsidies or rent restrictions. Consequently, low-income households living in these unsubsidized affordable homes—also known as "naturally occurring affordable homes" or NOAHs—are vulnerable to rent increases and their potential consequences: increased housing cost burden, displacement, and, at times, homelessness. The risk of displacement and homelessness is particularly high for residents in NOAHs located in neighborhoods with high rental prices or in gentrifying areas where rents are increasing rapidly.[64]

When NOAHs come up for sale, affordable housing entities whose goal is to keep these developments affordable often have difficulty competing with buyers who plan to maximize rents. Affordable housing developers are at a disadvantage in the competition to purchase these properties because they cannot leverage as much debt and therefore pay as high a price due to restricted rents. It also typically takes them longer to obtain the public financing commitments they need to be able to buy the property.[65]

In addition, sellers of NOAH properties often must pay significant capital gains taxes on the sale, which leads them typically to sell to institutional investors through a like-kind tax-deferred exchange, which means governments rarely see capital gains tax revenue. If affordable housing developers could offer sellers a tax credit to offset a significant portion of their capital gains and access financial resources to help acquire these properties, they could effectively outbid other buyers and preserve California's NOAH stock.[66]

Description:

The purpose of this proposal is to significantly expand state resources and tools for the acquisition and preservation of unsubsidized affordable housing. This proposal has three main elements:

1. Create an affordable housing preservation tax credit to incentivize sellers to sell to nonprofits that has the following characteristics:

---

[64] See, for example: Enterprise Community Partnership, *Preserving Affordability, Preventing Displacement: Acquisition-Rehabilitation of Unsubsidized Affordable Housing in the Bay Area* (2020); Enterprise Community Partners, *Preserving Naturally-Occurring Housing Affordability in Metro Atlanta Neighborhoods* (May 2018).
[65] See, for example: Minnesota Preservation Plus Initiative, *The Space Between: Realities and Possibilities in Preserving Unsubsidized Affordable Rental Housing* (June 2013).
[66] Office of Jesse Gabriel, *AB 2058 (Affordable Housing Preservation Tax Credit)*, updated 2020.

    a. Provides the seller with a 50% credit (up to $1 million per transaction) against the state and federal capital gains otherwise owed by the seller of an existing building or park if they sell to a nonprofit entity who will operate the property as affordable housing for low-income households for 55 years;
    b. Qualified purchasers would first obtain an over-the-counter credit reservation from the state's Tax Credit Allocation Committee that could then be used to negotiate a competitive deal with a seller of a qualified property; and
    c. The seller would receive half of the credit at the close of escrow and the other half after documenting its actual capital gains tax payments.
2. Give tenants and affordable housing organizations the first right of offer on rental homes that are offered for sale.
3. Expand the Golden State Acquisition Fund (GSAF) to provide 15-year loans that fund acquisition and renovation of the property to bring it up to health and safety code standards.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to preservation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposal A2.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the preservation of NOAHs. We focus exclusively on estimating the impacts of element 1 (creation of an affordable housing preservation tax credit) and element 3 (expansion of the GSAF); these elements would provide the financial resources to make element 2 (right-of-first refusal for nonprofits) viable as one possible avenue for acquiring NOAH properties.

Create an affordable housing preservation tax credit

Step 1: Estimate sale price of a 'typical' NOAHs in California

To estimate the number of unsubsidized affordable homes that could be preserved with $100 million annually in affordable housing preservation tax credits, we first estimate the median sale price for NOAH properties in California on a per-unit basis from sales transaction data from the CoStar database.[67]

We define properties in CoStar's database as NOAHs if the average asking rent for all unit sizes is affordable to a local household earning less than 80% AMI and the property is not currently subsidized by a state or federal affordable housing program.[68] We were able to identify more than 28,000 such properties across California.[69]

We then calculate the median last sales price (per unit) for all NOAH properties in 2019 dollars—$151,000 per unit. To reflect the cost escalation and inflation that will likely occur over the next decade, we further assume that the sales prices will increase by 3% each year.

Step 2: Calculate the amount of tax credits against the state and federal capital gains that will be available to sellers

To calculate the amount of tax credits against state and federal capital gains taxes that sellers could receive if they sell to a nonprofit entity who will operate the property as affordable housing for low-income households for 55 years, we first estimate the taxable gain for NOAHs sold to nonprofits as the difference between the current sales price and the sales price paid by the owner. We assume the sales price paid by the owner is 44% of the current sales price.[70] Based on the median sales price calculated in step 1, this figure would be $66,000 per unit in 2019 dollars.[71] The taxable gain is therefore $85,000 in 2019 dollars.

We then calculate the amount of tax credits against the state and federal capital gains (25% rate)[72] that will be available to sellers using the formula below.

---

[67] CoStar's database tracts sales transaction data for multifamily rental properties throughout California from data available from public records, data from the local Assessor's Office, information supplied by clients of CoStar's ILS platforms or obtained by CoStar's research callers.

[68] This data comes from the California Housing Partnership's Preservation Database, an inventory of federally and state subsidized affordable rental properties. While the Preservation Database is one of the only sources that tracks subsidized properties in California, it does not currently track public housing properties or locally created affordable housing (e.g., homes made affordable by local land use policies like density bonuses or inclusionary zoning).

[69] These NOAH properties range in size from five units to several hundred—with an average unit size of 25 and a median unit size of 12. NOAH properties in California also tend to be older: the majority were built before 1965.

[70] We arrived at 44% by analyzing the last two arm's length sales transactions for NOAH properties sold in the last decade from CoStar's multifamily database. Forty-four percent (44%) is the median value for all properties identified as NOAHs.

[71] This estimate is based on a sample project proforma created by the financial consulting experts at the California Housing Partnership

[72] We use a 25% tax rate in this calculation because 15% is a common tax rate for federal capital gains and 10% is a common rate for California state capital gains. See https://www.irs.gov/taxtopics/tc409.

$$credits\ available\ to\ seller\ (per\ unit) = (taxable\ gain * 0.25) * 0.5$$

Step 3: Calculate the number of homes preserved with $100 million in state credits

In order to calculate the number of homes preserved with $100 million in affordable housing acquisition credits annually, we use the following formula:

$$\#\ of\ affordable\ homes\ (annual) = \frac{amount\ of\ new\ credits\ available}{credits\ available\ to\ seller\ (per\ unit)}$$

Step 4: Estimate the leverage needed

In addition to $100 million in preservation tax credit funding annually, we assume that nonprofit affordable housing developers can secure private hard debt to cover acquisition and rehabilitation expenses needed to preserve these properties even charging affordable restricted rents up to a maximum

of 80% of AMI. Using the acquisition estimate detailed above in step 1 and a pro forma analysis of NOAH acquisitions in the Bay Area, we estimate the total acquisition and rehabilitation costs will be approximately $189,000 per unit, on average.[73] To reflect the cost escalation and inflation that will likely occur over the next decade, we further assume that these costs will increase by 3% each year.

<u>Expand the Golden State Acquisition Fund</u>

Step 1: Estimate how much GSAF funding will be available each year

This proposal is for a $1 billion annual expansion to the GSAF. We assume funds will revolve every 12.5 years, on average, and that funding will be equally distributed across that period.[74]

Step 2: Estimate acquisition and rehabilitation costs for a 'typical' NOAHs in California

We use the same acquisition estimate detailed above from CoStar's last sales price data for the known universe of NOAHs. According to this data, the median last sales price (per unit) for all NOAH properties in 2019 dollars is $151,000 per unit. To reflect the cost escalation and inflation that will likely occur over the next decade, we further assume that the sales prices will increase by 3% each year.

Based on a pro forma analysis of NOAH acquisitions in the Bay Area, we estimate that each acquired NOAH will also require $38,000 per unit in necessary rehabilitation (core life and safety upgrades), closing costs, and developer fees. To reflect the cost escalation and inflation that will likely occur over the next decade, we further assume that these costs will increase by 3% each year.

---

[73] This includes the acquisition cost, core life and safety upgrades, closing costs, and developer fees. We assume that major renovations will be deferred for at least 10 years.

[74] We assume funds revolve every 12.5 years on average because it is the midpoint between the minimum hold period to obtain LIHTCs (10 years) and the 15-year loan term proposed for this expansion to the GSAF.

Step 3: Calculate the number of homes preserved with $1 billion in GSAF annually

In other to calculate the number of homes preserved with $1 billion in GSAF annually, we further assume that the GSAF will finance 50% of the total acquisition and rehabilitation costs estimated above. We then use the following formula:

$$\#\ of\ affordable\ homes\ (annual) = \frac{amount\ of\ funding\ available}{(acquisition\ \&\ rehab\ costs\ (per\ unit) * 0.50)}$$

Step 4: Estimate the leverage needed

To finance the additional 50% of total acquisition and rehabilitation costs, we expect developers will leverage local and philanthropic funds, in addition to private hard debt.

Quantification outputs

- Create an affordable housing preservation tax credit:
  - 8,000 affordable homes preserved annually on average; 80,000 affordable homes preserved over ten years
  - 233,000 people served per year
- Expand GSAF
  - 9,000 affordable homes preserved annually on average; 90,000 affordable homes preserved over years
  - 262,000 people served per year

Sources

California Housing Partnership, LIHTC Cost Database (2012-2019) compiled from TCAC LIHTC Applications and Staff Reports.

CoStar Group, accessed January 20, 2020.

Enterprise Community Partnership, *Preserving Affordability, Preventing Displacement: Acquisition-Rehabilitation of Unsubsidized Affordable Housing in the Bay Area* (2020).

Enterprise Community Partners, *Preserving Naturally-Occurring Housing Affordability in Metro Atlanta Neighborhoods* (May 2018).

Minnesota Preservation Plus Initiative, *The Space Between: Realities and Possibilities in Preserving Unsubsidized Affordable Rental Housing* (June 2013).

Office of Jesse Gabriel, *AB 2058 (Affordable Housing Preservation Tax Credit)*, updated 2020.

Special thanks to Asha DuMonthier, Sam Facas, Melanie Ho, Elena Rein, and Cody Zeger for their contributions to this analysis in spring 2020. All are second year Master of Public Policy students at the UC Berkeley Goldman School of Public Policy.

A8. Shift savings from planned and future state prison closures

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

California is projected to be able to close multiple state prisons and juvenile justice facilities in coming years due to declining incarceration rates. The Legislative Analyst's Office noted that California is on track to be able to close five prisons and three juvenile justice facilities and to see significant reductions in the inmate, parolee, and ward populations, resulting in annual cost savings estimated at several hundreds of millions of dollars in the short-term and around $1.5 billion by 2024-25. This Roadmap proposal would direct $1 billion of these funds to housing subsidies for formerly incarcerated individuals.

Using these state savings to provide housing and meet other service needs is an equitable way to reinvest resources formerly dedicated to criminal justice. Formerly incarcerated individuals face high rates of homelessness, and a substantial share of individuals experiencing homelessness have recent experience with incarceration in prisons or jails. This link between incarceration and homelessness is not surprising given the specific barriers to securing stable housing faced by individuals with criminal records, as described in a Roadmap proposal (D4) to reduce barriers to accessing housing in the private market.

Description:

This proposal would require the state to calculate savings from closures of state prisons and juvenile justice facilities and reductions in the number of individuals under state corrections supervision projected for coming years, and use those savings to address homelessness and invest in communities. Specifically, $1 billion of the funds would be used to provide housing subsidies to formerly incarcerated individuals who are homeless or at risk of homelessness, with remaining funds dedicated to other services for formerly incarcerated individuals and other community investments. To ensure unbiased estimates of cost savings, the Department of Finance and the Legislative Analyst's Office would be required to agree on the calculated annual savings amount.

Target Population: Formerly incarcerated individuals experiencing or at risk of homelessness.

Racial equity

Racial inequities linked to current and past discriminatory policies and practices are clearly apparent in experiences of homelessness. Black Californians carry a disproportionate burden of homelessness, comprising about 30% of the individuals experiencing homelessness on a given night but only about 6% of the overall state population. American Indian and Pacific Islander Californians are also overrepresented among individuals who are homeless. Improving access to supports to exit homelessness can help address these racial inequities.

Racial inequities are also strongly apparent in experience with the criminal justice system, reflecting discriminatory practices and outcomes in arrests, sentencing, and incarceration. Black men and women are severely overrepresented among individuals incarcerated in California's state prison system, making up more than 25% of incarcerated individuals but only 6% of the state population. Latinx men are also overrepresented in state prisons. Black Californians and to a lesser degree Latinx Californians are also overrepresented among individuals incarcerated in California's county jails.

Approach to estimating impact

There are no available statewide data indicating how many individuals experiencing homelessness are formerly incarcerated. However, data collected as part of the homeless Point-in-Time count for Orange County, one of the largest counties in the state, found that about 28% of unsheltered homeless adults reported having been released from jail or prison within the last 12 months. Applying this percentage to the overall number of adults experiencing homelessness annually provides an estimate of the number of formerly incarcerated individuals annually likely to need urgent housing support.

Following the approach used for other Roadmap analyses, the total number of individuals experiencing homelessness annually who need support to exit homelessness is estimated using the 2019 HUD Point-in-Time count data. These data are converted to an estimated annual count by assuming that the annual number of individuals experiencing homelessness but not chronic homelessness is three times the point-in-time count, while the annual number experiencing chronic homelessness is equal to the point-in-time count multiplied by 1.12 (accounting for longer stays in homelessness for chronic homelessness).

Quantification outputs

Calculation of the total number of homeless adults annually results in:

39,918 chronic homeless adults at PIT x 1.12 + 97,055 non-chronic homeless adults at PIT x 3
= 335,873 total homeless adults annually

Assuming that 28% of these individuals have recent experience with incarceration results in an estimated 94,044 formerly incarcerated adults annually likely to experience homelessness.

The cost of providing housing subsidies for these individuals is estimated using the costs for deeply affordable housing for individuals exiting homelessness shown in the analysis of the Roadmap statewide homelessness flex pool proposal.

- Low estimate (in deed-restricted affordable housing) = 94,044 x $6,750 = $635 million

- High estimate (rental subsidy in private market housing) = 94,044 x $14,000 = $1.317 billion
- Average of low and high = $976 million, not accounting for outreach or related costs

Dedicating $1 billion from criminal justice cost savings would allow the state to meet the scale of housing need among these individuals.

Sources

Davalos, Monica, and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center: April 2020).

Franco, Konrad, et al., *Criminal Justice System Involvement and Mental Illness among Unsheltered Homeless in California* (California Health Policy Strategies: November 2018).

Graves, Scott, *State Corrections in the Wake of California's Criminal Justice Reforms: Much Progress, More Work to Do* (California Budget & Policy Center: October 2018).

Legislative Analyst's Office, *The 2021-22 Budget: State Correctional Population Outlook* (November 19, 2020).

McConville, Shannon, and Mia Bird. *Expanding Health Coverage in California: County Jails as Enrollment Sites* (Public Policy Institute of California: May 2016).

US Department of Housing and Urban Development. *HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California*.

A9. Ensure that all affordable housing developments are disability inclusive

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Increasing affordable, accessible, and inclusive housing for Californians with disabilities is critical to ending California's housing and homelessness crisis and creating homes for all.

Description:

This proposal ensures that all affordable housing developments are disability inclusive by requiring that all affordable housing funded by state programs include at least 15% of new units with mobility-accessible features and an additional 10% of units with hearing/vision accessible units, and provide incentives for developers to build accessible, affordable, and inclusive developments that go beyond these minimum requirements.

Racial equity

Lower incomes, lower rates of homeownership, and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable homes (for supporting data, see the racial equity section of proposals A2 and A3). In addition, prevalence of disability for working-age people (21-64) is higher among Black Californians (13%) and Native Americans in California (15%) than the statewide average (8%), meaning they are more likely to benefit from policies that lead to creation of accessible affordable homes.[75]

A separate Roadmap proposal to regionalize waitlists for accessible deed-restricted affordable homes (proposal E10) would also combine with this proposal to simultaneously advance racial equity and expand affordable housing options for Californians with disabilities.

Approach to estimating impact

To estimate the number of accessible affordable homes created through this proposal, we apply its percentage requirements for mobility-accessible features (15%) and hearing/vision accessible units (an additional 10%) to affordable homes financed with Low-Income Housing Tax Credits (LIHTCs)

---

[75] William Erickson, Camille G. Lee, and Sarah von Schrader, *2018 Disability Status Report: California* (Cornell University Yang-Tan Institute on Employment and Disability, 2020).

resulting from implementation of Roadmap proposals and baseline funding levels over the next ten years, which totals 868,000 affordable homes.

Quantification outputs

- 21,700 new accessible affordable homes created annually on average; 217,000 new accessible affordable homes created over ten years
- 629,000 people served per year

Sources

William Erickson, Camille G. Lee, and Sarah von Schrader, *2018 Disability Status Report: California* (Cornell University Yang-Tan Institute on Employment and Disability, 2020).

A10. Provide purchase assistance for first-time low- and moderate-income homebuyers

A12. Fund nonprofits and local governments to purchase existing homes for affordable resale

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Throughout California, particularly in the state's coastal markets, low- and moderate-income households face barriers to homeownership due to high and rising home prices, large down payment requirements, and competition from cash offers, among other factors.[76] Although some down payment and mortgage assistance programs exist, making it possible to purchase homes in higher cost parts of the state requires greater levels of subsidy than today's programs typically allow.

Description:

The purpose of this proposal is to significantly expand state resources and tools to provide purchase assistance for first-time low- and moderate-income homebuyers. This proposal has two main elements:

1. Invest $250 million annually to provide low- and moderate-income homebuyers with a silent second mortgage scaled to housing prices in their community. Upon sale or refinance, the homebuyers would repay the loan plus a share of the increase in any value to the state. The funding would be administered through a state agency like CalHFA, which has an existing down payment assistance program limited to $10,000 per applicant.
2. Provide $250 million annually in funding to nonprofit developers to partner with buyers to acquire homes to sell at affordable prices. The purchase assistance provided by the nonprofit would offer tax advantages to buyers, as well as guidance on securing mortgages at better rates

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of affordable homeownership opportunities. These policies help protect residents from involuntary displacement and unaffordable rent increases, create wealth building opportunities for low-income families, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposals A2 and A3.

---

[76] Laurie Goodman, Alanna McCargo, Edward Golding, Bing Bai, and Sarah Strochak, *Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability* (Urban Institute, September 2018), 3-4, 21.

In addition, Black and Latinx households are underrepresented among homeowners in California compared to their share of the population. For example, Latinx households of any race make up close to 30% of all households but only 24% of homeowning households, and Black households account for 6% of all households in California, yet only account for 4% of homeowners. The rate of homeownership within Black and Latinx populations lags behind that of white households: homeownership rates for Black and Latinx households are estimated at 35% and 44% respectively, compared to 63% of white households statewide.[77]

Black and Latinx households in California are less likely to be homeowners than white households even when controlling for income. Twenty-nine percent (29%) of low-income Black households and 38% of Latinx households are homeowners, compared to 55% of low-income white households. Thirty-nine percent (39%) of moderate-income Black households and 51% of moderate-income Latinx households are homeowners, compared to 60% of moderate-income white households. These disparities in rates of homeownership are persistent effects of the legacy of racism, redlining, and discrimination in mortgage and real estate practices that have defined housing in California—and the entire United States—and continue to this day.

A separate Roadmap proposal to prioritize access to affordable homes and homeownership programs for residents of low-income neighborhoods (proposal E7) would combine with this proposal advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development of new affordable housing.

Note: The methodology and impact estimate below apply to both the independent buyer proposal and the nonprofit affordable resale proposal.

Step 1: Estimate the price of a modest home with the Zillow Home Value Index (ZHVI)

The ZHVI publishes county-level estimates for the typical price of a home that falls within the 5th and 35th percentile range of home values.[78] The ZHVI data is an estimate of final sale price created using tax and county Assessor's data, recently sold homes of similar size, location, and square footage, as well as Zillow's proprietary algorithms.

Of the 58 counties in California, an upward adjustment is applied to 19 counties, to account for a larger share of the lower-end homes in those counties needing additional work in order to be move-in ready. This adjustment is again calculated using the ZHVI, where the adjusted home value is the midpoint between the 5th and 35th percentile range home price and the typical home price at the 50th percentile of home prices.

---

[77] Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).
[78] "Zillow Home Value Index," Zillow, accessed March 10, 2021.

Step 2: Estimate income available for mortgage of a low- to moderate-income homebuyer

We calculate income available for mortgage using the county-level 2019 HUD median income limit for a 4-

person household earning 100% of area median income and subtract out the various non-mortgage monthly expenses that a household would incur, including property tax and insurance, HOA fees, and mortgage insurance.[79, 80] See below:

$$income\ available\ for\ mortgage = monthly\ income_{county} - (property\ tax + property\ insurance + HOA\ fee + mortgage\ insurance)$$

Step 3: Calculate maximum mortgage loan amount

The maximum loan amount is the size of mortgage for which the buyer household would qualify, which we calculate using the monthly income available for mortgage in step 2, along with a standard 30-year loan term and a 3.25% interest rate, which represents the statewide average of current mortgage interest rates.[81]

We then calculate the maximum mortgage the homebuyer would qualify for using the present value (PV) function in Microsoft Excel, which uses the interest rate, term length, and monthly payment (from step 2) to calculate the maximum mortgage loan amount. The present value function calculates the present value (in today's dollars) of a lump sum of money (the mortgage amount), compared to what would be the value at the end period of the loan term. This is a simplified version of the calculation used to size a mortgage to a homebuyer's income.

Step 4: Calculate the amount of purchase assistance necessary and identify counties below threshold

We next estimate amount of purchase assistance needed by calculating the difference between the size of the maximum mortgage loan amount (calculated in step 3) and the modest home price in each county (calculated in step 1). This is done for each county, as income and target home price vary throughout the state.

$$purchase\ assistance = target\ home\ price - maximum\ loan\ amount - buyer\ downpayment$$

Given that other down payment assistance programs with smaller funding limits exist, we only include counties where the assistance amount is larger than $10,000. While households in the counties not included in this impact estimate can still take advantage of the program, this calculation assumes that their needs (on average) will be met by the existing CalHome and CalHFA down payment assistance programs.

---

[79] Data sourced from the HUD data portal for income limits, fiscal year 2019, accessed February 9, 2021.

[80] The estimates for non-mortgage expenses are based on statewide data and assumptions/input made in consultation with nonprofit affordable housing developers with expertise in affordable homeownership.

[81] Statewide interest rate average and trends gathered from Zillow "Mortgage Rates Over Time" data, accessed January 29, 2021.

Step 5: Estimate the number of assisted home purchases

Steps 1–4 estimate the amount of purchase assistance needed in each county. Next, we allocate the available funding to each county. In this proposal, funding is allocated such that the number of households served in each county is proportional to that county's share of the population, excluding counties that did not meet the minimum purchase assistance threshold described in step 4.

First, calculate the weighted average of the purchase assistance for qualifying counties and divide the total funding amount (in this case, $250 million) by that average, which calculates the number of home purchases that can be assisted.

$$\#\ of\ assisted\ home\ purchases = \frac{funding\ amount\ (\$)}{weighted\ avg\ of\ subsidy\ in\ each\ county}$$

Next, we multiply the total number of assisted home purchases by each county's share of the total population to calculate the number of purchases assisted in each county. Then, we multiply the number of purchases in each county by that county's purchase assistance amount, and sum for all counties.

Quantification outputs

- 1,200 home purchases assisted annually (per proposal)
- Total of 24,000 home purchases assisted over ten years (total for both proposals)
- 70,000 people served per year

Sources

Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).

"Income Limits," US Department of Housing and Urban Development Office of Policy Development and Research (webpage), accessed on March 13, 2021.

Laurie Goodman, Alanna McCargo, Edward Golding, Bing Bai, and Sarah Strochak, *Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability* (Urban Institute, September 2018), 3-4, 21.

Statewide interest rate average and trends gathered from Zillow "Mortgage Rates Over Time" data, accessed January 29, 2021.

"Zillow Home Value Index," Zillow, accessed March 10, 2021.

A11. Provide funding to nonprofit developers to construct self-help ownership housing

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Self-help housing is a proven model whereby homebuyers participate in the construction of new homes with their own time and/or labor, then purchase their home at an affordable price. In exchange for a required number of labor hours, or "sweat equity," these programs offer a grant amount towards purchase assistance, or in other cases, do not require a down payment to receive a primary loan.[82]

Description:

This proposal would fund the construction of new affordable homes while also providing purchase assistance for potential first-time homebuyers by providing funding directly to developers who are producing self-help or Habitat for Humanity type housing. Investing $150 million annually in this strategy would both increase housing supply and make homeownership affordable to low-income families.

This proposal is modeled on the CalHome self-help mortgage assistance program, which provides a maximum funding amount of $100,000 per homebuyer/applicant.[83] The Roadmap proposes more robustly funding CalHome for this purpose.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of affordable homeownership opportunities. These policies help protect residents from involuntary displacement and unaffordable rent increases, create wealth building opportunities for low-income families, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposals A2 and A3.

In addition, Black and Latinx households are underrepresented among homeowners in California compared to their share of the population. For example, Latinx households of any race make up close to 30% of all households but only 24% of homeowning households, and Black households account for 6 of all households in California, yet only account for 4% of homeowners.

[82] "Build Your Own Home," Self Help Enterprises (webpage), accessed March 12, 2021.
[83] CalHome Program Guidelines, accessed February 16, 2021.

The rate of homeownership within Black and Latinx populations lags behind that of white households: homeownership rates for Black and Latinx households are estimated at 35% and 44%, respectively, compared to 63% of white households statewide.[84]

Black and Latinx households in California are less likely to be homeowners than white households even when controlling for income. Twenty-nine percent (29%) of low-income Black households and 38% of Latinx households are homeowners, compared to 55% of low-income white households. These disparities in rates of homeownership are persistent effects of the legacy of racism, redlining, and discrimination in mortgage and real estate practices that have defined housing in California—and the entire United States—and continue to this day.[85]

A separate Roadmap proposal to prioritize access to affordable homes and homeownership programs for residents of low-income neighborhoods (proposal E7) would combine with this proposal advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development of new affordable housing.

We calculate the number of homes constructed through the proposal by dividing the total funding available over the next ten years by the funding limit per project.

$$\#\ homes\ constructed = \frac{\$1.5\ billion\ total\ funding}{\$100{,}000\ limit}$$

Quantification outputs

- 1,500 self-help affordable homes created annually on average; 15,000 self-help affordable homes created over ten years
- 44,000 people served per year

Sources

Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).

"Build Your Own Home," Self Help Enterprises (webpage), accessed March 12, 2021.

CalHome Program Guidelines, accessed February 16, 2021.

[84] Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).
[85] Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).

A13. Provide comprehensive community investment in low-income communities of color

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Many low-income communities across California, specifically communities of color, face a lack of economic opportunity and community resources due to decades of disinvestment and harmful housing and urban development policies—from redlining, to urban renewal, to the foreclosure crisis.[86,87] California has taken steps to address these inequities by funding integrated development through the Affordable Housing and Sustainable Communities program (AHSC), which integrates housing, transportation, and community amenities, and goes even further with the Transformative Climate Communities program (TCC), which empowers community members to drive the design of development and infrastructure projects that achieve major environmental, health, and economic benefits in California's most disadvantaged communities. Currently, however, these programs stop short of funding the comprehensive set of cross-sector investments that many communities need, and, despite significant efforts, the community burden of applying for these programs is sometimes too great for the communities most in need.

Description:

To better meet the investment needs in low-income communities of color, this proposal would expand and evolve the Transformative Climate Communities (TCC) Program to include a broader set of eligible investments, which affect wellbeing and opportunity for residents. By investing $250 million annually from cap-and-trade revenue—while maintaining the continuous appropriation for the Affordable Housing and Sustainable Communities—this proposal would increase access to, and funding for, place-based, flexibly-funded, comprehensive communitive revitalization strategies which can be an equalizer in neighborhoods that have been historically excluded from critical investments and where residents have often been marginalized from decision-making about development and planning in their own communities. Program details are described below:

- *Applicants:* The program's application structure should mirror the successful structure of TCC, in which a range of local stakeholder must form a "Collaborative Stakeholder Structure" to jointly apply, including community-based organizations, local governments, school districts, faith-based organizations, community development financial institutions, community development corporations, etc.

[86] Anthony Nardone, Joey Chiang, and Jason Corburn, "Historic Redlining and Urban Health Today in U.S. Cities," *Environmental Justice* 13, no. 4 (2020): 109, DOI: 10.1089/env.2020.0011.
[87] California Reinvestment Coalition, *From Foreclosure to Redlining: How America's largest financial institutions devastated California communities* (February 2010), https://fcic-static.law.stanford.edu/cdn_media/fcic-testimony/2010-0923-Stein-Exhibit1.pdf.

- *Eligible communities*: Low-income communities that have seen decades of disinvestment and currently have low access to resources and opportunity; potential metrics to define these communities include CalEnviroScreen (highest scoring census tracts) and the TCAC/HCD Opportunity Map (high segregation & poverty areas; low resource areas).
- *Program Structure*: This program would not only provide funding for evidence-based strategies to bring resources and opportunity to low-income communities of color but also aim to shift power to community members to envision and plan for their community's future, choosing their own goals and strategies through a participatory process. In order to achieve successful, equitable outcomes for process and investments, the program would be structured in two phases, each of which would require a competitive application:
  - *Phase 1: Planning* – Engage in a community-driven planning process that aims to create a vision for holistic, place-based development. The guidelines for community engagement and leadership refined through the TCC program are also appropriate for this program. In order to ensure investments in both people and place, as well as to advance racial equity goals, eligible communities would be required to plan for at least a portion of their investment to fund strategies for ongoing economic mobility efforts, including early childhood education, investments in local schools, and workforce development.
  - *Phase 2: Implementation* – Following the planning phase, communities would submit an application for the various development, infrastructure, and programming needs identified through the planning process. It is essential that this application process is not overly burdensome for communities most in need of these investments. Ideally applicants would present their plan as a single, unified proposal through a single application and be offered a single award.
- *Eligible Investments:* A Comprehensive Community Investment program will allow communities to envision a plan that includes elements focusing on the following domains: education, childcare, economic mobility, safety, public transit, community amenities, health and community services, and arts and culture.
- *Focus on Anti-Displacement*: Because new investments in historically disinvested communities can contribute to growing unaffordability and displacement of longtime residents, local culture, community institutions, and small businesses, Implementation Plans must be relevant to and benefit existing residents, rather than displacing them. Applicants must demonstrate significant effort to center this goal through concrete strategies including financial contributions to local tenant legal counseling, programs to protect and assist small business in the surrounding area, analysis of vulnerable unsubsidized affordable housing in close proximity to the new development, financial contributions to acquisition-rehab preservation nearby the new development, and prioritization of local, minority- and women-owned businesses for public contracting, among many others. Example criteria have been developed over years of stakeholder engagement for the AHSC and TCC programs. While this program would not explicitly fund affordable housing, we imagine that communities would likely pursue State affordable housing dollars in coordination with community investment efforts.

- *Administration:* We anticipate that the Strategic Growth Council (SGC) is the most appropriate agency to administer the program, in coordination with other relevant State agencies, given the cross-sector purview of the program and their experience with similar programs.

Racial equity

This proposal aims to undo the historic and ongoing disinvestment in low-income communities of color, which has resulted in lower access to resources and opportunity, and marginalized residents from

decision-making about development and planning in their communities. Addressing these inequities in community investment is one part of addressing the systemic racism present in not only our housing market, but in the inequalities in education, public transit, amenities, and health services necessary for communities to thrive.

Approach to estimating impact

This proposal would support comprehensive, integrated place-based investment to address barriers to opportunity in communities that have seen historic disinvestment and build more prosperous, resilient, and equitable communities.

The $250 million in awards each year would support 15 planning grants ($250,000 each) and seven (7) implementation grants ($35 million each, comparable in size to TCC and federal Choice Neighborhoods grants). This level of investment could, over ten years, support plans in the vast majority of target neighborhoods.

Quantification outputs

- 22 communities served per year

Sources

Anthony Nardone, Joey Chiang, and Jason Corburn, "Historic Redlining and Urban Health Today in U.S. Cities," *Environmental Justice* 13, no. 4 (2020): 109, DOI: 10.1089/env.2020.0011.

California Reinvestment Coalition, *From Foreclosure to Redlining: How America's largest financial institutions devastated California communities* (February 2010).

A14. Fund preservation of older affordable developments in need of rehabilitation

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

For many of California's older affordable housing developments, the combined cost of purchasing and rehabilitating the property can exceed the appraised value of the property, making financing nearly impossible to secure. This dynamic can lead to property deterioration, disinvestment, and conversion to market-rate.

While we seek to expand California's supply of affordable homes, we must also maintain what we have. By investing $100 million per year to ensure ongoing access to funding for rehabilitation, California's existing affordable homes will continue to house low-income families with dignity.

Description:

This proposal would expand state resources for preserving affordable homes with a $100 million annual increase in state Low-Income Housing Tax Credits (LIHTC) dedicated to the rehabilitation of projects in need of substantial rehabilitation—or those projects currently eligible for the 95% credit—for low-income renter households earning less than or equal to 45% AMI or with USDA eligibility.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to preservation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposal A2.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the preservation of affordable housing.

Step 1: Estimate rehabilitation costs

We estimate the amount of funding needed to rehabilitate properties eligible for this expanded tax credit

is $104,000 per unit—$65,000 for hard costs, $29,250 for soft costs (45% of hard costs), and $9,750 in contingency funding (15% of hard costs). This estimate does not include acquisition costs because most eligible properties will have little or zero market value and will sell for debt.[88] We further assume that only 60% of soft costs will be considered eligible basis.

Step 2: Calculate number of units preserved with $100 million in state credits

In other to calculate the number of homes preserved with $100 million in state credits annually, we use the following formula:

$$\#\ of\ preserved\ affordable\ homes\ (annual) = \frac{amount\ of\ new\ state\ credits\ available * (\frac{100}{95})}{development\ costs}$$

Step 3: Estimate the leverage needed

Because this expanded state credit would only cover 95% of the project's eligible basis, we expect that federal credits will need to be used to cover the additional gap financing needs. We estimate the federal tax credits needed using the following formula:

$$\begin{aligned} &amount\ of\ federal\ LIHTC\ credits \\ &\quad = \big((eligible\ basis * 0.4 * 1.3\ DDA\ QCT\ boost) * 4\%\ credit\ rate * 10\ years\big) \\ &\quad + (eligible\ basis *\ 4\%\ credit\ rate * 10\ years) \end{aligned}$$

Quantification outputs

- 1,100 affordable homes preserved annually on average; 11,000 affordable homes preserved over ten years
- 32,000 people served per year

Sources

California Housing Partnership, 95% Tax Credit Financial Model (2020).

[88] This estimate is based on a sample project proforma created by the financial consulting experts at the California Housing Partnership.

A15. Create a Medi-Cal benefit for housing navigation and tenancy support services

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Creating a Medi-Cal benefit to fund housing navigation and tenancy support services for people experiencing homelessness, or living in supportive housing, would improve these crucial services. Prioritizing a housing-first approach and creating robust wraparound services can lead to better health outcomes for those experiencing homelessness with complex needs such as chronic health conditions, physical disabilities, or behavioral health conditions, while also driving cost-savings over the long-term in many cases. The homeless population is increasingly composed of unsheltered older adults with chronic health conditions who need specialized supportive services and housing to be successful. Research demonstrates housing—especially affordable housing—is fundamental to ensuring a higher quality of life and tends to lower healthcare utilization rates over the long term.

People experiencing homelessness are considerably more likely to use hospitals as their primary means of care and, once they are discharged, are at an increased risk for readmission. A California-based study following frequent hospital users found that people experiencing homelessness who were connected to housing first had significantly fewer emergency room visits and inpatient days than those who were not connected with housing. Research on supportive housing has shown that stable housing linked to services, which could be facilitated through this Medi-Cal benefit, is highly effective in ending homelessness while reducing public service costs through lower utilization rates in the long term. This type of housing with support services is also linked to increased access to health care, decreased arrests, and decreased needed mental health services for participants. Housing first initiatives that prioritize supporting individuals in securing and maintaining housing, as this housing benefit would do, are key in promoting successful and sustainable health outcomes, especially for those who are experiencing homelessness with complex needs.

Description:

This proposal would create a Medi-Cal benefit to fund housing navigation, tenancy transition services, and tenancy sustaining services for individuals experiencing homelessness or individuals who were formerly homeless and are now living in supportive housing. To ensure adequate access for individuals experiencing homelessness who need these services, this proposal would establish these housing services as a mandatory benefit, meaning all Medi-Cal plans would be required to offer the benefit and all individuals who are eligible would be entitled to receive the benefit. This Medi-Cal benefit model contrasts with the optional "in lieu of services" (ILOS) model, where Medi-Cal plans can choose to offer the services or not, and services are made available only after proving that alternative care would be equally or more expensive. This proposal also would allow counties to administer this benefit directly, not solely relying on provision through Medi-Cal managed care plans.

Doing so would leverage counties' stronger experience serving individuals experiencing homelessness and contracting with homeless service providers, and stronger links to the broader homeless services system. In terms of the technical mechanism for incorporating this benefit into Medi-Cal, Corporation for Supportive Housing suggests this type of mandatory benefit could be included as a supplemental rate within an expanded Enhanced Case

Management benefit, and/or through a Medicaid 1915i state plan amendment, which other states have used to provide non-traditional services.

Target Population: Californians eligible for Medi-Cal who are homeless or who were previously homeless and now live in supportive housing and have an identified need for housing navigation and tenancy support services. Note that California adults who are undocumented immigrants are ineligible for most federally-supported Medi-Cal benefits. To meet the needs of undocumented Californians experiencing homelessness, California could provide a parallel fully state-funded Medi-Cal benefit, building on the state's expansion of Medi-Cal coverage to include undocumented children and young adults through state-only funding.

Racial equity

The homeless population in California is known to have large racial disparities. In 2019, Black Californians only comprised 6% of the state population, but accounted for nearly 30% of the total homeless population. American Indian and Pacific Islander Californians are also overrepresented among individuals who are homeless. More broadly, it is well documented that people of color disproportionately face risks that place them at higher risk of experiencing homelessness, including incarceration, low wages and economic instability, high housing costs, and inadequate health care.

Approach to estimating impact

Chronically homeless individuals are most likely to need substantial housing navigation and tenancy support services, because they have the longest histories of homelessness and face significant physical health and/or behavioral health challenges that may interfere with securing and maintaining stable housing. With full participation, Corporation for Supportive Housing estimates that roughly an estimated 100,000 individuals per year could be in need of and eligible for the housing navigation and tenancy support services that would be available through this Medi-Cal benefit. This figure accounts for approximately 40,000 adults identified as chronically homeless on a given night in the 2019 HUD Point in Time Count, plus individuals occupying approximately 46,000 supportive housing beds available for adults statewide, plus an allowance for additional individuals entering the eligible and in need homeless population over time, while some who are served initially continue to need services for an extended period. These estimates of need are likely liberal given that participation among all potentially eligible individuals would likely be less than 100% and not all supportive housing occupants may need substantial ongoing tenancy support services.

The estimated number of individuals served per year is multiplied by the estimated annual per-person cost of providing these services. Corporation for Supportive Housing estimates that a typical per-individual cost of housing navigation, tenancy transition, and tenancy sustaining services would be approximately $600 per month (including administrative costs), for total annual costs of approximately $7,200 per year per person.

Corporation for Supportive Housing estimates that roughly half of individuals accessing the benefit would qualify for Medi-Cal because they have disabilities and qualify for Supplemental Security Income (which results in automatic qualification for Medi-Cal), while half would qualify for Medi-Cal as low-income adults added to Medi-Cal eligibility through the Affordable Care Act, known as the Medicaid expansion population. The state receives different levels of federal matching funds for these two groups. Adults in the Medicaid expansion population qualify for a Federal Medicaid Assistance Percentage (FMAP) of 90%, while other Medi-Cal-eligible adults, including SSI recipients, qualify for the state's standard FMAP, which is normally 50% (not accounting for the current temporary increase in FMAP that is part of federal COVID-19 relief).

Quantification outputs

Total estimated annual state costs based on the need and per-person cost estimates above are as follows:

- 50,000 individuals eligible for 50% FMAP x $7,200 per person x 50% state funding percentage = $180 million
- 50,000 individuals eligible for 90% FMAP x $7,200 per person x 10% state funding percentage = $36 million
- $180 million + $36 million = $216 million in total state costs per year

As noted above, this estimate includes liberal assumptions about need and participation, so actual state costs could potentially be lower.

Sources

Center for Outcomes Research and Education and Enterprise Community Partners, Inc., *Health in Housing: Exploring the Intersection between Housing and Health Care* (February 2017).

Davalos, Monica and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center, April 2020).

Dohler, Ehren, Peggy Bailey, Douglas Rice, and Hannah Katch, *Supportive Housing Helps Vulnerable People Live and Thrive in the Community* (Center on Budget and Policy Priorities, May 2016).

Doran, Kelly, Kyle T. Ragins, Andrea L. Iacomacci, Alison Cunningham, Karen J. Jubanyik, and Grace Y. Jenq, "The Revolving Hospital Door: Hospital Readmissions Among Patients Who Are Homeless" *Medical Care* 51, no. 9 (2013): 767-73.

Graves, Scott, *State Corrections in the Wake of California's Criminal Justice Reforms: Much Progress, More Work to Do* (California Budget & Policy Center, October 2018).

Hunter, Sarah, Melody Harvey, Brian Briscombe, and Matthew Cefalu, *Evaluation of Housing for Health Permanent Supportive Housing Program* (RAND Corporation, 2017).

Linkins, Karen, Jennifer Brya, Daniel W. Chandler, *Frequent Users of Health Services Initiative: Final Evaluation* (The Lewin Group, 2008).

Mesquita, Aureo and Sara Kimberlin, *Staying Home During California's Housing Affordability Crisis* (California Budget & Policy Center, July 2020).

Ramos-Yamamoto, Adriana and Monica Davalos, *Confronting Racism, Overcoming Covid-19, & Advancing Health Equity* (California Budget & Policy Center, February 2021).

Rapport, Sharon, Corporation for Supportive Housing, email message to author, January 13, 2021.

Rapport, Sharon, Corporation for Supportive Housing, et al., "Comments on CalAIM Concepts for Medi-Cal Beneficiaries Experiencing Homelessness," Submitted public comment on CalAIM proposal (December 16, 2019).

US Department of Housing and Urban Development, *HUD 2019 Continuum of Care Homeless Assistance Programs Housing Inventory Count Report: California*, (2019).

US Department of Housing and Urban Development, *HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California* (January 29, 2019).

A16. Provide predevelopment funding to help mission-driven developers acquire sites in high-resource areas

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Experience and developer feedback has shown that current TCAC/HCD incentives for family developments in high-resource areas have had only modest impact as many impediments, particularly entitlement risk, remain. Most developers are unwilling to bet millions of dollars in the face of discretionary approvals and likely community opposition. The state should share that risk in pursuit of the policy goal to improve housing choice and access to opportunity for lower-income households.

Description:

This proposal would provide $50 million annually ($500 million over ten years) to expand the existing Predevelopment Loan Program with resources dedicated for the new construction of affordable family developments in high-resource areas, especially in jurisdictions with little affordable housing and on sites subject to discretionary review. The loan would cover predevelopment, architect, engineering, and entitlement work, as well as the non-refundable deposit on the option to purchase. Up to 50% of each loan, in addition to the reasonable costs of post-entitlement lawsuits, may be forgiven if entitlements are not obtained.

Racial equity

Research has shown that existing levels of segregation do not reflect the location preferences of low-income families across racial and ethnic backgrounds, and that deliberate efforts to create opportunities to live in resource-rich neighborhoods for low-income families can increase neighborhood satisfaction and critical economic, educational, and health outcomes.[89]

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development of new affordable housing.

---

[89] See, for example: Peter Bergman, Raj Chetty, Stefanie DeLuca, Nathaniel Hendren, Lawrence Katz, and Christopher Palmer, "Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice," *NBER Working Paper No. 26164* (August 2019).

Step 1: Estimate the size of each predevelopment loan

We assume an average of $2 million per predevelopment loan based on consultation with affordable housing developers.

Step 2: Estimate the number of predevelopment loans per year

With an average of $2 million per loan, we calculate the number of loans that can be awarded each year by dividing the $50 million in annual funding by the $2 million average loan amount, for a total of 25 loans awarded per year.

Step 3: Estimate the number of affordable homes created

This proposal assumes 71 affordable homes per development, which is the median size for developments awarded LIHTCs in California from 2017-2019. We calculate the number of affordable homes created by this proposal by multiplying the number of loans per year by the median development size:

$$\# \, afforable \; homes = 71 \; homes \; per \; development * 25 \; developments \; per \; year = 1{,}800 \; homes \; per \; year$$

Quantification outputs

- 1,800 affordable homes in high-resource areas per year on average; 18,000 over ten years
- 51,000 people served per year

Sources

California Housing Partnership, LIHTC Cost Database (2012-2019) compiled from TCAC LIHTC Applications and Staff Reports.

Interviews with affordable housing developers.

Peter Bergman, Raj Chetty, Stefanie DeLuca, Nathaniel Hendren, Lawrence Katz, and Christopher Palmer, "Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice," *NBER Working Paper No. 26164* (August 2019).

A17. Support a 2-year targeted housing stability benefit demonstration project

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Californians with extremely low incomes are very likely to pay an unaffordable amount toward housing. About 3 in 4 California renter households with incomes under 30% of AMI (the HUD ELI threshold) pay more than half of their incomes toward rent. This high rate of severe housing cost burden puts these households at risk of housing instability and homelessness. While some resources are available to help struggling renters afford housing costs, need is high and these programs are severely underfunded, so that the majority of eligible households do not receive housing assistance. (A separate Roadmap proposal, F1, examines this problem in the federal Housing Choice Voucher program.) If housing assistance were guaranteed to every extremely low-income renter struggling to afford rent, these families and individuals could avoid disruptive housing displacement and homelessness. At the scale of a community, the aggregate improvements in health and well-being and reduced costs to address homelessness and other consequences of housing instability could be substantial. A demonstration project could document the individual and community-level impact of this approach, while also building knowledge about promising implementation practices.

Description:

This proposal would support a 2-year targeted housing stability benefit demonstration project that would make rental assistance available to all extremely low-income households with severe housing cost burden living within three targeted localities representing geographic diversity. Individuals experiencing homelessness would also be eligible to receive the subsidy. The objectives of this pilot project would be to demonstrate the individual and community impact of providing guaranteed access to flexible housing support for households with the greatest housing needs, while identifying and developing promising practices for implementation.

Housing assistance would be provided as flexible rental subsidies, paid directly to landlords in private market or deed-restricted affordable housing, that would reduce households' rent costs to no more than 30% of their income, with the total subsidy limited to covering the HUD Fair Market Rent for the local area appropriate to the household size. The subsidy would be flexible with regard to eligible housing situations, including shared housing or other permanent options that allow for creative access to the housing market and account for different approaches to household makeup and housing configurations.

Three geographically diverse localities would be targeted for the demonstration project, including one in the San Francisco Bay Area, one in the Los Angeles area, and one in the Sacramento area.

Target Population: Renters with extremely low incomes (below 30% of AMI) and severe housing cost burden, as well as individuals experiencing homelessness, who are living within the localities targeted for the demonstration project.

Racial equity

Californians of color are disproportionately likely to be renters and to have unaffordable housing costs. Approximately 3 in 5 Black Californians and over half of Pacific Islander and Latinx Californians lived in renter households in 2019. Additionally, about 58% of Black renters and 52% of Latinx renters lived in households that spent more than 30% of their incomes toward housing in 2019, versus about 44% of white renters. Nearly 1 in 3 Black and almost 1 in 4 Latinx individuals in California lived in a renter household with severe housing cost burden in 2019. Among Californians of color who are renters, a substantial share have extremely low incomes (<30% AMI). About 1 in 3 Black and American Indian or Alaska Native, and about 1 in 4 Latinx, Pacific Islander and Asian households that rent their homes have incomes below 30% of AMI. Racial inequities are also apparent in homelessness in California. While Black individuals only comprise about 6% of the state population, about 30% of individuals experiencing homelessness in California are Black. American Indian and Pacific Islander individuals are also disproportionately likely to experience homelessness.

Approach to estimating impact

Three localities, one from each of the targeted regions, are used as examples to illustrate the scale of cost and number of eligible households for this demonstration project. For data analysis purposes, these localities are defined based on Census Public Use Microdata Areas or PUMAs, which are areas designated by the US Census Bureau that have a population of about 100,000. The three areas used for this analysis include PUMA 7503, San Francisco South of Market and Potrero; PUMA 6707, Sacramento City Central/Downtown and Midtown; and PUMA 3743, East Los Angeles. Estimates of the number of eligible renter households and costs to provide them with rental assistance are based on analysis of US Census Bureau, American Community Survey public-use microdata for California for 2017-2019.

Quantification outputs

Across these three localities combined, an estimated 18,470 renter households would meet the eligibility criteria for housing assistance due to extremely low incomes below 30% of AMI and severe housing cost burden. The estimated total cost of providing these households with rental assistance is about $180 million annually, or $361 million over two years.

Providing rental assistance to people experiencing homelessness would add to the costs and households benefiting, but detailed local data are not readily available to estimate these costs for all of the targeted localities. Administrative costs, including costs to evaluate and document the outcomes of the demonstration project, would also need to be included.

Sources

California Budget & Policy Center analysis of US Census Bureau, American Community Survey public-use microdata for 2017-2019 downloaded from IPUMS-USA (University of Minnesota).

California Housing Stability Benefit Workgroup, *The California Housing Stability Benefit* (January 2021).

Davalos, Monica and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center, May 2020).

Davalos, Monica, Sara Kimberlin, and Aureo Mesquita, *California's 17 Million Renters Face Housing Instability and Inequity Before and After COVID-19* (California Budget & Policy Center, January 2021).

3.2. PROMOTE FAIRNESS

B1. Reform the mortgage interest deduction

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

California foregoes substantial revenues by allowing taxpayers to deduct mortgage interest expenses through the mortgage interest deduction (MID), with most of the benefits going to high-income households. Limiting this tax break would make significant revenues available to support important investments to address California's housing affordability crisis. The MID is one of the largest state tax expenditures so substantial revenue could be available by limiting or eliminating it. This tax break directly benefits only homeowners, who generally have higher incomes and more wealth than renters and are also less likely than renters to face unaffordable housing cost burdens. About 80% of the benefits of this tax break go to households with incomes of $100,000 or more, who represent the top 20% of California earners. As a result, limiting this tax break, particularly for higher-income tax filers, would make California's tax system—including the tax rules related to housing—more equitable.

Description:

This proposal would limit the state mortgage interest deduction in order to create a new revenue source to support the costs of housing and homelessness policies included in the Roadmap.

The state MID allows households to reduce their taxable incomes by the value of qualified mortgage interest expenses paid on up to $1 million in debt. This proposal would limit this tax break. Three possible changes to the MID are examined:

1) Conform to federal MID tax rules by limiting state MID to mortgage debt of no more than $750,000 for mortgages obtained after 2017 (while allowing MID for larger mortgages obtained through 2017) and suspending the deduction for home equity debt not used for home improvements;
2) Limit the state MID to homes used as primary residences only;
3) Limit the state MID to tax filers with incomes under $100,000 only.

Any of these changes would reduce state tax expenditures for the MID, making state revenue available to support housing and homelessness policies.

Target Population: Revenue would be raised by reducing the tax break for taxpayers who are property owners with mortgage interest expenses.

Racial equity

Households of color, particularly Black, Latinx, and American Indian households, have much lower rates of homeownership than white households. As a result, tax deductions and exclusions that benefit homeowners tend to exacerbate the racial wealth gap by providing disproportionate benefits to white households compared to households of color. Limiting this tax break, particularly in ways that reduce benefits specifically for the highest-income households, who are also less likely to be households of color, could increase racial equity in California's tax system. These revenues would also be used to support housing and homelessness policies that advance racial equity in housing outcomes. Homeowners of color, particularly Black, Latinx, and American Indian or Alaska Native Californians, have lower incomes on average than white Californians who own homes. In order to preserve tax benefits for lower-income homeowners, the potential changes examined would primarily or exclusively affect taxpayers with higher incomes.

Approach to estimating impact

The Department of Finance and Franchise Tax Board (FTB) publish estimates of state revenue foregone due to the mortgage interest deduction, showing a total estimated tax expenditure of $4.1 billion for 2021-22. Other estimates have been produced by FTB for a legislative proposal to limit the MID to primary residences (AB 1905 Chiu, 2020) and by the Legislative Analyst's Office for conforming to federal MID rules.

A limitation of these estimates, as noted by the Franchise Tax Board, is that the estimate of revenue loss due to a given tax expenditure is not necessarily equal to the revenue that would be gained by its repeal, since some tax expenditures interact with each other and some tax expenditures accumulate over time. In addition, it is not yet clear how best to account for the economic impact of COVID-19 in tax revenue and expenditure projections.

Quantification outputs

Estimated additional annual state revenues that would be made available to support housing and homelessness investments from each of the proposed changes include:

1) Conform to federal MID rules: $410 million (in 2020-21)
2) Limit to homes used as primary residences: $310 million (in 2020-21), $200 million (in 2021-22), $210 million (in 2022-23)
3) Limit to tax filers with adjusted gross incomes under $100,000: $3.288 billion (in 2021-22), $3.449 billion (in 2022-23)

Note that estimates reflect revenues from each proposed change separately, not combined.

Sources

California Department of Finance, Tax Expenditure Report 2020-21.

California Franchise Tax Board, *Bill Analysis: AB 1905 (Chiu & Wicks) Amended May 14, 2020*.

California Franchise Tax Board, California Income Tax Expenditures: Compendium of Individual Provisions, Report for 2017 Tax Year Data.

Kitson, Kayla, *Tax Breaks: California's $60 Billion Loss* (California Budget & Policy Center, January 2020).

Legislative Analyst's Office, *The 2019-20 Budget: Tax Conformity* (March 6, 2019).

B2. Ask millionaires to pay their fair share in taxes

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Income inequality has increased substantially in California over the past several decades, with incomes after inflation increasing dramatically for Californians at the top of the income spectrum but much less for those with the lowest incomes. This proposal would tax individuals with very high incomes—those with $1 million or more in annual taxable income—as an equitable approach to raising revenues to support policies that address the state's housing affordability and homelessness crises.

Description:

This proposal would impose a surcharge on annual personal income over $1 million to create a new revenue source to support the costs of housing and homelessness policies included in the Roadmap. Specifically, a surtax of 1% would be imposed on personal taxable income greater than $1 million up to $2 million, a surtax of 3% on income greater than $2 million up to $5 million, and a surtax of 3.5% on income greater than $5 million. This tax would follow the structure proposed in AB 1253 (Santiago, et al.) as amended July 27, 2020.

Target Population: Revenue would be raised by taxing individuals with taxable annual income of more than $1 million.

Racial equity

Californians of color are underrepresented among families with the highest incomes, reflecting long-standing inequities in access to educational opportunities and jobs and explicit and implicit discrimination in wages. The highest-income families, which include those affected by this proposed tax, are disproportionately white, while Black and Latinx families in particular are disproportionately likely to be among the lowest-income families, which include those most directly benefiting from the housing and homelessness investments that would be funded by this tax.

Approach to estimating impact

Estimates have been produced by FTB for a legislative proposal to impose a surtax on personal taxable incomes over $1 million as proposed (AB 1253 Santiago, et al., as amended July 27, 2020).

Quantification outputs

Estimated additional annual state revenues that would be made available to support housing and homelessness investments from each of the proposed changes total $6.5 billion (for 2020-21), $4 billion (for 2021-22), and $4.5 billion (for 2022-2023).

Sources

Bohn, Sarah, Dean Bonner, Julien Lafortune, and Tess Thorman, *Income Inequality and Economic Opportunity in California* (Public Policy Institute of California, December 2020).

California Franchise Tax Board, *Bill Analysis for AB 1253 (Santiago, et al.), Amended July 27, 2020*.

B3. Recapture state revenues lost through corporate tax loopholes and historical corporate tax rate reductions

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

The share of California corporate income paid in state taxes has declined by more than half during the past three decades, due to state policymakers' actions to reduce tax rates and expand tax breaks for corporations. California spending on tax breaks for corporations far exceeds the amount the state spends on tax benefits for Californians with low incomes. Experts generally agree that most of the corporate income tax is borne by business owners and shareholders, who tend to have high incomes. This proposal would raise revenues and make the tax system more equitable by restoring the state corporate tax rate to 9.6%, the rate that California imposed historically, and also generally following federal law in taxing GILTI, in order to collect taxes on revenues that multi-national corporations have shifted to offshore tax havens in order to avoid paying taxes.

Description:

This proposal would make two changes to state corporate income taxes in order to create a new revenue source to support the costs of housing and homelessness policies included in the Roadmap:

1) Increase the state corporate tax rate from the current 8.84% to the prior rate of 9.6% for corporations with taxable income greater than $5 million; and
2) Close a tax loophole used by corporations by generally conforming to federal rules for taxation of GILTI (Global Intangible Low-Tax Income), specifically as outlined in AB 71 (Luz Rivas) 2020 amended January 12, 2021.

Target Population: Revenue would be raised by increasing the state tax rate and closing a tax avoidance loophole for large and multi-national profitable corporations.

Racial equity

Corporate income taxes are generally borne by business owners and shareholders. Black and Latinx Americans are substantially less likely to own shares of stocks and other financial equities than white Americans. Nationally, more than half of white families own equities, versus only about one-quarter of Latinx families and about one-third of Black families.

Approach to estimating impact

Estimates have been produced by FTB for a legislative proposal to increase the corporate tax rate and tax GILTI as proposed (AB 71 Luz Rivas, 2020, as amended January 12, 2021). Estimates for GILTI were also obtained from tax experts and review of published data and analysis. There is more uncertainty in the GILTI estimates as the estimates from FTB and other tax experts are significantly different under the same policy parameters.

Quantification outputs

Estimated additional annual state revenues that would be made available to support housing and homelessness investments from each of the proposed changes include:

1) Increase the corporate income tax rate to 9.6% for businesses with taxable income greater than $5 million: $1.4 billion (in 2021-22), $1.2 billion (in 2022-23)
2) Tax GILTI as outlined in AB 71 amended January 12, 2021: range of $370 million (FTB estimate for 2022-23) to $800 million to $1 billion (independent tax expert estimate, incorporating the rate increase described above)

Sources

Bhutta, Neil, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, September 28, 2020.

California Franchise Tax Board, Revenue estimates produced for AB 71 (Luz Rivas) 2020, email message to bill sponsor, January 29, 2021.

Kaplan, Jonathan, *Corporations Pay Far Less of Their California Income in Taxes Than a Generation Ago – Even Amid COVID-19* (California Budget & Policy Center, May 2020).

Shanske, Darien (Professor of Law, UC Davis School of Law), email message, February 1, 2021.

Shanske, Darien, *States Are Still Losing a Lot of Money by Not Conforming to GILTI* (February 6, 2020).

B4. Tax commercial and industrial properties, except those zoned as commercial agriculture, based on their market value

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

California's current system of taxing commercial and industrial properties based on purchase price compromises the ability of local communities to support housing and essential services for Californians. Only eight states have a cap on commercial and industrial property taxes and California's is the most restrictive. For more than four decades, commercial and industrial properties have been taxed based on their purchase price plus an annual adjustment for inflation up to 2%. Typically, the price most properties could be sold for grows faster than 2% per year. This means that long-time property owners get large tax breaks relative to newer owners. This system creates inequities among local businesses and leads to a significant loss of revenue at the expense of investments in local communities. The new revenues raised by this proposal would be concentrated among a small share of high-value properties that have not been reassessed for decades.

Since Proposition 13 created this current system, property tax revenues for local communities as a share of state personal income fell by half, from 5.2% in 1976-77 to 2.6% in 2016-17. California ranks in the bottom third of states when ranking all state and local taxes paid by businesses as a share of the state's private-sector economy. To make up for loss of property tax revenues, local governments have come to rely on other revenue sources, such as developer fees, which raise the costs and risk of housing production. However, even with additional revenues from other sources, overall general revenue collected at all levels of local government in California has fallen by nearly 12% relative to personal income. Additional revenues would better support key investments Californians need, including local investments to address housing and homelessness needs.

Revenues raised by cities and counties under this proposal could support production of affordable housing and development of infrastructure needed to facilitate more housing production, and could leverage additional funding for affordable housing and infrastructure projects through grants and loans. Additionally, providing local governments with new ongoing annual revenues would reduce their need to rely on revenues raised through fees such as those charged to developers of new housing, which increase housing costs. The proposal would also create incentives for private owners of vacant or underutilized real estate to seek to develop housing rather than retail or office or industrial facilities.

Description:

This proposal would change California's property tax system to tax commercial and industrial properties based on their market value rather than their purchase price, following the structure proposed in Proposition 15 of 2020. Market value would be defined as the price the property could be sold for in the market, which would be subject to regular reassessment. Properties worth $3 million or less would be exempt from the new valuation method, except for those that have any direct or indirect owner that holds more than $3 million in commercial and/or industrial property statewide. Small businesses, defined as an independently owned business with fewer than 50 full-time equivalent employees, would be able to exempt all of their business personal property from taxation, and other business taxpayers would be able to exempt the first $500,000 in business personal property. This proposal would create a "split roll"

tax system because residential property, including owner-occupied homes and residential rental property, as well as property used for commercial agricultural production, would continue to be assessed according to the rules put in place by Proposition 13 in 1978.

Target Population: Revenue would be raised by taxing commercial and industrial properties worth more than $3 million based on their market value rather than their purchase price.

Racial equity

Race and ethnicity data are limited but a report commissioned by Silicon Valley Community Foundation and Stupski Foundation estimated that white families are more than 4 times as likely as Black or Latinx families to own some commercial property, though less than 1% of any families directly owned this type of real estate.[90] This report also estimated, through an analysis that accounts for direct and indirect effects of property tax assessment caps, that the income gap between white and Black households is 12% wider than if Proposition 13 had only applied to residential property and 23% wider between white and Latinx households. Another analysis prepared for the Yes on 15 Schools & Communities First campaign found that minority-owned businesses are more likely to be home-based businesses and would be more likely to see a net reduction in property taxes under the proposed structure in Proposition 15 of 2020.[91]

Approach to estimating impact

The Legislative Analyst's Office (LAO) estimates that the shift to property assessment based on market value for these commercial and industrial properties would generate a net annual increase in revenues to cities, counties, and special districts ranging from $4 billion to $7 billion. Local jurisdictions could use these funds to directly invest in affordable housing or for related investments that promote housing stability or facilitate housing production or address homelessness.

---

[90] Isaac Martin, *Commercial Assessment Limitation and Income Inequality Among Racial Groups* (August 12, 2020), 2-3.

[91] Blue Sky Consulting Group, *Impact of Proposition 15 on Small Business: Analysis of the Percentage of Small Businesses Affected by Commercial Property Tax Reform* (August 2020), 2.

Quantification outputs

Estimated $4 billion to $7 billion in additional annual revenues available to support housing and related investments in local communities.

Sources

Blue Sky Consulting Group, *Impact of Proposition 15 on Small Business: Analysis of the Percentage of Small Businesses Affected by Commercial Property Tax Reform* (August 2020).

Kaplan, Jonathan, and Kayla Kitson, *Raising Revenue for Schools and Local Communities, Changing California's Inequitable Taxing of Commercial Properties, and Understanding Proposition 15* (California Budget & Policy Center, September 2020).

Kitson, Kayla, Jonathan Kaplan, and Sara Kimberlin, *Key Facts About Proposition 15, California's Commercial Property Taxes, and Revenue for Schools and Local Communities* (California Budget & Policy Center, September 2020).

Kitson, Kayla, and Mauricio Torres, *California's Inequitable Tax System Hurts Schools & Local Communities* (California Budget & Policy Center, September 2020).

Martin, Isaac, *Commercial Assessment Limitation and Income Inequality Among Racial Groups* (August 12, 2020).

B5. Tax estates over $3.5 million

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Taxing high-value estates or inheritances would make significant revenues available to support important investments to address California's housing affordability crisis. This tax would only affect individuals bequeathing or inheriting assets worth millions of dollars. Because it would be a highly progressive tax, implementation would increase the equitability of California's tax system.

Description:

This proposal would impose a state tax on estates over $3.5 million—or impose an inheritance tax structured to raise similar revenues—in order to create a new revenue source to support the costs of housing and homelessness policies included in the Roadmap.

Several states and the federal government currently tax estates, and California historically had a state estate tax linked to the federal estate tax, and before that had an inheritance tax. This proposal would once again impose a state tax on high-value estates, specifically taxing estates of more than $3.5 million at the rates and brackets that were used for California's estate tax as of 2001. (California's estate tax at that time was a "pick-up" tax linked to the amount of the State Death Tax Credit then allowed under federal law. This federal credit was eliminated after 2001, resulting in the elimination of California's pick-up tax as well.)

Revenue estimates below are based on an estate tax, but similar revenues could be raised through an inheritance tax, which differs from an estate tax because the tax is based on the value of the inheritance received by each heir, rather than based on the amount of the overall estate. An inheritance tax offers some benefits over an estate tax in that it can be structured to be more progressive, imposing lower taxes on heirs with lower incomes and inheritances and higher taxes on heirs with higher incomes and inheritances. An inheritance tax could also minimize the incentive for extremely wealthy individuals to move out of state in order to avoid state-level taxes on their eventual estates, a factor to consider because moves by billionaires would reduce state revenues from taxes on their annual incomes. (Some research has found that billionaires may move to avoid estate taxes, though research examining a broader range of wealthy individuals, not just the ultra-wealthy, has found only modest effects on relocation for estate tax avoidance.) The source list below includes a description of an approach to structuring an inheritance tax to generate revenues similar to an estate tax but with a more progressive tax structure (Batchelder 2007).

Note that to implement an estate or inheritance tax, California voters would need to approve a constitutional amendment removing the current state prohibition on taxing estates or inheritances other than through a pick-up tax linked to the now-defunct federal State Death Tax Credit. This prohibition on state-level taxation of property transferred at death was adopted through Propositions 5 and 6 of 1982.

Target Population: Revenue would be raised by taxing estates of individuals passing on more than $3.5 million to their heirs, or by progressively taxing individuals inheriting substantial assets to raise similar revenues.

Racial equity

National data show that individuals of color, particularly Black and Latinx Americans, are much less likely to receive any inheritance and typically receive smaller inheritances than white individuals. While nearly 30% of white individuals report receiving an inheritance, only 10% of Black, 7% of Latinx, and 18% of individuals of other race/ethnicity report receiving an inheritance. By some estimates inherited wealth and other financial gifts from family account for more of the racial wealth gap than any other demographic or socioeconomic factor. Taxing inherited wealth to support housing and homelessness policies can advance racial equity in both the tax system and housing outcomes. Exempting small inheritances from the estate or inheritance tax can prevent impact on individuals inheriting smaller amounts, including individuals of color who are more likely to receive smaller inheritances.

Approach to estimating impact

The Center on Budget & Policy Priorities published estimates of revenues that states could raise by taxing estates, with different exemption amounts, following the brackets and rates used for the State Death Tax Credit in 2001 federal law, corresponding to the calculation of the "pick-up" estate tax in California as of 2001. These represent a rough estimate based on California's historical share of federal estate tax collections applied to estimates of federal estate tax collections for deaths in 2019. Data were not readily available to directly model revenues from an inheritance tax rather than estate tax, but the cited article below outlines an approach to structuring this type of tax to raise revenues similar to an estate tax.

Quantification outputs

Estimated additional annual state revenues that would be made available to support housing and homelessness investments from each of the proposed changes total $1.8 billion (in $2020, adjusted for inflation from published estimate).

Sources

Bakija, Jon and Joel Slemrod, *Do the Rich Flee from High State Taxes? Evidence from Federal Estate Tax Returns*, National Bureau of Economic Research Working Paper, no. w10645 (August 2004).

Batchelder, Lily, *Taxing Privilege More Effectively: Replacing the Estate Tax with an Inheritance Tax*, The Hamilton Project Discussion Paper 2007-08 (Brookings Institution, June 2007).

Bhutta, Neil, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, September 28, 2020.

California Research Bureau, *A Brief History of Major Tax Changes in California, 1979-2015* (October 2016).

McNichol, Elizabeth, *State Taxes on Inherited Wealth* (Center on Budget & Policy Priorities, September 2019).

Moretti, Enrico and Daniel Wilson, *Taxing Billionaires: Estate Taxes and the Geographical Location of the Ultra-Wealthy*, National Bureau of Economic Research Working Paper, no. 26387 (October 2019).

B6. Eliminate the like-kind exchange tax break, used by high-income individuals and corporations

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Currently, California's like-kind exchange tax break allows deferral of capital gains on business or investment property so that real estate speculators, wealthy investors, and corporations can avoid paying taxes when they sell or exchange property at a profit. Closing this loophole would make significant revenues available to support important investments to address California's housing affordability crisis. Because this special tax rule provides the greatest benefits to corporations and individuals that hold substantial business or investment real estate assets, closing this loophole would make California's tax system—including the tax rules related to real estate—more equitable.

Description:

This proposal would close a loophole in California's income tax rules—the like-kind exchange rule allowing deferral of capital gains on business or investment property—to create a new revenue source to support the costs of housing and homelessness policies included in the Roadmap.

Normally, selling or exchanging property at a profit results in a capital gain subject to California state income tax. Like-kind exchanges allow taxpayers to defer capital gains (or losses) when they exchange a business or investment property for a similar ("like-kind") property. This rule does not apply to inventory, stocks, bonds, notes, other securities, or to property for personal use. The deferred capital gain is recognized if the new asset is sold or exchanged in a subsequent taxable transaction. However, if the new asset is later exchanged in a like-kind exchange, capital gains can be deferred indefinitely. As of fiscal year 2019-20, California allows state tax deferral on like-kind exchanges for real estate property for any corporate or individual taxpayer, and for other types of property only for individual taxpayers with incomes less than $250,000 ($500,000 for joint filers). This proposal would close this loophole so that taxpayers could not defer state capital gains tax when exchanging a business or investment property for a similar property.

Target Population: Revenue would be raised by reducing tax benefits for taxpayers who are property owners/investors with capital gains from business or investment property.

Racial equity

Race/ethnicity data are not available for California taxpayers directly benefiting from like-kind exchanges; these taxpayers include corporations and pass-through businesses as well as individuals. More broadly, however, national data show that families of color, particularly Black and Latinx families, have substantially less wealth (so have less in potentially taxable assets) than white families, so it is likely that Californians of color, including Black and Latinx Californians, benefit less from the like-kind exchange loophole than white Californians, in which case closing this loophole would increase racial equity in California's tax system. These revenues would also be used to support housing and homelessness policies that advance racial equity in housing outcomes.

Approach to estimating impact

The Department of Finance and Franchise Tax Board publish estimates of state revenue foregone due to like-kind exchanges. A limitation of these estimates is that the Franchise Tax Board notes that the estimate of revenue loss due to a given tax expenditure is not necessarily equal to the revenue that would be gained by its repeal, since some tax expenditures interact with each other and some tax expenditures accumulate over time. In addition, it is not yet clear how best to account for the economic impact of COVID-19 in tax revenue and expenditure projections.

Quantification outputs

Estimated potential additional annual state revenues to support housing and homelessness investments of $1.1 billion (in 2020-21), $1.2 billion (in 2021-22), and $1.2 billion (in 2022-23). Note that actual revenues could be lower to the extent that this change causes property owners to choose to hold properties rather than exchanging them and realizing capital gains.

Sources

Bhutta, Neil, Andrew C. Chang, Lisa J. Dettling, and Joanne W. Hsu, "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, September 28, 2020.

California Department of Finance, Tax Expenditure Report 2020-21.

California Franchise Tax Board, *California Income Tax Expenditures: Compendium of Individual Provisions, Report for 2017 Tax Year Data*.

Kitson, Kayla, *Tax Breaks: California's $60 Billion Loss* (California Budget & Policy Center, January 2020).

B7. Require insurance companies to invest 1% of annual premiums in ways that benefit low-income individuals and communities, including affordable housing

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Under the Community Reinvestment Act (CRA), banks are required to invest in the low-income communities in which they take deposits and make money doing so, but insurance companies have no such requirement to invest where they accept premiums. A "Community Reinvestment Act" for insurance companies operating in California would allow these companies to both make money and do good, helping address affordable housing needs in the process.

Description:

This proposal is to enact a CRA-style regulation on insurance companies operating in the state of California. The regulation would require insurance companies to invest 1% of annual premiums into affordable housing.

Racial equity

The original Community Reinvestment Act was passed to require banks and financial institutions to invest in the low-income communities in which they do business. The creation of a similar requirement for insurance companies is an opportunity to require investment in the communities from which insurance companies also profit and have discriminated against historically. Data from the Peterson Center on Healthcare shows that low-income households are less likely to have employer-sponsored healthcare and spend a higher share of their income on premiums and out-of-pocket medical costs.[92]

In addition, racism and discrimination has occurred in the insurance industry throughout its history. Well into the early 2000s, insurance companies were known to charge Black customers higher premiums for life insurance policies, while only crediting them for two-thirds of the value of their policy.[93] Redlining, well known for its implications in housing policy, also affected Black and Brown residents seeking insurance productions: in redlined areas, insurance companies would either refuse to write homeowner's insurance policies, or if they did write them, charge exorbitant premiums.[94] Creating an investment obligation for insurance companies opens the opportunity to create more affordable housing and right historic injustices in corporate conduct, without detrimentally impacting the insurance industry.

---

[92] "Long-Term Trends in Employer-Based Coverage," Peterson-KFF, accessed March 19, 2021.
[93] NAIC. "Race & Insurance | NAIC Summer National Meeting 2020 Transcript, 24:46," accessed August 25, 2020.
[94] Trincoll.edu. "FHA 1936 Underwriting Manual - Protection from Adverse Influences," accessed August 27, 2020.

Affordable homes created with the help of revenue generated by this proposal would also advance racial equity in housing. Lower incomes, lower rates of homeownership, and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to

benefit from policies that lead to creation of deed-restricted affordable housing and affordable homeownership opportunities. These policies help protect residents from involuntary displacement and unaffordable rent increases, create wealth building opportunities for low-income families, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposals A2 and A3. In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes and homeownership programs for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development and preservation of affordable housing.

Step 1: Estimate the average total premiums earned by insurance companies in 2014 to 2019

We use California Department of Insurance annual reports to estimate the average total dollar amount of premiums earned by insurance companies in 2014 to 2019.[95] The Department of Insurance annual reports categorize insurance companies in four groups: property and casualty, life and annuity, home protection, and title. Health insurance is included under the life and annuity category. The annual reports include premiums written, premiums earned, and market share of the largest insurers in each category, as well as other loss and risk data.

From this data, we are able to estimate the total premiums earned by insurers in each category and, therefore, the total earned premiums by the insurance industry at large in a given year. We apply an inflation adjustment to the total premiums written for the years 2014–2018, so that they are represented in 2019 dollars.[96] We estimate the average annual premiums written at approximately $152 billion, adjusted for inflation.

Step 2: Estimate the amount of annual revenue that could be generated from this proposal

Using the estimates from step 1, we estimate the potential annual revenue this policy could generate on annually with the following formula:

---

[95] "California Insurance Market Share Reports," California Department of Insurance, accessed March 15, 2021.
[96] The inflation adjustment is based on the Consumer Price Index (CPI) from the Bureau of Labor and Statistics, specifically the CPI-U which focuses on price changes for urban consumers. The CPI-U provides an adjustment factor for each year (2014-2018) to 2019 dollars, and we multiply this factor by the premiums written to calculate the amount in 2019 dollars.

$$annual\ revenue\ generated\ (\$) = (sum\ of\ average\ premiums\ earned) * 0.01$$

The estimate generated above would be earmarked for investment in affordable housing and would represent a major new investment in LIHTCs and flexible loans for developers.

Quantification outputs

- $1.5 billion in revenue generated annually or $15 billion over ten years

Sources

"California Insurance Market Share Reports," California Department of Insurance, accessed March 15, 2021.

"Long-Term Trends in Employer-Based Coverage," Peterson-KFF, accessed March 19, 2021.

NAIC. "Race & Insurance | NAIC Summer National Meeting 2020 Transcript, 24:46," accessed August 25, 2020.

Trincoll.edu. "FHA 1936 Underwriting Manual - Protection from Adverse Influences," accessed August 27, 2020.

B8. Remove exemptions (e.g., home sales) and per-transaction caps on the current document recording fee on real estate transactions

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

In order to provide ongoing funding for affordable housing, SB 2 of 2017 established the Building Home and Jobs Trust Fund with a $75 fee levied upon the recordation of real estate documents to create revenue to be invested in affordable housing. However, exemptions for home sales and a per transaction limit of $225 reduced the expected annual revenues from $1 billion to $250 million. Eliminating these exemptions and caps will realize the originally expected revenues.

Description:

Remove exemptions (e.g., home sales) and per-transaction caps on the current document recording fee on real estate transactions.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposal A2.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes and homeownership programs for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

The estimate of revenue for affordable housing generated by this proposal relies on analysis completed an earlier version of the proposal that ultimately informed SB 2 of 2017, which did not exempt home sales or include a per-transaction limit of $225.[97]

---

[97] Analysis by Bay Area Economics included in: Kalima Rose and Judith Bell, *Expanding Opportunity: New Resources to Meet California's Housing Needs* (PolicyLink, 2005).

Prior to these amendments, estimated annual revenue from a $75 per-document fee translated to approximately $1 billion, whereas the amended version of the fee has resulted in approximately $250 million in annual revenue. Removing these amendments could thus increase revenue for affordable housing from the document recording fee by approximately $750 million per year or $7.5 billion over ten years.

Quantification outputs

- $750 million in revenue generated for affordable housing per year, or $7.5 billion over ten years

Sources

Analysis by Bay Area Economics included in: Kalima Rose and Judith Bell, *Expanding Opportunity: New Resources to Meet California's Housing Needs* (PolicyLink, 2005).

B9. Apply a supplemental real estate document recording fee in cities that do not have a minimum percentage of affordable homes

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

For decades, exclusionary communities have been successful in thwarting the development of homes affordable to low-income households. Imposing an additional recording fee in such communities will both incentivize these jurisdictions to permit new affordable homes and raise money to construct the homes.

Description:

Apply a supplemental real estate document recording fee on properties in local jurisdictions that do not have a minimum percentage of homes affordable to low-income households.

Racial equity

Lower incomes and high rates of housing cost burden among California renters of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation and preservation of deed-restricted affordable homes, which can help protect against involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes.

In addition, among the jurisdictions that would be subject to higher document recording fees under this proposal (as described below), the median share of population that is non-Hispanic white is 58%, compared to 38% among jurisdictions that would not be subject to the higher fee. For additional data, see the racial equity section of proposals A2 and A3.

Approach to estimating impact

We model the impact of applying a fee increase to jurisdictions where 20% or less of the housing stock are rental homes affordable to low-income households, including both deed-restricted homes and unrestricted homes in the private market. By comparison, the Chapter 40B program in Massachusetts allows state override of local zoning if less than 10% of a jurisdiction's housing stock is publicly subsidized and deed-restricted for low- and moderate-income households—a standard which would include the vast majority of jurisdictions in California, thus making it a less useful standard for exclusion.[98]

[98] For more information on Massachusetts' Chapter 40B guidelines, see the website for this program.

One hundred thirty-five cities containing 16% of the state's population do not meet the standard of 20% of occupied housing units being an affordable rental home for a three-person household earning at or

below 80% of area median income.[99] Assuming exemptions for home sales and per-transaction caps are removed from the current document recording fee (as proposed in Roadmap proposal B8), and that the share of revenue generated from the fee is proportional to population, raising the fee to $300 in these jurisdictions would generate approximately $500 million in revenue for affordable housing per year, or $5 billion over ten years.

Quantification outputs

- $500 million in revenue generated for affordable housing per year, or $5 billion over ten years

Sources

"40 B Planning and Information," Massachusetts Department of Housing and Community Development (webpage), accessed on March 19, 2021.

California Housing Partnership analysis of US Census Bureau, American Community Survey data (2019, 5-year data).

"Income Limits," US Department of Housing and Urban Development Office of Policy Development and Research (webpage), accessed on March 13, 2021.

[99] Affordability was determined at the county level using 2019 HUD Income Limits and 2019 5-year ACS data (Table B25056). This analysis only includes incorporated cities, though a future iteration of this analysis could also include unincorporated areas.

3.3. REIMAGINE GROWTH

C1. End exclusionary and racially discriminatory zoning in resource-rich neighborhoods by allowing increases in building height and density for mixed-income and affordable housing developments

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

One strategy for addressing California's legacy of exclusionary and racially discriminatory zoning[100] and producing needed affordable and market-rate homes is up-zoning—allowing height and density increases for mixed-income and affordable housing where local zoning rules do not currently permit it. Up-zoning should occur in resource-rich neighborhoods whose characteristics are associated with positive outcomes for families and children, and where employment and commuting patterns suggest more housing could shorten commutes. However, up-zoning should not occur in communities of color experiencing displacement and gentrification pressure, very high fire hazard areas, or environmentally sensitive areas, preserved open space, or agricultural land.

Description:

Allow increases in height and density, and reduce parking requirements, for affordable and mixed-income developments in resource-rich neighborhoods. Policy details and eligibility requirements for this proposal—the "Roadmap Bonus," for short—are included below:

Eligibility

Census tract eligibility for the Roadmap Bonus are defined by the Mapping Opportunity CA project,with additional criteria based on the Urban Displacement Project's Sensitive Communities geographies and the TCAC/HCD Opportunity Map—and additional geographic criteria.[101] Specifically:

- Tracts defined by Mapping Opportunity CA as "high-opportunity + jobs-rich, long in-commutes, and/or jobs-housing mismatch":
  - If tract is not a Sensitive Community: Eligible for Roadmap Bonus
  - If tract is a Sensitive Community:
    - If tract is designated in the TCAC/HCD Opportunity Map as "Highest Resource": Eligible for Roadmap Bonus

---

[100] See, for example: Othering & Belonging Institute, *Roots, Race, & Place: A History of Racially Exclusionary Housing in the San Francisco Bay Area* (2019).
[101] Websites for each of these resources: Mapping Opportunity CA (website); Sensitive Communities (website); and TCAC/HCD Opportunity Map (website).

  – All other TCAC designations: Not eligible for Roadmap Bonus

- In detailed modeling regions (see “Approach to estimating impact” below), the following parcels were excluded from Roadmap Bonus eligibility:
  – Sites in very high hazard fire areas as defined by CalFire, both local and state responsibility
  – Sites with recent rental units or known Ellis Act actions
  – Sites where industrial uses are conditionally allowed or permitted

For modeling purposes, the policy was not evaluated on parcels in State of California protected areas, designated as prime or state agricultural land, outside Census-designated urbanized areas, or deemed undevelopable based on historic designation, public use, or other qualification determined by regional agencies.

Requirements of housing developments receiving the Roadmap Bonus

- Eligible projects must provide more homes than were demolished (similar to 2020’s Senate Bill 330).
- Eligible projects with more than 10 units must provide 20% of homes as deed-restricted homes affordable for 55 years, as described in Table 1.
  – Projects can opt to provide higher percentages at lower income targets as long as they meet the total percentages required by the policy.
  – In cases where local inclusionary policies are present, the project must meet the higher proportion of total affordable homes required by either policy AND must fulfill the highest percentage requirements at the deepest affordability targets first (this specification matches 2020’s Assembly Bill 1279).

Table 1: Roadmap Bonus Inclusionary Housing Requirements

Policy Requirement	**Percent of units in building**	
	Rental	**Ownership**
ELI Units	5%	0%
VLI Units	5%	10%
LI Units	10%	10%
Total Inclusionary Set Aside	**20%**	**20%**

Note: All percentages are multiplied by the total number of units in the development and rounded to the nearest whole unit to determine the number of affordable units. In addition, all affordable units were assumed to be of equal sizes, mixes, and quality as market rate units and distributed throughout developments.

- Eligible projects with 10 or fewer units must pay a fee to the county or city.
  - Fees will be applied to all units in the project.
  - The fee for each unit will equal 20% of the difference between the market value of the unit and the value had the unit been affordable to a low-income household. We assume that these fees could buy down comparable market-rate units to be affordable to low-income households, yielding incremental affordable units from the inclusionary requirements.

Benefits of the Roadmap bonus for housing developments

- Eligible housing projects are granted unlimited density, including elimination of unit per acre, lot size, unit per lot, FAR, and other maximums on the intensity of housing land uses.
- In transit-served areas, as defined by 2020's SB50 (15-minute bus headways during peak), eligible projects are limited in height to 80% over currently allowed heights up to 85 feet tall (typically seven stories) if current height limits are lower than 85 feet.
- Outside of transit-served areas, eligible projects are limited in height to 50% over currently allowed heights up to 55 feet tall (typically five stories) if current height limits are lower than 55 feet.
- Eligible projects cannot be required to provide more than 0.5 parking stalls per home, and eligible projects in transit-served areas cannot be required to provide residential parking.

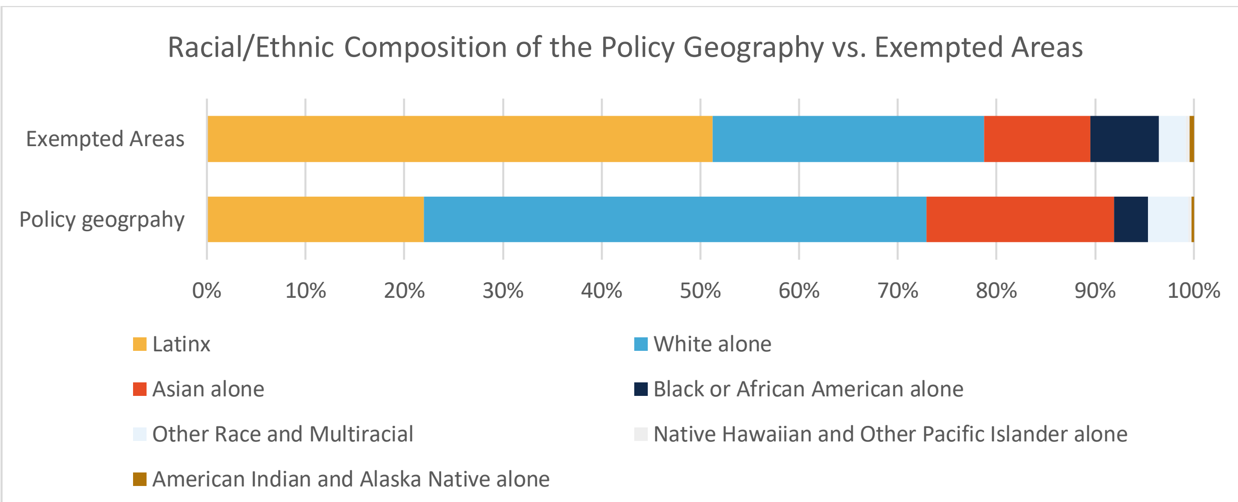
Table 2: Summary of Roadmap Bonus Incentives

	Transit Areas	**Non-Transit Areas**
Height	80% increase over existing limit, up to 85 feet total	50% increase over existing limit, up to 55 feet total
Required Parking	0 stalls	0.5 stalls/unit
FAR	unlimited	unlimited
Units per acre	unlimited	unlimited
Units per lot	unlimited	unlimited
Development fees	*No change under Roadmap Bonus*	*No change under Roadmap Bonus*
Other development controls (e.g., setbacks, minimum lot size)	*No change under Roadmap Bonus*	*No change under Roadmap Bonus*

Racial equity

Lower incomes, lower rates of homeownership, and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing and affordable homeownership opportunities. These policies help protect residents from involuntary displacement and unaffordable rent increases, create wealth building opportunities for low-income families, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposals A2 and A3. In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to ensure equitable access to affordable homes created through this proposal.

Analysis completed by MapCraft using 2019 data from the American Community Survey also shows the Roadmap Bonus would be allowed in resource-rich areas that are predominantly non-Hispanic white while exempting areas with higher shares of Black and Latinx residents. Results of this analysis are shown below:



Approach to estimating impact

The California Housing Partnership hired MapCraft, Inc. to evaluate the potential impact of the Roadmap Bonus on housing production. A summary of Mapcraft's approach is provided below.

For this policy evaluation, MapCraft used information and financial analysis used by real estate professionals to analyze how the proposed Roadmap Bonus policy would affect housing production. MapCraft applied pro forma financial calculations for an array of development options on each parcel in the nine-county Bay Area, the six-county SCAG region, and San Diego County, totaling more than seven million parcels. This geography accounts for 75% of the state's current housing stock and 81% of tracts eligible for the Roadmap Bonus.

Each pro forma tested on a parcel reflected a building form that conformed to land use policies (based on local zoning policies gathered by regional agencies), the cost of different construction components (based on RS Means and other sources), local market demand (based on CoStar and other data providers), recent inclusionary housing policies (based on UC Berkeley's Urban Displacement Project and other sources), and existing land uses on the parcel (based on tax assessor, regional government, and third-party data). The potential impacts on real estate development under the Roadmap Bonus were determined by assessing the financial feasibility of different development options on a site under various policy specifications.

To estimate how many market-rate and affordable homes might actually be built under the Roadmap Bonus, MapCraft calculated the ratio between market feasible capacity under recent policies (pre-Roadmap) and historic production for each census tract where parcel-level results were available. MapCraft then applied the pre-Roadmap capacity-production ratio to the post-Roadmap market-feasible capacity to understand how much production might be expected. For example, if the Roadmap bonus would increase market-feasible capacity by 400% in a census tract that has historically produced 10 homes per year, MapCraft estimated that 40 homes could have been produced under the Roadmap Bonus policy, a net increase of 30 homes per year.

However, nearly 20% of census tracts eligible for the Roadmap Bonus are located outside the regions for which MapCraft had detailed parcel and zoning data. To estimate production in these areas and arrive at a statewide estimate of Roadmap Bonus production, MapCraft used the results from the detailed parcel analysis to extrapolate results for the remainder of the state, applying the capacity-production ratios from places with detailed results to historic housing production in similar places outside of the detailed study areas.

To do so, MapCraft used a typology approach to categorize all Roadmap Bonus-eligible census tracts into groups of similar tracts (place types). The proposed Roadmap Bonus would loosen zoning restrictions but not affect existing use or underlying market feasibility, so MapCraft focused on tract-level approximations of density of existing use (homes per acre) and market feasibility (maximum land budget for new missing middle and multifamily development) as categorization factors. Combining three groupings of these two variables resulted in a tract typology with nine place types. Detailed results existed for at least 65% of the eligible statewide tracts (and as many as 98% of tracts) in each place type, which allowed detailed results to be extrapolated to the small portion of tracts outside of the detailed study area.

Because the Roadmap Bonus provides additional upzones to transit-served areas, this ratio was calculated twice for each place type: once for parcels in transit areas, and once for parcels outside transit areas. Then, the appropriate ratios were applied to each tract outside the detailed analysis areas based on the share of transit-served land area in each tract.

Aside from the Roadmap Bonus policy specification, MapCraft applied several more detailed assumptions. For example, the policy was not evaluated on parcels that are State of California protected areas, designated as prime or state ag land, outside Census-designated urbanized areas, or deemed undevelopable based on historic designation, public use, or other qualification determined by regional agencies.

To model the inclusionary requirements in the policy, MapCraft applied percentage-based affordability requirements to buildings and rounded up to the nearest whole number to determine the number of affordable homes in each household income category. In addition, affordable homes were assumed to be of equal sizes, mixes, and quality as market-rate homes and distributed throughout developments. For any fees paid by projects with 10 or fewer homes, it was assumed that the fees could buy down comparable nearby market-rate homes to be affordable to low-income households. This approach yielded incremental low-income affordable homes that were included in the results.

Quantification outputs

- 13,800 affordable homes annually or 138,000 over ten years
- 46,500 market-rate homes annually or 465,000 over ten years
- 380,000 people served per year (affordable homes only)

Sources

Analysis of this proposal was completed by MapCraft, Inc.

Mapping Opportunity in California (website), accessed December 2020.

Othering & Belonging Institute, *Roots, Race, & Place: A History of Racially Exclusionary Housing in the San Francisco Bay Area* (2019).

Sensitive Communities (website), accessed December 2020.

TCAC/HCD Opportunity Map (website), accessed December 2020.

C2. Allow new apartment and condominium developments to be built in commercial and mixed-use zones when at least 20% of the homes are affordable to low-income households

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Access to appropriately zoned sites is a prerequisite to the development of affordable homes. Because local governments see revenue potential from sales tax growth, they often over-zone for commercial uses at the expense of housing.[102] Moreover, e-commerce and the pandemic are changing shopping and office habits forever. Allowing housing in commercial zones opens up appropriate sites for housing and ensures vibrant and productive uses of these properties. The affordable housing requirement ensures that the public captures the increased value of the land associated with allowing residential uses.

Description:

This proposal would allow by-right development of mixed-income and affordable housing in all commercial and mixed-use zones where one of the allowable uses is residential. The purpose of including mixed-use residential zones in the proposal is that local jurisdictions sometimes do not allow residential development by-right in these areas. Developments would be deemed zoning compliant if at least 20% of homes are affordable to lower income households.

Racial equity

Lower incomes, lower rates of homeownership, and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing and affordable homeownership opportunities. These policies help protect residents from involuntary displacement and unaffordable rent increases, create wealth building opportunities for low-income families, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposals A2 and A3.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to ensure equitable access to affordable homes created through this proposal.

---

[102] Mac Taylor, *California's High Housing Costs: Causes and Consequences* (California Legislative Analyst's Office, March 2015), https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf.

Approach to estimating impact

[Forthcoming]

Sources

Mac Taylor, *California's High Housing Costs: Causes and Consequences* (California Legislative Analyst's Office, March 2015).

C3. Speed up affordable housing production and eliminate inequitable misuses of the California Environmental Quality Act (CEQA) by exempting new housing developments

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Affordable rental housing is compact, green, and located in infill locations. It is also subject to intense scrutiny by local governments who approve land use entitlements and funding. Unfortunately, some opponents use California Environmental Quality Act (CEQA) litigation to derail developments for non-environmental reasons after the homes have already garnered the support of the city council or board of supervisors.[103] Even the prospect of litigation deters some housing providers from proposing new affordable homes. Curbing this abuse would bring certainty to the development process, especially in higher-resource communities that have few affordable homes.

Description:

This proposal speeds up affordable housing production and eliminates inequitable misuses of the CEQA by exempting new housing developments, including Project Homekey hotel conversions, that are 100% affordable to low-income households.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of more deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposals A2.

Ending non-environmental CEQA abuses would also bring certainty to the development process, especially in higher-resource communities that have few affordable homes. In addition, separate Roadmap proposals

[103] CEQA was enacted in 1970 to ensure that governmental agencies fully consider the environmental impacts of all new development projects. While the statute includes broad and necessary environmental protections, opponents of affordable and homeless housing have used the CEQA review process to stall or kill individual developments, subjecting them to a lengthy environmental review process. For more information on the CEQA review process and abuses, see, for example: Jennifer Hernandez, David Friedman, and Stephanie DeHerrera, *In the Name of the Environment: How Litigation Abuse Under the California Environmental Quality Act Undermines California's Environmental, Social Equity and Economic Priorities – and Proposed Reforms to Protect the Environment from CEQA Litigation Abuse* (Holland & Knight, 2015).

to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

By ending misuses of the CEQA review process for new housing developments that are 100% affordable to low-income households, we expect the time and cost of developing affordable homes to decrease. Because a proposed project cannot move forward until all environmental concerns are addressed and project opponents can file lawsuits challenging the legitimacy of the CEQA review even after the local jurisdiction approves the development, the CEQA process can be prohibitive and time-consuming for developers of affordable housing.[104]

For example, a study commissioned by California's four state-level housing agencies found that only 16% of affordable housing developments included in the study were not subjected to a CEQA review or received exemptions.[105] In addition, research from the California Legislative Analyst's Office found that local agencies in California's ten largest cities took two and a half years on average to approve new housing that required an Environmental Impact Report (EIR).[106,107] By streamlining the affordable housing development process, this proposal could measurably reduce the cost of producing affordable homes by decreasing development timelines and avoiding unnecessary construction and labor cost escalation, extraneous impact studies and legal fees, and additional holding costs.

While this proposal does not have an explicit impact estimate, it may be politically impossible to build affordable housing at the scale needed to meet statewide goals without CEQA reform. Exempting new housing developments that are 100% affordable to low-income households from CEQA review is a necessary and long-overdue change that would enable the Roadmap Home proposals focused on affordable housing production to be fully realized.

Sources

Blue Sky Consulting Group, *Affordable Housing Cost Study: Analysis of the Factors that Influence the Cost of Building Multi-Family Affordable Housing in California* (California Department of Housing and Community Development et al., 2014).

---

[104] See, for example: Mac Taylor, *California's High Housing Costs: Causes and Consequences* (California Legislative Analyst's Office, March 2015).
[105] Blue Sky Consulting Group, *Affordable Housing Cost Study: Analysis of the Factors that Influence the Cost of Building Multi-Family Affordable Housing in California* (California Department of Housing and Community Development et al., 2014).
[106] An EIR is required if there is evidence that a proposed project may have a significant effect on the environment and identifies possible ways to minimize those effects.
[107] Mac Taylor, *California's High Housing Costs: Causes and Consequences* (California Legislative Analyst's Office, March 2015).

Jennifer Hernandez, David Friedman, and Stephanie DeHerrera, *In the Name of the Environment: How Litigation Abuse Under the California Environmental Quality Act Undermines California's Environmental, Social Equity and Economic Priorities – and Proposed Reforms to Protect the Environment from CEQA Litigation Abuse* (Holland & Knight, 2015).

Mac Taylor, *California's High Housing Costs: Causes and Consequences* (California Legislative Analyst's Office, March 2015).

C4. Allow by-right development of housing on low-income housing element sites if at least 50% of the homes are affordable

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

State housing element law already requires cities and counties to identify sites that are appropriately zoned to accommodate affordable homes.[108] However, these sites do not necessarily allow the development of affordable housing by right (e.g., without a risky and time-consuming discretionary vote). Allowing development of these sites by right ensures that these sites, which are specifically designated to accommodate affordable homes, are ready for their intended uses.

Description:

This proposal speeds up affordable housing production by allowing by-right development of housing on sites identified by a jurisdiction's housing element as viable for affordable housing if at least 50% of homes are affordable to low-income households.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of more deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposals A2.

Because jurisdictions are required by the Housing Element process to identify sites that can accommodate the housing need of local low-income households, helping ensure that these sites are readily available to affordable housing providers could also bring certainty to the development process for local affordable housing providers, especially in higher-resource communities that have few affordable homes.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

---

[108] "Analysis of Sites and Zoning," California Department of Housing and Community Development (webpage), accessed March 1, 2021.

Approach to estimating impact

By allowing by-right development of housing on sites identified by a jurisdiction's housing element as viable for affordable housing, we expect the time and cost of developing affordable homes to decrease.

Housing developments often undergo multiple layers of review, including review from the local building department, planning commission, and city council, among others. Each additional layer of review adds complexity, time, and costs to the development (such as construction and labor cost escalation, carrying costs, and staff time).[109] Therefore, if a development is designated as "by-right," it does not need to undergo discretionary review to receive a building permit. In other words, as long as the development abides by local and state regulations and building codes, it is allowed to move forward without undergoing a lengthy local review process.

California's lengthy local development review processes have been well documented by researchers across the state. For example, a 2015 study by the California Legislative Analyst's Office noted that California's coastal metros take two and half months longer to issue a building permit than metropolitan areas nationwide, on average.[110] In addition, researchers from UC Berkeley found that affordable housing providers in southern California benefitting from a by-right review process report shorter permitting timelines and development cost savings.[111] The same group of researchers also found that cities in the Bay Area often impose redundant discretionary review, meaning developments undergo multiple layers of review from distinct local entities instead of a single, unified process.[112]

While this proposal does not have an explicit impact estimate, it may be politically impossible to build affordable housing at the scale needed to meet statewide goals without reform to local review processes. By streamlining the affordable housing development process, this proposal could measurably reduce the cost of producing affordable homes by decreasing development timelines and avoiding unnecessary construction and labor cost escalation, extraneous impact studies and legal fees, and additional holding costs.

Sources

"Analysis of Sites and Zoning," California Department of Housing and Community Development (webpage), accessed March 1, 2021.

---

[109] See, for example: Moira O'Neill, Giulia Gualco-Nelsom, and Eric Biber, *Examining the Local Land Use Entitlement Process in California to Inform Policy and Process*, https://www.law.berkeley.edu/research/clee/research/land-use/getting-it-right/.
[110] Mac Taylor, *California's High Housing Costs: Causes and Consequences* (California Legislative Analyst's Office, March 2015).
[111] Moira O'Neill, Giulia Gualco-Nelsom, and Eric Biber, *Examining the Local Land Use Entitlement Process in California to Inform Policy and Process*.
[112] Moira O'Neill, Giulia Gualco-Nelsom, and Eric Biber, *Getting It Right: Examining the Local Land Use Entitlement Process in California to Inform Policy and Process* (2018).

Mac Taylor, *California's High Housing Costs: Causes and Consequences* (California Legislative Analyst's Office, March 2015).

Moira O'Neill, Giulia Gualco-Nelsom, and Eric Biber, *Examining the Local Land Use Entitlement Process in California to Inform Policy and Process*.

Moira O'Neill, Giulia Gualco-Nelsom, and Eric Biber, *Getting It Right: Examining the Local Land Use Entitlement Process in California to Inform Policy and Process* (2018).

C5. Require that HCD proactively monitor, provide technical assistance, and enforce existing local government land use laws, and create a faster and more effective method of enforcing the existing Housing Accountability Act (HAA)

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

While California has many strong housing production laws—housing element, density bonus, SB 35 streamlining, and the Housing Accountability Act (HAA), to name a few—compliance and enforcement remain a challenge. These laws largely rely on private enforcement, and due to time, expense, and uncertainty, housing providers are often reluctant to go to court to challenge a city or county that violates the law.

Description:

This proposal includes two components:

- Require the Department of Housing and Community Development (HCD) to proactively monitor, provide technical assistance, and enforce existing local government land use laws.
- Create a state Housing Accountability Committee with the authority to adjudicate HAA violations and overturn illegal denials or conditions of approval for housing developments with a minimum percentage of homes affordable to lower-income households. The typical timeline between appeals and decisions from the committee would be approximately 90 days.

Racial equity

Lower incomes and high rates of housing cost burden among California renters of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation and preservation of deed-restricted affordable homes, which can help protect against involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposals A2.

Approach to estimating impact

This proposal could have a range of effects on housing development in California, which could in combination lead to an increase in production of both affordable and market-rate homes. Due to limitations in the literature, and lack of data on how many potential HAA violations actually occur, the estimate of this proposal's impact on creation of affordable homes relies on a combination of anecdotal data and qualitative assessments of possible effects, including the following:

- Both components of the proposal—HCD proactively enforcing state housing laws and creation of a Housing Accountability Committee to quickly adjudicate potential HAA violations—could increase housing developers' leverage with local jurisdictions, leading over time to an increase in the number and size of developments that are proposed and entitled, as well as reduced per-unit costs due to avoidance of potentially illegal requirements (e.g., unit reductions, expensive upgrades) that local governments sometimes impose.
- The Housing Accountability Committee could provide a faster, lower cost way to resolve potential HAA violations when compared to the current system where disputes are resolved in the courts. The availability of faster and lower cost resolutions could also encourage developers to raise objections to potential violations that may never reach the courts under current conditions due to the cost and time involved with this approach.
- Over time, the Housing Accountability Committee could develop a body of opinions—similar to how the Oregon Land Use Board of Appeals publishes its opinions and summary statistics on its activities each year[113]—leading to more consistency and predictability of decisions on issues around the HAA, and guidance for developers and local jurisdictions alike.
- HCD's recent experience with more proactive enforcement of state housing laws has led staff to estimate that a robust expansion of capacity in this area could increase annual statewide housing production by approximately 4,500 to 9,000 homes above current production levels, many of them affordable to low-income households.

Developments both with and without public funding could benefit from this proposal. However, since public funding for affordable housing allocated only to entitled developments which are ultimately constructed, and those production gains have already been accounted for in Roadmap proposals to increase public financing sources, we count here only the statewide increase in production of affordable homes from this proposal that would come only from developments without public funding, such as those required by land use policies to include affordable homes. The Roadmap includes multiple land use and zoning proposals to catalyze development of mixed-income housing without public funding—including up-zoning resource-rich areas and allowing mixed-income and affordable housing in commercial and mixed-use zones—that could lead to creation of hundreds of thousands of affordable and market-rate homes. Better enforcement and adjudication of state housing laws could increase these proposals' impact, along with that of existing land use and zoning policies (such as local inclusionary ordinances) which require affordable homes in otherwise market-rate developments.

---

113 "Oregon Land Use Board of Appeals," State of Oregon Department of Land Conservation and Development (webpage).

Without the benefit of more precise data and evidence, we assume affordable homes in developments without public funding would account for 500 of the 4,500-9,000 affordable homes per year from HCD's estimated statewide annual increase in production from expanding its capacity around monitoring and enforcement of state laws, which does not account for implementation of Roadmap proposals and thus could be an underestimate of actual impact. We estimate the Housing Accountability Committee would have the same level of impact, translating to a total of 1,000 affordable homes per year or 10,000 over ten years.

Quantification outputs

- 1,000 new affordable homes created annually on average; 10,000 new affordable homes created over ten years
- 28,000 people served per year

Sources

Communication with California Department of Housing and Community Development staff on January 28, 2021.

"Oregon Land Use Board of Appeals," State of Oregon Department of Land Conservation and Development (webpage).

C6. Reimburse local government 50% of fee waivers or reductions for affordable housing

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Due to state restrictions on local taxes, jurisdictions have increasingly relied on impact fees as a means of raising revenue for infrastructure and other local services. These impact fees are often the largest local development cost for new housing construction and can act as a barrier for the development of affordable housing. While impact fees help pay for the infrastructure needed to support new housing, they can total up to $100,000 per unit, adding to the already high cost of construction in California.[114]

Local governments can be incentivized to voluntarily waive these fees for affordable development by sharing the lost revenues. This approach would ensure that cities and counties could support affordable housing and also provide the infrastructure that makes development possible. In addition, lower development costs resulting from fee waivers would translate into savings for housing subsidy programs, allowing them to fund additional affordable developments.

Description:

This proposal would incentivize local governments to waive impact fees for affordable housing developments by reimbursing up to 50% of the amount waived. The 50% reimbursement would be provided by the State government.

Racial equity

In California, Black and Latinx headed households are more likely than their white counterparts to be low-income renters and to have unaffordable housing costs. Forty-three percent (43%) of Black households and 38% of Latinx households are low-income renters, while only 17% of white household and 22% of Asian and Pacific Islander households are low-income renters.[115] In addition, 63% of Black households and 57% of Latinx households in California have unaffordable housing costs, known as cost burden.[116] Severe cost burden—or when a household pays more than 50% of household income on housing costs—is also more prevalent for renters of color in California. Thirty-six percent (36%) of Black households, 31% of Pacific Islander households, 30% of Native American households, 29% of Latinx households, and 27% of Asian households experience severe cost burden. In contrast, 25% of white households experience severe cost burden.

---

[114] Terner Center for Housing Innovation, *It All Adds Up: The Cost of Housing Development Fees in Seven California Cities* (March 2018).

[115] Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).

[116] A household is cost burdened if they pay more than 30% of household income on housing costs.

In addition, renters of color make up the majority of households benefitting from state subsidized affordable homes. While Black households make up 6% of all households in California and 10% of low-income renter households, they comprise 18% of households in rental housing financed with Low-Income Housing Tax Credits (LIHTCs). Latinx households make up 30% of all households in California and 44% of low-income renter households, they comprise 39% of households in rental housing financed with LIHTCs. In contrast, white households make up 47% of all households in California, 31% of low-income renter households, and 25% of households in rental housing financed with LIHTCs.[117]

Lower incomes, lower rates of homeownership, and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing and affordable homeownership opportunities. These policies help protect residents from involuntary displacement and unaffordable rent increases, create wealth building opportunities for low-income families, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposals A2 and A3. In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes and homeownership programs for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development and preservation of affordable housing.

Step 1: Calculate per-unit total development costs

First, we calculate the median cost to develop an affordable rental home in California from development cost data for properties receiving funding from Low-Income Housing Tax Credits (LIHTC) from 2012–2019.[118] We only calculate this figure for new construction developments, as the impact fee amount levied towards acquisition/rehabilitation developments is negligible—less than $500 per unit, on average. Using this data, we estimate the median per-unit total development cost (TDC) for a newly constructed affordable home is $434,000 (2019$).

---

[117] Because tenants are not required to share race and ethnicity information, the estimates provided here are an underestimate of the share of LIHTC households identifying with each race and ethnic group. Seventy-nine percent (79%) of properties submitted tenant and household-level data in California and race/ethnicity was not reported by 14% of reporting households. HUD publishes tenant and household-level data on residents of LIHTC developments on this webpage.

[118] The data comes primarily from LIHTC applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of funding and residential development cost line items. When application data was not available, we used TCAC staff reports created for each LIHTC development, which include summary financing data. Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index. Commercial costs were excluded.

To reflect the cost escalation and inflation that will likely occur over the next decade, we further assume that total development costs will increase by 3% each year.[119]

Step 2: Calculate the median impact fee amount for properties that paid impact fees

We then calculate the median impact fee amount per unit paid by developments that were subject to impact fees. This number also came from the LIHTC cost data described above. As with the total development cost estimation described in step 1, we again apply an inflation adjustment of 3% to calculate how the cost of impact fees might change over the next decade.

Step 3: Estimate the number of affordable homes that could be created with the savings generated by this policy

Using the estimates calculated in steps 1 and 2, we estimate the number of affordable homes that could be created with the additional state funding available from reducing the cost to develop an affordable home using the following formula:

$$\#\ affordable\ homes = \frac{(\%\ fee\ reduction * median\ impact\ fee\ per\ unit * average\ annual\ units)}{(average\ per\ unit\ public\ subsidy)}$$

In the equation above, *average annual units* speaks to the average number of new construction units produced each year from 2020 to 2030 that could be subject to impact fees. We calculate this figure using historical data for LIHTC developments in 2012-2019 and taking into account the additional affordable rental homes produced by the entire Roadmap Home policy platform.[120]

The *average per unit public subsidy* figure in the above equation represents the estimated public subsidy needed to produce a new affordable home, assuming that cost savings are primarily realized in public sources providing soft debt.[121] We use the same universe of developments receiving LIHTCs from 2012-2019 to model the likely composition of sources (e.g., share of funding from tax credit equity, local sources, etc.), using both historical data from LIHTC development and estimates of future financing trends given the newly enacted 4% credit floor. This modeling produced the following results:

- New construction 4% LIHTC: $105,000 per unit (2019$)
- New construction 9% LIHTC: $99,000 per unit (2019$)

Step 4: Estimate the amount of state funding that would be needed to support this policy

---

[119] The 3% inflation adjustment is based on historical trends in the RS Means Construction Cost Index from 1987 to 2020.

[120] We rely on historical LIHTC cost data from 2012-2019 to estimate the share of units and developments that would be subject to impact fees—rather than the total average annual production of new construction units—to avoid overestimating both the impact of the policy and the amount of state funding necessary to reimburse local governments for waiving the fees.

[121] We assume both that hard debt is inexhaustible and that 4% credits are readily available.

To estimate the cost to the state to reimburse local governments 50% of the impact fees waived (which we estimate to be $681 million annually if the Roadmap Home policy platform is fully implemented), we use the following formula:

$$state\ funding\ needed = \frac{(median\ impact\ fee\ per\ unit * average\ annual\ units)}{2}$$

Quantification outputs

- 12,000 new affordable homes created annually; 123,000 new affordable homes created over ten years
- 356,000 people served per year

Sources

Budget Center analysis of US Census Bureau, American Community Survey data for CA for 2017-2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).

"Low-Income Housing Tax Credit (LIHTC): Tenant Level Data," US Department of Housing and Urban Development Office of Policy and Research (webpage), accessed on March 13, 2021.

Terner Center for Housing Innovation, *It All Adds Up: The Cost of Housing Development Fees in Seven California Cities* (March 2018).

C7. Require either on-site affordable homes, land dedication, or an in-lieu fee when agricultural lands are rezoned to residential uses

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

The San Joaquin Valley is one of the nation's most important agricultural regions, producing over 400 different commodities, including more than two-thirds of the country's fruits and nuts and one-third of its vegetables. In spite of its national and local importance as an economic powerhouse, urban sprawl has encroached upon farmland, reducing the area's productivity by converting agricultural land to residential and other urbanized areas. According to the American Farmland Trust, agricultural land has converted to urbanized uses at a rapid pace in California over the last several decades, primarily on the periphery of cities and towns in the San Joaquin Valley.[122]

Agricultural land is primarily converted to either rural—also called low-density residential—land, which consists of large estates ranging from 2 to 20 acres and resembles farmland, or to "urban and highly developed" land, which includes residential, commercial, and other built-up urban areas. The purpose of this proposal is to capture a share of the increase in the value of agricultural land when it is converted to urban and highly developed residential uses by requiring a portion of homes to be affordable to low-income households.

Description:

This proposal requires on-site affordable homes, land dedication, or in lieu fee for the rezoning of agricultural land to residential. For re-zonings that would accommodate five or more homes (either rental or ownership), require 10% of those homes to be affordable to low-income households earning at or below 80% of area median income.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposal A2. In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes and homeownership programs for residents of low-income neighborhoods (proposal E7) would combine with this proposal advance racial equity.

---

[122] American Farmland Trust, *Farms Under Threat: State of the States* (May 2020), https://s30428.pcdn.co/wp-content/uploads/sites/2/2020/09/AFT_FUT_StateoftheStates_rev.pdf.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development of additional affordable housing.

Step 1: Estimate the amount of agricultural land converted to residential from 2001–2016

Since data on agricultural land at risk of conversion to residential uses is not available statewide, our approach to estimating the impact of this proposal on production of affordable homes is to assume the same rate of conversion over the next ten years as over the prior two real estate cycles, downward adjusted due to the impact of requiring affordable homes on financial feasibility of housing development.

According to the American Farmland Trust, 465,900 acres of agricultural land were converted to non-agricultural uses between 2001 and 2016, 316,600 (68%) of which were to "urban and highly developed" uses, which includes commercial, industrial, and moderate-to-high-density residential uses as well as land covered by highways, railroads, and other transportation facilities.[123,124]

We estimate that of the 316,600 acres, approximately 20% of urban and highly developed uses were for residential uses in particular, which is equal to 63,000 converted acres total, or approximately 4,000 acres converted per year.

$$acres\ of\ residential\ zoned\ land = 316{,}600\ acres\ converted\ ag\ land * 0.2$$

We assume 20% of urban and highly developed areas on converted agricultural land because of the range of additional uses that comprise this category, including industrial and commercial uses.[125] We also check the acreage and resulting housing production estimated against the net housing growth in the San Joaquin Valley to ensure it is in proportion to what occurred in the region from 2000-2016. We use this figure as a proxy for the share of converted agricultural land that would fall subject to this proposal.

Step 2: Estimate the number of homes that have been created on converted agricultural land

[123] American Farmland Trust, *Farms Under Threat: State of the States* (May 2020), https://s30428.pcdn.co/wp-content/uploads/sites/2/2020/09/AFT_FUT_StateoftheStates_rev.pdf.
[124] "Important Farmland Mapping Categories and Soil Taxonomy Terms," California Department of Conservation, accessed March 15, 2021, https://www.conservation.ca.gov/dlrp/fmmp/documents/soil_criteria.pdf
[125] San Joaquin Valley Greenprint, State of the Valley Report, June 2014, https://www.fresnocog.org/wp-content/uploads/publications/Greenprint/SJVGreenprint_FullReport_Web_101714.pdf.

Since residential uses on converted agricultural land is predominantly single-family tract-style development, we assume a residential density of three homes per acre on the estimate 64,000 acres of converted agricultural land, translating to an average of 12,000 total homes per year from 2001-2016.[126]

$$avg\ \#\ homes\ built = \frac{63{,}000\ acres\ of\ residential\ land * \frac{3\ units}{per\ acre}}{16\ years}$$

Step 3: Estimate the impact on production of 10% inclusionary policy

Since rural and exurban housing markets are more likely to be weaker and thus sensitive to the impact of inclusionary policies, we assume that requiring 10% of homes to be affordable to low-income households would reduce total production by 25%. As a result, we assume total residential production of approximately 8,900 homes per year and 89,000 by 2030.

$$\#\ homes\ possible\ with\ inclusionary = 12{,}000\ homes\ per\ year * 0.75 * 10\ years$$

Ten percent (10%) of these homes would be required to be affordable, translating to 890 per year and approximately 9,000 over ten years.

$$total\ \#\ affordable\ homes = 89{,}000\ homes * 0.1$$

Quantification outputs

- 890 affordable homes created annually on average; 9,000 affordable homes created over ten years
- 24,000 people served per year

Sources

American Farmland Trust, *Farms Under Threat: State of the States* (May 2020).

"Important Farmland Mapping Categories and Soil Taxonomy Terms," California Department of Conservation, accessed March 15, 2021.

San Joaquin Valley Greenprint, *State of the Valley Report*, June 2014.

[126] Estimate for residential density per acre based on average density requirements for low and very-low density land use designations, as specified in the Housing Elements and General Plans of San Joaquin Valley counties such as Kern, Fresno, and Bakersfield.

3.4. PROTECT PEOPLE

D1. Expand statewide protections for renters from unfair evictions and unaffordable rent increases by strengthening the state rent cap and just cause eviction law

D1.1 Strengthen the state just cause eviction protections

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

The vast majority of California renters with low incomes live in rental housing in the private market with no deed-based or tenant-voucher-based affordability protections. The statewide just cause eviction protections established through AB 1482 can help protect these renters from destabilizing evictions initiated by landlords in cases where the tenant is not at fault. The statewide just cause eviction protections also pair with the statewide rent cap to help ensure that landlords do not avoid the rent cap by evicting tenants in order to raise rents above the rent cap allowance.

Description:

This proposal would strengthen the statewide just cause eviction protections established through AB 1482. Specifically, this proposal would remove the exclusion of single-family home rentals owned by individuals.

Target Population: Renters in private-market unsubsidized housing.

Racial equity

Black, Latinx, Pacific Islander, and American Indian or Alaska Native Californians are disproportionately likely to be renters and to have unaffordable housing costs. Nearly 6 in 10 Black Californians live in renter households, as do more than half of Latinx and Pacific Islander Californians and about 4 in 10 American Indian or Alaska Native Californians, while only about 1 in 3 Asian and white Californians live in rented homes. Almost 6 in 10 Black individuals living in rented homes and more than half of Latinx renters lived in households that spent more than 30% of their incomes toward housing in 2019, compared to 44% of white renters who lived in housing cost-burdened households. These high rates of renting and high rates of housing cost-burden among California renters of color mean that Californians of color, particularly Black and Latinx Californians, are especially likely to benefit from policies that protect renters from involuntary displacement and unaffordable rent increases.

Among the renter households identified as most likely to benefit from the expansion of statewide just cause coverage examined here, about 4 in 10 have a Latinx household head and about 6% have a Black household head.

Approach to estimating impact

Certain units are exempt from the statewide just cause eviction protections, including most units built within the most recent 15 years and single-family homes that are owned by individuals (while the just cause protections apply to single-family home units owned by corporations or real estate trusts). The proposal examined here would eliminate the partial exemption for single-family homes, paralleling the change to covered properties examined in the separate Roadmap proposal to strengthen the rent cap (D1.2).

Impact estimates focus on the increase in the number of renter households covered by the statewide just cause eviction protections.

Quantification outputs

Single-family homes represent a substantial share of the rental housing market, housing more than 1 in 3 renter households statewide. At the same time, roughly an estimated 75% of single-family rental homes are owned by individuals, not institutional investors, and so are exempt from the current rent cap.[127] Estimates of the number of renter households who would benefit from elimination of this exemption are drawn from analysis of US Census Bureau, American Community Survey public-use microdata for California for 2018, assuming that 75% of single-family rental units are exempt due to individual ownership. An estimated 1,387,000 renter households in single-family homes owned by individual owners, not built within the most recent 15 years, would be added to the statewide just cause eviction protections with the elimination of this exemption. This represents an estimated 24% of all renter households. About half of these renter households are ELI, VLI, or LI, and another 20% are MI, so in total about 2 in 3 have low or moderate incomes. Note that this estimate does not exclude renters who may be covered under local just cause eviction protections.

Direct state costs to implement this change would be minimal, though funds for outreach and enforcement would improve effectiveness.

Sources

ATTOM Data Solutions, *Analyzing the "Who" Behind Recent Real Estate Boom* (February 22, 2017).

[127] This analysis assumes that 75% of single-family home rental units are owned by individuals and therefore currently exempt from the rent cap. Nationally, recent estimates of the share of single-family rentals owned by individuals rather than institutional investors range from 73% (US Census Bureau, 2018) to 79% (ATTOM Data, 2017).

California Budget & Policy Center analysis of US Census Bureau, American Community Survey public-use microdata for 2014-2018 downloaded from IPUMS-USA (University of Minnesota).

Monica Davalos, Sara Kimberlin, and Aureo Mesquita, *California's 17 Million Renters Face Housing Instability and Inequity Before and After COVID-19* (California Budget & Policy Center, January 2021).

US Census Bureau, Rental Housing Finance Survey Table Creator, accessed February 1, 2021.

D1.2 Strengthen the state rent cap

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

The vast majority of California renters with low incomes live in rental housing in the private market with no deed-based or tenant-voucher-based affordability protections. The statewide rent cap established through AB 1482 can help protect these tenants from rent increases that substantially exceed increases in wages or other income and therefore threaten tenants' ability to afford ongoing housing costs and maintain housing stability. These policies can provide affordability protections at scale with minimal direct public budget costs, thus complementing policy approaches that require large public expenditures or that take time to achieve affordability at scale. Research shows that policies that stabilize rents can produce significant benefits for tenants in rent stabilized units, and can contribute to neighborhood-level housing stability. Rent stabilization has also been critiqued because it can create property owner incentives to reduce overall rental housing supply or to fail to adequately maintain rental units; however, these concerns can often be addressed through well-designed rent stabilization policies paired with other policies designed to preserve and expand rental housing supply and enforce housing quality standards. The statewide rent cap currently protects tenants from especially large annual rent increases in many private market rental units, but could be modified to protect more renters and more strongly limit allowed rent increases, with potential tradeoffs to consider.

Description:

This proposal would strengthen the tenant protections against unaffordable rent increases offered through the statewide rent cap established through AB 1482.

The potential effects of three changes to the rent cap are examined:

1) Removing the exclusion of single-family home rentals owned by individuals. This change would extend the protections of the rent cap to the many renters who are currently excluded because of who owns the property they occupy.
2) Reducing the maximum allowed year-over-year increase from the current area CPI+5% to area CPI+3%. This change would lower the threshold for rent increases considered to be unacceptably steep, substantially expanding the share of continuing renters likely to see lower rents due to the cap.
3) Further reducing the maximum increase to area CPI+0%. This change would more fundamentally shift the rent cap away from its current anti-rent-gouging framework to function instead more like a form of statewide rent control.

Tradeoffs implied by these changes, in terms of potential reductions in rental housing supply and quality, are also outlined for consideration.

Target Population: Renters in private-market unsubsidized housing.

Racial equity

Black, Latinx, Pacific Islander, and American Indian or Alaska Native Californians are disproportionately likely to be renters and to have unaffordable housing costs. Approximately 3 in 5 Black Californians and over half of Pacific Islander (54%) and Latinx Californians (53%) live in renter households. This is followed by roughly 42% of American Indian or Alaska Native, 35% of Asian, and 34% of white Californians living in renter households. Among individuals who live in renter households, pre-COVID-19 data show that Black and Latinx Californians were most likely to live in households paying an unaffordable amount toward housing. Nearly 6 in 10 Black individuals in renter households (58%) and more than half of Latinx renters (52%) were housing cost-burdened—compared to 44% of white renters and 42% of Asian renters. These high rates of renting and high rates of housing cost-burden among California renters of color mean that Californians of color, particularly Black and Latinx Californians, are especially likely to benefit from policies that protect renters and are especially likely to struggle to keep up with unaffordable rent increases in the absence of renter protections.

Among the renter households identified as most likely to benefit from the rent cap changes examined in the analysis below, about 1 in 11 (7-11%) have a Black household head and more than 1 in 3 (34-41%) have a Latinx household head.

Approach to estimating impact

The statewide rent cap currently limits annual rent increases in covered rental units to no more than area CPI+5% (or 10%, whichever is lower). Certain units are exempt from the rent cap, including unsubsidized units built within the most recent 15 years and single-family homes that are owned by individuals (while the rent cap applies to single-family homes owned by corporations or real estate trusts). Reforms examined focus on eliminating the partial exemption for single-family homes and reducing the allowed maximum rent increase. Narrowing the new construction exemption is not examined, because this exemption is specifically intended to maintain an incentive for private market housing developers to continue to add new units to the rental housing market.

Impact estimates focus on the increase in the number of renter households likely to experience a smaller annual increase in rent due to the statewide rent cap.

Quantification outputs

Data limitations prevent precise estimation of the number of renters who would be affected by the proposed changes, due to lack of public statewide data on changes in rents in the same units over time. Efforts to collect more complete data on rents and rent increases (e.g., through a statewide rental registry) would allow for both better analysis of policy effects and better enforcement of rent cap protections. Making use of available data for this analysis, estimates are drawn from analysis of US Census Bureau, American Community Survey public-use microdata for California for 2014 through 2018. Impact estimates below represent the number of renter households living in local geographic areas (defined by Census Public Use Microdata Areas or PUMAs, areas with a population of about 100,000) where the year-over-year increase in overall median local rents, in rental units currently covered by the statewide rent cap (excluding rental units covered by local rent control laws) was more than the proposed maximum rent increase allowed under the statewide rent cap during the years examined. Not all renters in these areas experienced a rent increase larger than the cap, so some would not have been affected, but a substantial share likely would have seen lower annual rent increases under the proposed cap.

Under the current rent cap, with annual increase capped at area CPI+5%, an estimated 954,000 renter households in multi-family housing and 163,000 renter households in single-family homes (those with institutional owners) each year on average—for a total of 1,116,000 households, or an estimated 19% of all renter households—lived in units covered by the rent cap in local areas where the annual increase in median rent was greater than CPI+5% at some point during the time period examined.

Reform 1) Eliminate the partial exemption for single-family rental homes owned by individuals

Single-family homes represent a substantial share of the rental housing market, housing more than 1 in 3 renter households statewide. At the same time, roughly an estimated 75% of single-family rental homes are owned by individuals, not institutional investors, and so are exempt from the current rent cap.[128] Removing this exclusion of single-family homes owned by individuals, under the current rent cap of area CPI+5%, would result in an estimated 1.5 million additional renter households covered by the statewide rent cap protections, with an estimated 760,000 of these being renters with low incomes (<80% AMI). Among all renters who would gain rent cap protections, 488,000 households, or 8% of all renters, lived in areas where the annual median rent increase was more than the cap at some point during the time period examined and so would have been most likely to benefit.

A tradeoff to consider with this change is that some individual owners of single-family rentals might choose to remove their properties from the rental market, reducing the supply of rental housing, because the rent cap would place a new limit on maximum rental profits. However, the current rent cap of area CPI+5% prohibits only very large rent increases, limiting the incentive for landlords to withdraw their rental properties.

[128] This analysis assumes that 75% of single-family home rental units are owned by individuals and therefore currently exempt from the rent cap. Nationally, recent estimates of the share of single-family rentals owned by individuals rather than institutional investors range from 73% (US Census Bureau, 2018) to 79% (ATTOM Data, 2017).

Reform 2) Reduce the maximum allowed rent increase to area CPI+3%

With the maximum allowed annual rent increase reduced to area CPI+3%, an estimated additional 342,000 renter households in multi-family housing and 49,000 renter households in single-family homes currently covered by the rent cap each year—for a total of 391,000 households, or an estimated additional 7% of all renters—lived in covered units in areas where the annual increase in median rent was greater than the cap at some point during the time period. An estimated 58% of these renter households were ELI, VLI, or LI, and another estimated 18% were MI, so in total about three-quarters had low or moderate incomes. With elimination of the partial single-family home exemption as well, as in reform (1) above, an additional 147,000 renter households, or 3% of all renters, would be added to this group.

In terms of tradeoffs, a cap of CPI+3% offers significantly more aggressive protection from rent increases for continuing renters, expanding the share of renters most likely to benefit from lower rents in this analysis from 19% of all renter households at baseline to 26% of all renters with the reduction in the cap (not considering renters added to coverage under reform (1) above). A more aggressive rent cap would also create a stronger incentive for landlords to choose to remove their properties from the rental market due to limits on potential rental profits, potentially reducing the supply of rental housing.

Reform 3) Further reduce the maximum allowed annual rent increase to area CPI+0%

With the maximum allowed annual rent increase reduced to area CPI+0%, an estimated 515,000 more renter households in multi-family housing and 84,000 more renter households in single-family homes currently covered by the rent cap each year—for a total of 599,000 more households, or an estimated additional 10% of all renters—lived in covered units in areas where the annual increase in median rent was greater than the cap at some point during the time period. An estimated 61% of these renter households were ELI, VLI, or LI, and another estimated 18% were MI, so in total about three-quarters had low or moderate incomes. With elimination of the partial single-family home exemption as well, as in reform (1) above, a further 251,000 renter households, or 4% of all renters, would be added to this group.

As noted above, this change would more fundamentally shift the rent cap from an anti-gouging protection to a form of statewide rent control that would be stricter, in fact, than some existing local rent control laws. Rents for continuing renters covered by the cap could not increase faster than overall inflation, providing a near-guarantee that rent increases would not increase faster than incomes. At the same time, potential profits for landlords would be substantially reduced compared to the current baseline, creating a much stronger incentive for landlords to remove properties from the rental market, reducing the overall rental housing supply. Landlords would also have less incentive to maintain their properties or make capital improvements, potentially leading to lower housing quality and more rapid deterioration of the rental housing stock over time.

To reduce the undesired tradeoffs from any of these changes, additional policies could be implemented alongside changes to the rent cap structure. For example, to mitigate the risk of landlords removing properties from the rental market, the current rent cap law requires payment of relocation assistance of one month's rent when covered tenants are evicted for no-fault just cause. Increasing the amount of relocation assistance required would make removal of properties from the rental market less appealing to existing landlords, as would pairing these reforms with other state and/or local policies that directly seek to minimize property removal from the rental market (e.g., Ellis Act reform).

Direct state costs to implement any of these reforms to the rent cap would be minimal, though funds for outreach and enforcement would improve effectiveness.

Sources

ATTOM Data Solutions, *Analyzing the "Who" Behind Recent Real Estate Boom* (February 22, 2017).

California Budget & Policy Center analysis of US Census Bureau, American Community Survey public-use microdata for 2014-2018 downloaded from IPUMS-USA (University of Minnesota).

Davalos, Monica, Sara Kimberlin, and Aureo Mesquita, *California's 17 Million Renters Face Housing Instability and Inequity Before and After COVID-19* (California Budget & Policy Center, January 2021).

Terner Center for Housing Innovation, *Curbing Runaway Rents: Assessing the Impact of a Rent Cap in California* (University of California, Berkeley, July 2019).

US Census Bureau, Rental Housing Finance Survey Table Creator, accessed February 1, 2021.

D2. Give local jurisdictions greater flexibility to design rent stabilization policies that are successful in protecting renters and can be tailored to local conditions by repealing or reforming Costa-Hawkins

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

The vast majority of California renters with low incomes live in rental housing in the private market with no deed-based or tenant-voucher-based affordability protections. Rent stabilization laws (rent control) can help protect these tenants from rent increases that exceed increases in wages or other income and therefore threaten tenants' ability to afford ongoing housing costs and maintain housing stability. These policies can provide affordability protections at scale with minimal direct public budget costs, thus complementing policy approaches that require large public expenditures or that take time to achieve affordability at scale. Research shows that rent stabilization can produce significant benefits for tenants in rent stabilized units, and can contribute to neighborhood-level housing stability. Rent control has also been critiqued because it can create property owner incentives to reduce overall rental housing supply or to fail to adequately maintain rental units; however, these concerns can often be addressed through well-designed rent stabilization policies paired with other policies designed to preserve and expand rental housing supply and enforce housing quality standards.

The statewide rent cap (AB 1482) places some limits on allowed rent increases in many rental units, and could be reformed to offer stronger tenant protections and to cover more units (as described in Roadmap proposal D1.2). However, because housing market conditions vary greatly at the local level, there is a rationale for local-level rent stabilization policies as well that are tailored to local conditions. Removing or reforming the Costa-Hawkins limitations on local policies would provide local jurisdictions with more flexibility to implement tenant protections that are stronger than those provided through the statewide rent cap and that respond more directly to local housing needs and market conditions.

Description:

This proposal considers options for reforming or removing state-level restrictions on local rent stabilization laws in the Costa-Hawkins Rental Housing Act, to allow greater flexibility in how localities address local market conditions and housing affordability needs. Changes that would enhance local flexibility include applying a standard rolling 15-year new construction exemption period, allowing local policies to apply to single-family home rentals, and/or removing the prohibition on vacancy control.

Target Population: Renters in private-market unsubsidized housing.

Racial equity

Black, Latinx, Pacific Islander, and American Indian or Alaska Native Californians are disproportionately likely to be renters and to have unaffordable housing costs. Nearly 6 in 10 Black Californians live in rental housing, as do more than half of Latinx or Pacific Islander Californians, while only about 1 in 3 white and Asian Californians live in rented homes. Among individuals who live in renter households, pre-COVID-19

data show that Black and Latinx Californians were most likely to live in households paying an unaffordable amount toward housing. Nearly 6 in 10 Black individuals in renter households and more than half of Latinx renters were housing cost-burdened — compared to 44% of white renters and 42% of Asian renters. These high rates of renting and high rates of housing cost burden mean that Californians of color, particularly Black and Latinx Californians, are especially likely to benefit from policies that protect renters and are especially likely to struggle to keep up with unaffordable rent increases in the absence of renter protections.

Specifically within the California cities that currently have rent control, about 1 in 8 renter households (12%) have a Black household head and about 1 in 3 (33%) have a Latinx household head. Moreover, within these cities, about 70% of households headed by Black, Latinx, American Indian or Alaska Native, and Pacific Islander individuals are renters, who could potentially benefit from expansions of renter protections. Race/ethnicity data for renters in unincorporated Los Angeles County are not readily available, but the unincorporated county population overall (renters and homeowners) included 59% Latinx residents and 8% Black residents as of 2018.

Approach to estimating impact

Costa-Hawkins imposes three limits on the scope of local rent control laws: 1) local rent control cannot apply to any housing built since February 1, 1995 or since the date of the local rent control ordinance in place when Costa-Hawkins was adopted, whichever is earlier; 2) single-family homes are exempt from local rent control; and 3) local laws cannot include “vacancy control,” or require that below-market rents be maintained on rent-controlled apartments after tenant turnover (i.e., landlords must be allowed to charge full market-rate rent to new tenants moving into a unit that has been vacated, known as “vacancy de-control”).

Impact estimates are provided for reforming specific components of Costa-Hawkins separately and in combination. Policy changes examined include 1) replacing the current set construction date exemptions with a single rolling 15-year new construction date exemption (which would align the new construction exemption date for local rent control with the exemption date for the statewide rent cap); 2) in addition to the construction date reform, also allowing local rent control to apply to single-family homes; 3) in addition to reforms (1) and (2), also allowing vacancy control. Reform (3) represents nearly full repeal of existing Costa-Hawkins restrictions, maintaining only a 15-year new construction exemption, a strategy to reduce the disincentive for new housing production considered very likely to be incorporated into local rent control laws even in the absence of Costa-Hawkins.

Hypothetically, any local jurisdiction could enact expanded rent control if Costa-Hawkins were reformed, but in practice jurisdictions that currently have local rent control policies in place would be most likely to take advantage of this new flexibility. Therefore, impact estimates focus on the scenario of jurisdictions with current policies (which include several of the largest cities in California) expanding those local policies.

Impact estimates focus on the increase in the number of rental units (renter households) covered by local limits on rent increases that are stronger than the limits in the statewide rent cap.

Quantification outputs

As of October 2020, there are 19 cities in California with local rent stabilization policies (excluding jurisdictions with rent control only for mobile homes). Impact estimates below represent the number of additional units that could fall under local rent control requirements across all of these cities combined under each reform, based on analysis of US Census Bureau, American Community Survey data. Approximately 85% of the total rental units in these cities are located in the four largest cities: Los Angeles, San Francisco, San Jose, and Oakland. In a given year, an estimated 3% of renter households across all cities with local rent control had been in residence for less than one year, according to Census data, while 97% had lived in their homes for one year or longer. At baseline, an estimated 54% of rental units in these cities (840,945 units) were covered by local rent control ordinances, and in a given year an estimated 52% of rental units were covered by rent control and occupied by tenants with at least one year of tenancy.

Note that Los Angeles County also has a rent control policy which applies to rental units located in unincorporated county areas, for which less detailed data are available to estimate impacts. At baseline, an estimated few tens of thousands of rental units were covered by this local ordinance.

It is relevant to note that local rent stabilization laws apply to tenants of all income levels, and detailed data on income and housing burden are not readily available specifically for renters who could be directly affected in local jurisdictions that have existing rent control ordinances. However, among renters living in housing units built before 2006 living in the four largest cities with current local rent control—City of Los Angeles, San Francisco, San Jose, and Oakland—an estimated nearly 2 in 3 (62%) have incomes below 80% of area median income (ELI, VLI or LI). Another estimated 16% have incomes between 80% and 120% of area median income (MI), so that in total nearly an estimated 8 in 10 of these renters (78%) have low or moderate incomes.

Reform 1) Replacing the current set construction date exemptions with a single rolling 15-year new construction date exemption

Within the cities that have local rent control laws, a total of 293,012 multi-family rental housing units were built after the city's Costa-Hawkins construction exemption date but before 2006 (i.e. outside of a 15-year new construction exemption period as of 2020), so could be added to local rent control coverage under this reform. In a given year, an estimated 283,050 of these units would be occupied by tenants with at least one year of tenancy. Total rental units covered by rent control and occupied by tenants with at least one year of tenancy could increase from the baseline of 52% to an estimated 70% of all rental units in these cities. Directly comparable data for unincorporated Los Angeles County are not readily available, but up to a few thousand multi-family units might be eligible to be added to local rent control under this reform.

In terms of developer and landlord incentives, a rolling exemption for new construction should minimize disincentives to build new housing because developers would have a set period in which to maximize rental profits without rent control limits. The fact that the existing properties that would be affected by this change are already subject to the statewide rent cap reduces the marginal landlord incentive to remove properties from the rental market because of this change. Pairing this change with state and/or local policies that directly seek to minimize property removal from the rental market (e.g., Ellis Act reform, and/or required tenant relocation compensation, which local rent control laws generally include) could help minimize the negative effect on rental housing supply. Another concern about limiting the new construction exemption to 15 years is that investors and developers might avoid standard maintenance or rehabilitation as the end of the 15-year window approaches, putting the long-term quality of housing at risk. Other policies or incentives to offset this challenge could be important for protecting the long-term quality of the rental stock.

Reform 2) In addition to the construction date reform, also allowing local rent control to apply to single-family homes

Within the cities that have local rent control laws, a total of 325,773 single-family home rental units were built before 2006 (e.g., outside of a 15-year new construction exemption period as of 2020), so could be added to local rent control coverage under this additional reform. In a given year, an estimated 314,697 of these units would be occupied by tenants with at least one year of tenancy. Total rental units covered by rent control and occupied by tenants with at least one year of tenancy could increase to an estimated 90% of all rental units (in both apartments and single-family homes) in these cities. Directly comparable data for unincorporated Los Angeles County are not readily available, but up to a few tens of thousands of single-family units might be eligible to be added to local rent control under this reform.

In terms of landlord incentives, the fact that some of the existing properties that would be affected by this change (about 25%) are already subject to the statewide rent cap reduces the marginal landlord incentive to remove properties from the rental market because of this change. As above, pairing this change with state and/or local policies that directly seek to minimize property removal from the rental market (e.g., Ellis Act reform, and/or required tenant relocation compensation, which local rent control laws generally include) could help minimize the negative effect on rental housing supply.

Reform 3) In addition to reforms (1) and (2), also allowing vacancy control

Vacancy control would limit the rents that could be charged to new occupants of all rental housing covered by local rent control. Within the cities that have local rent control laws, the rental units that could be covered by local rent control, including units added through reforms (1) and (2) above, would total 1,459,730 units. In a given year, an estimated 49,631 of these units would be occupied by new tenants who could benefit from lower starting rents under vacancy control. In unincorporated Los Angeles County, roughly 110,000 units in total could be eligible to be covered by local rent control, including units added through reforms (1) and (2) above, with an estimated 4,000 occupied by new tenants in a given year. Many new tenants could be moving into units where outgoing prior tenants had been paying rents significantly below what would have been market rents in the absence of vacancy control. Under the simple assumption that length of prior tenancy in vacated units matches patterns of tenancy duration across occupied units, up to an estimated 77% of new tenants would be moving into units where prior tenants had lived for at least 5 years; these include up to an estimated 35% moving into units where prior tenants had lived for at least 10 years. Over the long term, as rental units turn over throughout the rent-controlled housing market, all renters in rent-controlled units could see lower rents than they would have in the absence of vacancy control. Total rental units covered by rent control, including both units occupied by continuing and new tenants, could increase to an estimated 94% of all rental units in these cities.

Vacancy control could produce substantially lower rents throughout the covered local rental market over time, leading to substantially lower housing costs for renters able to secure rental units within local jurisdictions that adopted vacancy control. In terms of landlord and developer incentives, however, this change could more substantially reduce long-term rental income expected to be generated by rental properties than reforms (1) and (2) and so could more strongly inhibit new rental housing production and incentivize removal of properties from the rental market. A substantial reduction in rental housing supply could make it more difficult for potential future tenants who want to move into the locality to find available housing. Landlords and developers would also have a strong incentive to minimize long-term maintenance and rehabilitation, potentially leading to a problematic decline in housing quality. Effects on rental housing supply and quality would depend on the specific structure of local vacancy control rules (i.e., what increase in rent, if any, is allowed when a unit turns over), and on what other policies local jurisdictions put in place to offset undesired consequences of this stricter form of rent control.

Direct state costs to implement any of these reforms to the Costa-Hawkins limitations would be minimal. Local jurisdictions choosing to expand local rent control to additional units would likely face somewhat increased modest direct costs for outreach, data management, and enforcement.

Sources

California Budget & Policy Center analysis of US Census Bureau, American Community Survey data from published 5-year data tables for 2014-2018 and public-use microdata for 2016-2018 downloaded from IPUMS-USA (University of Minnesota).

Diamond, Rebecca, Timothy McQuade, and Franklin Qian, *The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco* (National Bureau of Economic Research, January 2018).

Kimberlin, Sara, Esi Hutchful, and Amy Rose, *Proposition 10: Should California Allow Cities to Apply Rent Control Policies to More Rental Housing?* (California Budget & Policy Center, October 2018).

"List of Rent Control Ordinances by City," Tenants Together (webpage), accessed on February 1, 2021.

Mesquita, Aureo and Sara Kimberlin, *Staying Home During California's Housing Affordability Crisis* (California Budget & Policy Center, July 2020).

Montojo, Nicole, Stephen Barton, and Eli Moore, *Opening the Door for Rent Control: Toward a Comprehensive Approach to Protecting California's Renters* (Haas Institute for a Fair and Inclusive Society, University of California, Berkeley, September 2018).

Pastor, Manuel, Vanessa Carter, and Maya Abood, *Rent Matters: What Are the Impacts of Rent Stabilization Measures?* (Program for Environmental and Regional Equity, University of Southern California, October 2018).

Southern California Association of Governments, *Profile of Unincorporated Los Angeles County: Local Profiles Report 2019* (May 2019).

D3. Ensure renters have the knowledge and support needed to effectively enforce their rights against unjust eviction and prohibited rent increases by providing a right to legal counsel for renters facing eviction

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

It is estimated that only 10% of tenants nationwide have access to an attorney during eviction proceedings, compared to 90% of landlords. Research shows that between 51% and 75% of tenants without legal representation lose their eviction case. There is strong evidence from implementation in California and cities nationwide that tenants are more likely to respond to unlawful detainers in time, reach a settlement, receive a fair trial, and are less likely to be formally evicted or face disruptive housing displacement when they have legal counsel. Tenant representation could also benefit landlords through better negotiations in court that help tenants and landlords constructively resolve conflicts, such as by working out payment plans for overdue rent.

Eliminating evictions is critical as evictions can have short- and long-term negative effects on mental and physical health, family unity, and economic well-being. A formal eviction on record can lower credit ratings and make families ineligible for certain housing options, forcing them to accept lower-quality living arrangements, and can even lead to homelessness. While specific documented outcomes vary across programs studied, research consistently demonstrates that having legal representation leads to positive financial outcomes for tenants and increases both short- and long-term housing stability. Despite overwhelmingly positive research results, most tenants still do not have access to legal representation.

Description:

This proposal would provide legal services to implement a right to counsel, or a guarantee that tenants facing eviction receive legal advice and representation in court. Activities would include prevention and pre-litigation services (including directly related emergency rental assistance to avoid eviction), as well as full legal representation as needed for tenants with incomes at or below 80% of AMI.

Target Population: Tenants with incomes at or below 80% of AMI facing formal or informal eviction.

Racial equity

Californians of color are disproportionately likely to be renters, have incomes below 80% of AMI, and to have high housing costs. Approximately 3 in 5 Black Californians and over half of Pacific Islander and Latinx Californians lived in renter households in 2019. Nearly 2 in 3 Black and Latinx renters and over 3 in 5 American Indian or Alaska Native renters have incomes below 80% of AMI and would potentially benefit from this proposal. Additionally, about 58% of Black renters and 52% of Latinx renters lived in households that spent more than 30% of their incomes toward housing in 2019, while about 44% of white renters lived in housing cost-burdened households. Nearly 1 in 3 Black and almost 1 in 4 Latinx individuals in California lived in a renter household with severe housing cost burden in 2019. These high rates of housing cost burden place many Californians of color at an increased risk of facing eviction. Various national studies

show that Black and Latinx individuals are most likely to face eviction.[129] Research also shows that Black and Latinx women are disproportionately represented among tenants facing eviction proceedings.[130]

Approach to estimating impact

Eviction data obtained by Tenants Together from the State Judicial Council estimates 160,000 households annually faced formal court eviction in California from 2014 to 2016. Other research suggests that formal evictions represent approximately 50% of all disruptive housing displacements, with the other half of displacements resulting from "informal evictions" in which formal eviction notices are not filed with a court. Therefore, we estimate that 160,000 x 2 = 320,000 households statewide face formal or informal eviction annually. San Francisco and Los Angeles have locally-funded right to counsel programs. If these programs continued to meet the needs of their residents facing evictions, the remaining statewide need would be around 109,000 households facing formal eviction, and the total remaining gap of formal and informal evictions would be approximately 218,000 per year.

An analysis of costs to expand the right to counsel in Los Angeles City and County is the basis of our cost estimates. The study assumed that full representation would be extended to tenants at or below 80% of AMI facing eviction, and activities would also include a public awareness campaign and prevention and pre-litigation services. It concluded that it would cost $81.894 million to serve 68,109 households.[131] This averages approximately $1,200 per household. We multiply this average per-household cost by the estimated number of households facing eviction per year statewide.

Other potential data sources for estimates were also considered, including programs in San Francisco, New York, and Philadelphia. However, data for Los Angeles County were more detailed

---

[129] Aspen Institute, *Strong Foundations: Financial Security Starts With Affordable, Stable Housing* (January 2020), 21.
[130] Desmond, Matthew, *Poor Black Women Are Evicted at Alarming Rates, Setting Off a Chain of Hardship* (MacArthur Foundation, March 2014).; and Hepburn, Peter, Renee Louis, and Matthew Desmond, "Racial and Gender Disparities among Evicted Americans," *Sociological Science,* no 7 (December 2020), 649-662.
[131] Stout Risius Ross, LLC, *Cost-Benefit Analysis of Providing a Right to Counsel to Tenants in Eviction Proceedings. Prepared for: The Los Angeles Right to Counsel Coalition* (December 2019).

and better represent likely statewide costs than sites outside of California or especially high-cost cities such as San Francisco and New York.

Quantification outputs

To serve 320,000 renter households facing eviction, affecting approximately 1,000,000 individuals statewide, would cost an estimated 320,000 x $1,200 = $384 million annually. This calculation assumes that all households facing formal or informal eviction would have incomes at or below 80% of AMI and so would be eligible for right to counsel services. In Los Angeles, more than 90% of tenants facing formal eviction are estimated to have incomes at or below 80% of AMI. Right to counsel services would enable an estimated 94% of households served—or 300,800 households annually—to avoid disruptive housing displacement. If local programs in San Francisco and Los Angeles continue to meet the needs of their residents, the state would need to fill a gap of approximately 218,000 households facing formal or informal eviction, for an estimated cost of $261.6 million annually.

Indirectly, this investment would provide protections to California's 5.9 million renter households (approximately 17 million individuals), including 3.5 million renter households with incomes at or below 80% of AMI. The impact would be greatest on communities of color, as they are disproportionately represented among low-income renter households and households with high housing cost burden that are at increased risk of facing eviction.

At a broader level, investment in a right to counsel could potentially be cost-saving for California. Several studies have shown that investing in legal representation for tenants can reduce costs to other state and locally funded programs and services, including reduction in costs associated with emergency shelters, health care, and other housing programs. An analysis of supporting a right to counsel in Los Angeles City and County estimates a savings of about $4.53 for each $1 invested.[132] A pilot study conducted in San Francisco estimated a potential savings of $1.1 million in homeless shelter costs for providing about 600 tenants legal representation during eviction proceedings, translating to about $1,833 in savings per tenant served.[133]

Sources

Aspen Institute, *Strong Foundations: Financial Security Starts With Affordable, Stable Housing* (January 2020).

California Budget & Policy Center analysis of US Census Bureau, American Community Survey public-use microdata for 2017-2019 downloaded from IPUMS-USA (University of Minnesota).

Davalos, Monica, Sara Kimberlin, and Aureo Mesquita, *California's 17 Million Renters Face Housing Instability and Inequity Before and After COVID-19* (California Budget & Policy Center: January 2021).

---

[132] Stout Risius Ross, LLC, *Cost-Benefit Analysis.*

[133] John and Terry Levin Center for Public Service and Public Interest at Stanford Law School, San Francisco *Right to Civil Counsel Pilot Program Documentation Report* (May 2014).

Desmond, Matthew, *Poor Black Women Are Evicted at Alarming Rates, Setting Off a Chain of Hardship* (MacArthur Foundation, March 2014).

Hepburn, Peter, Renee Louis, and Matthew Desmond, "Racial and Gender Disparities among Evicted Americans," *Sociological Science,* no. 7 (December 2020), 649-662.

Inglis, Aime, and Dean Preston, *California Evictions Are Fast and Frequent* (Tenants Together, May 2018).

John and Terry Levin Center for Public Service and Public Interest at Stanford Law School, *San Francisco Right to Civil Counsel Pilot Program Documentation Report* (May 2014).

Judicial Council of California, *Sargent Shriver Civil Counsel Act: Report to the Legislature* (May 2020).

Schultheis, Heide, and Caitlin Rooney, *A Right to Counsel Is a Right to a Fighting Chance* (Center for American Progress, October 2, 2019).

Stout Risius Ross, LLC, *Cost-Benefit Analysis of Providing a Right to Counsel to Tenants in Eviction Proceedings. Prepared for: The Los Angeles Right to Counsel Coalition* (December 2019).

D4. Remove inequitable barriers that block access to rental housing in the private market, particularly for people of color and low-income renters, by requiring landlords to follow inclusive and non-discriminatory practices when screening and accepting tenants

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

California's housing and homelessness crisis needs stronger equitable policies to increase housing accessibility in the private rental market. Families with low incomes and individuals with low or nonexistent credit scores, criminal history, or other application considerations, are the first to be blocked from housing. Criminal history in particular has a proven limited association with responsible tenancy. While research measuring the impact of some policies is limited due to data limitations and relatively recent life span, it is widely recognized that addressing housing barriers is critical to better serve populations that have been historically disenfranchised. People of color and those with low incomes disproportionately face higher levels of poverty, incarceration, homelessness, and predatory lending—all of which contribute to rental application acceptance.

Removing inequitable barriers that block access to rental housing in private market housing is crucial to increase housing stability for all California renters. Long-standing discriminatory screening practices, including the review of criminal history, credit history, eviction history, and requiring upfront security deposits are well-documented discriminatory barriers that target renters with low incomes and people of color. Specifically, this proposal recommends addressing the more urgent barriers to housing accessibility and stability, including:

1) Ensure those who were previously justice-involved have a legitimate chance at housing opportunities through strengthening California's Fair Employment and Housing Act to prevent housing providers from performing criminal background checks, with certain exemptions once a conditional approval has been given (modeled after the Fair Chance Access to Housing Ordinances adopted by the City of Oakland and Berkeley).
2) Enact flexible tenant screenings that require specifically limited screening criteria to remove harmful exclusions of potential tenants through the housing application process, specifically accounting for criminal history, credit score rating, income requirements, and eviction history.
3) Provide alternatives to upfront security deposits that impose limitations on security deposit amounts and allow alternatives to lump-sum cash deposits.

Description:

1) Strengthen California's Fair Employment and Housing Act (FEHA). Deterring housing discrimination based on an individual's criminal history is a critical step to creating more accessible and equitable housing. Black and Latinx Californians are disproportionately more likely to be involved in the justice system due to past and current racist policies that have targeted their communities. In turn, they also are more likely to encounter the detrimental effects of criminal history screenings in housing applications.

California's Fair Employment and Housing Act (FEHA) currently prohibits housing providers from discriminating or having blanket bans for those with previous conviction histories. While FEHA prevents housing providers from considering certain types of criminal history information, they can still inquire, check, and ultimately deny applications because of an applicant's criminal history. People with a criminal history are also not a protected class under FEHA. Implementing a stronger fair chance to access housing law is needed to create legitimate anti-discriminatory efforts by delaying the select review of an applicant's criminal history until after they are accepted, with stronger restrictions on what can be considered.

Recently, the City of Berkeley and Oakland implemented some of the most robust fair chance access housing laws in the country. Their ordinances prevent a housing provider from inquiring about or screening an applicant's criminal record. Only once an applicant is conditionally approved, can landlords check only the California Life Time Sex Offender List if they receive written permission from the applicant first. Exemptions to the laws apply to public housing properties and small owner-occupied private rentals. These ordinances also include additional anti-discriminatory measures in the advertisement, application, and tenant acceptance process.

Research has shown accessible housing is integral to health outcomes, and reducing recidivism and promoting reintegration for those previously incarcerated. The California Legislature has previously passed similar legislation through the Fair Chance Act, which prohibits employers from asking applicants about their criminal history until after a conditional job offer is made. Studies have shown that employment for formerly incarcerated individuals increases after the implementation of certain fair chance policies; however, there is contested research disputing this. There is also evidence that suggests employment call-back rates do increase for people with criminal history. A criticism of fair chance laws is that they can lead to discrimination through which employers, or potentially housing providers, use other proxies for criminal history, such as race/ethnicity or other characteristics, to filter applicants. Two studies showed that racial disparities in interview call-backs increased after the implementation of a fair chance policy. Nevertheless, fair chance laws are still strongly supported by advocates for formerly justice-involved individuals due to their direct benefits of providing those with a conviction history an equal chance during initial application screening processes.

2) Flexible tenant screenings. Broader reforms to implement flexible tenant screenings typically include, and build upon, fair chance housing laws to address remaining barriers to rental housing. Rental applicants with low incomes, insufficient credit scores, eviction histories, or criminal histories, are more likely to be denied housing. In particular, the consideration and denial based on credit

history is problematic because there is evidence that credit scores are a poor indicator of an individual's ability to pay rent. Credit scores are largely dependent on undisclosed algorithms which use often flawed data and rely on lenders that have historically disadvantaged and used predatory practices on communities of color. Consequently, people of color disproportionately access credit in more volatile financial environments, which can affect credit score rating and ultimately their housing application acceptance.

Various jurisdictions have begun to implement comprehensive laws to address these barriers to housing. For example, in Portland, Oregon, the Fair Access in Renting (FAIR) ordinance created research-based standard criteria available for landlords to fast-track rental applicant screenings. The criteria placed some limits on the use of credit scores, income requirements, past evictions, and criminal history as a reason for application denial. Potential tenants could not be rejected for having a credit score as low as 500, an eviction order older than three years, or insufficient credit history. The FAIR beta test found that, when comparing the standardized criteria to existing market practices, tenant acceptance rates went from one-third to half, depending on the comparison policy. It also substantially increased the acceptance rate for people of color, applicants with low incomes, renters with Housing Choice Vouchers, and those with a criminal history. The FAIR ordinance still provides autonomy to landlords who do not want to use the standard criteria, but requires them to adopt an individualized assessment model and to consider supporting evidence submitted by the applicant demonstrating their improvement on the items for which they are being denied acceptance.

3) Alternatives to upfront security deposits. A final barrier to securing housing that renters with low incomes face is the steep price of upfront security deposits. Currently, under California law security deposits may equal two times the monthly rent, and three times the rent if the unit is furnished. Families and individuals with low incomes are more likely to live paycheck-to-paycheck and not have the opportunity to save the high amount needed for a security deposit due to high costs of housing and stagnating wages. Over half of California renter households were housing cost-burdened in 2019, paying more than 30% of their total income in rent, and more than 1 in 4 renter households were severely cost-burdened, paying more than 50% of their income in rent. In addition, nearly 40% of adults nationally are not able to cover a $400 unexpected expense, and security deposits are often equal to or more than one month's rent.

The following alternatives to security deposits have been implemented or introduced that can be potentially extended statewide to strengthen the economic feasibility for households with low incomes to qualify for housing:

1) Seattle, Washington. The City of Seattle implemented an ordinance requiring payment installment plans and limited move-in fees for tenants. It allows renters to pay security deposits in installments over six months and pet deposits over three months. It additionally established various fee caps, including: 1) limited move-in fees to 10% of the first month's rent; 2) security deposit and the move-in fees combined cannot exceed one month's rent and; 3) pet deposits cannot exceed 25% of the first month's rent.
2) Minneapolis, Minnesota. Under this ordinance, security deposits cannot exceed one month's rent. For landlords requiring more than one month's rent up front, such as also requiring last

month's rent, the security deposit is limited to 50% of a total month's rent. The tenant then has the ability to pay the security deposit in installments over three months.

3) California Assembly Bill 3260 (Wicks 2020). AB 3260 proposed three key mechanisms for the payment of security deposits for tenants: 1) security deposit payment in full, 2) monthly installments, or 3) enroll in rental insurance coverage or a surety bond instead of providing a security deposit, though note that use of rental insurance for this purpose could have drawbacks due to potential additional liability and financial burden placed on tenants and payment concerns for landlords.

Target Population: Californians with low incomes and renter households with criminal, credit, or eviction histories that disproportionately face discriminatory screenings to access private-market rental housing.

Racial equity

Black and Latinx Californians are disproportionately likely to be renters and to have high housing costs. About 58% of Black renters and 52% of Latinx renters lived in households that spent more than 30% of their incomes toward housing in 2019, while about 44% of white renters lived in housing cost-burdened households. Nearly 1 in 3 Black and almost 1 in 4 Latinx individuals in California lived in a renter household with severe housing cost burden in 2019. People of color are also more likely to experience justice system

involvement, predatory lending and banking, housing instability, evictions, and work in low-wage professions—all of which can reduce rental application acceptance.

Approach to estimating impact

Addressing the barriers to the private housing market can benefit all roughly 17 million renters in California, especially those with low incomes and people of color. Californians for Safety and Justice estimate that roughly 1 in 5 (about 8 million) Californians are living with an old criminal conviction. More specifically, data from 2018-19 show about 39,000 people released from California prisons annually, and as many as 600,000 or more having contact with county jails annually, according to estimates from 2014. These Californians are likely to more easily obtain housing in the private market if stronger fair chance housing policies are implemented.

As stated previously, over half of California renters pay at least 30% of their income for rent, and over a quarter pay at least 50% of their income for rent. It is currently estimated that nearly half of all adults nationally are not able to cover a $400 unexpected expense. Renters with low incomes can directly benefit from flexible tenant screenings and alternatives to lump sum security deposits due to the strained limits of their incomes and their increased likelihood of having low or no credit scores and prior eviction records.

Quantification outputs

The projected state cost to implement the regulatory policies described above is relatively low. Fair chance housing laws, flexible screening criteria, and alternatives to upfront security deposits modify existing laws which do not currently have a major direct fiscal impact on the state. The primary cost to establishing these regulatory reforms would come through establishing oversight mechanisms.

Sources

Anderson, Alissa, Sara Kimberlin, Kayla Kitson, Aureo Mesquita and Sarah Jimenez, *Many Californians Are Struggling to Live in Our Communities – Five Reasons to Share the State's Prosperity* (California Budget and Policy Center, January 2020).

Assembly Bill 3260 (Wicks), amended Assembly June 8, 2020.

Board of Governors of the Federal Reserve, *Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020* (May 2020).

California Department of Corrections and Rehabilitation, *Offender Data Points: Offender Demographics for the 24-Month Period Ending June 2019* by Ashley Gabbard, Krista Christian, Shelley Buttler, John Yessen, Michael Keeling, Yvonne Lawrence (October 2020).

California Department of Fair Employment and Housing, *Fair Housing and Criminal History FAQ* (April 30, 2020).

California Health Policy Strategies, LLC., *California Advancing and Innovating Medi-Cal (CalAIM): Opportunities and Implications for the Reentry & Justice-Involved Population* (February 2021).

Californians for Safety and Justice, *Repairing The Road To Redemption In California* (May 2018).

Christman, Anastasia and Michelle Natividad Rodriguez, *Research Supports Fair-Chance Policies* (National Employment Law Project, August 2016).

"Criminal History in Employment" California Department of Fair Employment and Housing (webpage), accessed on January 5, 2021.

Davalos, Monica, Sara Kimberlin, and Aureo Mesquita, *California's 17 Million Renters Face Housing Instability and Inequity Before and After COVID-19* (California Budget & Policy Center, January 2021).

"Fair Chance Access to Housing Ordinance," City of Oakland (webpage), accessed on January 5, 2021.

Graves, Scott, *State Corrections in the Wake of California's Criminal Justice Reforms: Much Progress, More Work to Do* (California Budget & Policy Center, October 2018).

Just Cities, *Comparison of National North Star Fair Chance Housing Laws* (, accessed on January 5, 2021).

McConville, Shannon and Mia Bird, *Expanding Health Coverage in California: County Jails as Enrollment Sites* (Public Policy Institute of California, May 2016).

Mesquita, Aureo and Sara Kimberlin, *Staying Home During California's Housing Affordability Crisis* (California Budget & Policy Center, July 2020).

"Move-In Charges," City of Seattle Department of Construction & Inspections (webpage), accessed on January 6, 2021.

Nonko, Emily, *The Fair Chance Housing Policy Movement Catching On Across the Country* (Next City, February 25, 2021.)

Ramos-Yamamoto, Adriana and Monica Davalos, *Confronting Racism, Overcoming Covid-19, & Advancing Health Equity* (California Budget & Policy Center, February 2021).

"Renter Protections," City of Minneapolis (webpage), accessed on January 5, 2021.

Rice, Lisa, and Deidre Swesnik, "Discriminatory Effects of Credit Scoring on Communities of Color," *Suffolk University Law Review* 46, no. 3 (2013): 935.

"Ronald V. Dellums Fair Chance Access to Housing Ordinance," City of Berkeley (webpage), accessed on January 5, 2021.

"Security Deposits," California Courts: The Judicial Branch of California (webpage), accessed on January 5, 2021.

Stacy, Christina, and Mychal Cohen, *Ban the Box and Racial Discrimination: A Review of the Evidence and Policy Recommendations* (Urban Institute, Feburary 2017).

US Department of Housing and Urban Development, *HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California* (January 29, 2019).

US Department of Housing and Urban Development, *Potential Impacts of Credit Reporting Public Housing Rental Payment Data* by Michale Turner and Patrick Walker (October 2019).

Warren, Cael, *Success in Housing: How Much Does Criminal Background Matter?* (The Amherst H. Wilder Foundation, January 2019).

D5. Provide emergency eviction protections and assistance to renters by creating a standing Renter and Small Landlord Resiliency Emergency Program that launches upon declaration of a crisis

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

The COVID-19 pandemic and severe wildfires around the state in recent years have brought attention to the need for quick responses to address needs that arise during community-wide emergencies. Lessons from these experiences can help the state plan proactively for future crises. The automatic trigger of the renter protections included in this proposal follows a similar structure to the state's existing anti-price-gouging law (CA Penal Code Section 396), which prohibits excessive increases in prices charged for vital goods and services during or shortly after a declared state of emergency or local emergency.

Description:

This proposal would create a standing state Renter and Small Landlord Resiliency Emergency Program, including eviction protections and assessment of need for renter and landlord financial support, that would automatically launch upon the declaration of a state of emergency.

Specifically, upon the declaration of a state of emergency due to a natural disaster or public health crisis or other manmade disaster, an eviction moratorium would automatically take effect in the affected area, which would prohibit evictions for any reason other than health and safety issues for a period of 60 days. No new evictions could be filed and all pending actions would be stayed. The policy would apply when a state of emergency is declared by the Governor or the President of the United States, or a local emergency is declared by a local government official or governing body. During that time, state policymakers would be required to assess the situation to determine whether the moratorium should be extended beyond 60 days with or without modifications.

At the same time, state policymakers would be required to assess the need for financial support for renters and landlords to address interruptions in income due to the declared disaster that prevent payment of rent, or to repair damage to housing caused by the disaster, particularly focusing on renters with low incomes, small landlords, and affordable housing providers. Policymakers would be required to identify federal resources currently available or expected to become available to address these needs, as well as state resources available to meet these needs or to serve as bridge funding until federal support becomes available. Note that a separate Roadmap proposal (E3) would create a state revolving loan fund specifically to bridge the timing of federal Community Development Block Grant Disaster Recovery (CDBG-DR) funding to replace housing lost in a natural disaster.

Target Population: Renters and small landlords and affordable housing providers affected by a disaster.

Racial equity

Californians of color are disproportionately likely to be renters. Approximately 3 in 5 Black Californians and over half of Pacific Islander and Latinx Californians lived in renter households in 2019. Among Californians of color who are renters, a substantial share have very low incomes, making it more difficult for them to

cover unexpected costs or interruptions in income due to a disaster. More than 4 in 10 Black, American Indian or Alaska Native, Latinx, and Pacific Islander households in California that rent their homes have incomes below 50% of AMI.

Approach to estimating impact

This policy would take effect during varying types of emergencies affecting varying localities. Impact would depend on the specific circumstances of each disaster.

Quantification outputs

N/A

Sources

California Budget & Policy Center analysis of US Census Bureau, American Community Survey data for 2017-2019 downloaded from IPUMS-USA (University of Minnesota).

California Penal Code Section 396.

Davalos, Monica, Sara Kimberlin, and Aureo Mesquita, *California's 17 Million Renters Face Housing Instability and Inequity Before and After COVID-19* (California Budget & Policy Center, January 2021).

D6. Limit tenant displacement and luxury conversion of low-rent housing when properties are removed from the rental market by reforming or repealing the Ellis Act

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

The Ellis Act is a state law which prohibits any jurisdiction from adopting statutes, ordinances, or regulations that prevent a landlord from evicting tenants in order to go out of the rental business. This law allows landlords to evict all tenants in a building through no fault eviction even in jurisdictions with strong local just cause and rent stabilization laws. The Ellis Act was intended to help long-term mom-and-pop landlords who want to retire from the rental business. However, analysis of Ellis Act evictions in San Francisco has shown that real estate speculators often take advantage of this law. From 2009 to 2013, about half of units that experienced Ellis Act evictions in San Francisco had been owned by the property owners for less than one year, and 78% of units had been owned by the property owners for less than five years. Property owners have an incentive to use the Ellis Act to remove tenants from rent controlled units, because long-term renters in rent-controlled units typically pay below-market rent, limiting property owner profits. Evicting these tenants allows property owners to generate more profits, because the vacant units can be converted to ownership housing which can then be sold for a higher price (subject to local laws that may regulate these types of conversions), while evicted tenants lose affordable rents and the housing supply loses affordable rental units. The outcomes disproportionately affect low-income Californians who live in these rent controlled buildings.

The misuse of the Ellis Act reduces the affordable housing stock, displaces tenants, and undermines local tenant protection laws. In Los Angeles, California's largest city with rent control, between 2001 and 2019 there were 26,562 rent controlled units removed through Ellis Act evictions. This is over 3% of the total rent-controlled housing stock in Los Angeles.[134] In 2019 there were nearly 1,500 rent controlled units removed through an Ellis Act eviction from Los Angeles alone. Comparable data from San Francisco, the second-largest city with rent control, shows that between 1997 and 2013, a total of 3,610 units were removed from the rental housing supply through the Ellis Act.

Repealing or strengthening the Ellis Act becomes especially important as new local rent control laws are implemented or if modifications are made to the Costa-Hawkins Rental Housing Act or the statewide rent cap, as proposed in other Roadmap proposals (D2, D1.2). If more buildings are rent controlled, more property owners have incentives to use the Ellis Act loophole to evict tenants paying affordable rents.

[134] "The Destruction of Los Angeles Affordable Housing Due to the Ellis Act," Anti-Eviction Mapping Project (webpage), accessed December 2, 2020.

Description:

This proposal would reform or repeal the Ellis Act in order to protect tenants and prevent abuse of this law by real estate speculators. Two changes to the Ellis Act are considered in the Roadmap:

1) Reforming the law to allow local jurisdictions to limit when landlords can evict tenants to leave the rental business. State law already allows local jurisdictions to require that landlords evicting tenants under the Ellis Act provide minimum notice and offer existing tenants the opportunity to return if a unit returns to the rental market within a set period of time. This proposal would allow local jurisdictions to require that all owners of a building hold the property for at least five years before being allowed to use the Ellis Act to evict tenants, and to prohibit any owner that has withdrawn a property from the rental market under the Ellis Act from withdrawing any other property that has been purchased within 10 years after that withdrawal. These changes would help prevent exploitation of the Ellis Act by real estate speculators seeking to purchase occupied rental properties, particularly rent-stabilized units, with the intent of evicting tenants in order to sell the properties at a higher price, typically after converting the units to ownership housing (e.g., condos). The changes are parallel to those proposed in SB 1439 (Leno) introduced in 2014, though that bill was limited only to the city and county of San Francisco.
2) Full repeal of the Ellis Act. Under full repeal, local jurisdictions could pass laws under which landlords would not be allowed to evict tenants in order to exit the rental business.

Target Population: Renters with low incomes at risk of Ellis Act evictions, primarily those in rent-controlled units.

Racial equity

There are limited data on race and ethnicity of tenants evicted and even less data overall on Ellis Act eviction specifically. Various national studies show that Black and Latinx individuals are most likely to face eviction.[135] Research also shows that Black and Latinx women are disproportionately represented among tenants facing eviction proceedings.[136]

Approach to estimating impact

There are limited publicly available data on evictions and even less on Ellis Act evictions. Extrapolating from the data analyzed by the Anti-Eviction Mapping Project provides a lower bound for what California could see. In the city of Los Angeles, there have been, on average, nearly 1,400 units removed per year from the housing market due Ellis Act evictions from 2001 to 2019, while in the city of San Francisco an average of roughly 225 units were removed per year from 1997 to 2013, for a total of roughly 1,625 units per year for these two largest cities with local rent controls.

---

[135] Aspen Institute, *Strong Foundations: Financial Security Starts With Affordable, Stable Housing* (January 2020), 21.
[136] Desmond, Matthew, *Poor Black Women Are Evicted at Alarming Rates, Setting Off a Chain of Hardship* (MacArthur Foundation, March 2014).; and Hepburn, Peter, Renee Louis, and Matthew Desmond, "Racial and Gender Disparities among Evicted Americans," *Sociological Science,* no 7 (December 2020) 649-662.

Quantification outputs

Over the next 10 years, Los Angeles and San Francisco alone could lose another 16,250 rent controlled units if Ellis Act evictions continue at the same pace as recent years.

1) Limiting the use of the Ellis Act to property owners who have held their properties for at least five years might eliminate up to 78% of Ellis Act evictions, based on San Francisco ownership data for units that have experienced Ellis Act evictions. This could represent up to an estimated 12,675 fewer evictions over 10 years in the two largest cities with local rent controls.
2) Full repeal of the Ellis Act could theoretically prevent up to an estimated 16,250 evictions over 10 years in these two cities.

Note that because of limited data available on Ellis Act evictions, these estimates include significant uncertainty.

Sources

Aspen Institute, *Strong Foundations: Financial Security Starts With Affordable, Stable Housing* (January 2020), 21.

Desmond, Matthew, *Poor Black Women Are Evicted at Alarming Rates, Setting Off a Chain of Hardship* (MacArthur Foundation, March 2014).

Hepburn, Peter, Renee Louis, and Matthew Desmond, "Racial and Gender Disparities among Evicted Americans," *Sociological Science,* no 7 (December 2020) 649-662.

Senate Bill 1439 (Leno), amended Assembly June 12, 2014.

Tenants Together & The Anti-Eviction Mapping Project, *The Speculator Loophole: Ellis Act Evictions in San Francisco* (April 2014), downloaded March 1, 2021.

"The Destruction of Los Angeles Affordable Housing Due to the Ellis Act," Anti-Eviction Mapping Project (webpage), accessed December 2, 2020.

D7. Repeal Article 34 of the California Constitution, which requires a majority of voters to approve publicly financed affordable housing in their city or county

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Article 34 is a racist provision of the state constitution, passed by voter approval in 1950, that has served to suppress development of affordable housing and thwart efforts to integrate predominantly white communities. California is the only state in the country whose constitution still includes this kind of provision—all others have repealed it.[137] Although Article 34's effects are reduced today when compared to the decades after it was enacted, developers still incur legal and consulting costs to work around it, and it can lead to affordable developments receiving only receive partial funding from state sources.[138] In addition, state and local efforts to increase affordable housing production (such as those contemplated in the Roadmap) could trigger Article 34 votes in the future—leaving open the possibility that voters may reject new low-income housing—unless the provision is repealed from the Constitution. Finally, in addition to imposing administrative burdens on developers, local governments incur substantial costs when having to go to voters for authorization.

Description:

Repeal Article 34 of the California Constitution, which was enacted in 1950 and requires a majority of voters to approve publicly financed low-income housing in their city, town, or county.

Racial equity

Article 34 is an explicitly racist provision from California's segregationist past which was designed to limit development of affordable housing in predominantly white communities. Repealing it would remove barriers to developing affordable housing—including in resource-rich areas where opposition is strongest—for which people of color, particularly Black and Latinx Californians, are disproportionately eligible. For supporting data, see the racial equity section of proposals A2 and A3. In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes and homeownership programs for residents of low-income neighborhoods (proposal E7) would combine with this proposal advance racial equity.

---

[137] Liam Dillon, "A dark side to the California dream: How the state Constitution makes affordable housing hard to build," *LA Times*, February 3, 2019.
[138] LA Times Editorial Board, "California needs to build affordable housing. Its racist Article 34 makes that too difficult," *LA Times*, February 8, 2019.

Quantification outputs

Without Article 34 acting as a barrier, we expect the cost of developing affordable housing to decrease, as the discriminatory requirement for voter approval lengthens development timelines, artificially restricts the supply of affordable housing, and incurs costs to local governments by requiring local hearings, outreach, and voting to approve new projects. Furthermore, without the need for voter approval more affordable housing would be able to be created in exclusionary communities.

While this proposal does not have an explicit impact estimate, it would be politically impossible to build affordable housing at the scale needed to meet statewide goals with Article 34 in place. Repealing Article 34 is a necessary and long-overdue change that would enable the Roadmap Home proposals focused on affordable housing production to be implemented.

Sources

LA Times Editorial Board, "California needs to build affordable housing. Its racist Article 34 makes that too difficult," LA Times, February 8, 2019.

Liam Dillon, "A dark side to the California dream: How the state Constitution makes affordable housing hard to build," LA Times, February 3, 2019.

D8. Reform the legal eviction process to provide tenants with more time and more protections to resolve landlord-tenant disputes and prevent evictions

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

California's legal eviction process, or unlawful detainer law, fails to provide tenants with adequate time to respond to the threat of eviction. California only requires landlords to provide tenants with three business days' notice of intent to file eviction, which is far less time than most other states, several of which require notice times as long as 14 days for nonpayment of rent and as long as 30 days for other lease violations. In addition, once an eviction is filed, tenants in California are allowed only five business days to respond. In contrast, for most civil actions in California defendants are allowed a full 30 days to respond. California's compressed timeline for legal eviction makes it difficult for tenants to identify and secure legal aid to protect their rights and respond effectively. (Note that a separate Roadmap proposal, D3, would guarantee tenants a right to counsel for eviction response.) For tenants struggling to pay rent, this short timeframe limits their ability to seek out and secure financial assistance through public programs or family and friends.

California also currently fails to provide tenants with the right of redemption, or a legal right to have the eviction process canceled when they pay the rent owed, if they are being evicted for nonpayment of rent. Though courts can consider whether the rent debt has been paid when deciding these eviction cases, tenants can still be forced to leave their homes once the legal eviction process has started even if they no longer owe outstanding rent to the landlord. Ensuring that the eviction process automatically stops in this situation would ensure that tenants do not face the severe consequences of eviction when landlords have received the rent they are due.

Allowing tenants adequate time and protections in responding to evictions is critical as evictions can have short- and long-term negative effects on mental and physical health, family unity, and economic well-being. A formal eviction on record can lower credit ratings and make families ineligible for certain housing options, forcing them to accept lower-quality living arrangements, and can even lead to homelessness.

Description:

This proposal would make changes to the legal eviction process, or unlawful detainer law, to provide tenants with more time and more protections. Changes to this law that would strengthen tenants' ability to achieve fair resolution of conflicts with landlords and avoid displacement include increasing required notice timelines and requiring landlords to end eviction proceedings if rent debt is paid.

Specifically, California's unlawful detainer law would be modified to extend the timelines for tenants to respond to steps in the legal eviction process:

Landlords would be required to provide 10 days' notice of intent to file an eviction for nonpayment of rent, not including weekend days and holidays. This represents an increase over the current 3 business days' notice required.

Landlords would be required to provide 30 days' notice of intent to file an eviction for other lease violations, except that violations that present a danger to health and safety would require only 10 days' notice, not including weekend days and holidays. This represents an increase over the current 3 business days' notice required.

Once an eviction is filed, tenants would have 30 days to respond. This represents an increase over the current 5 business days allowed for tenant response.

In addition, landlords would be required to end eviction proceedings at any point in the eviction process for nonpayment of rent if the tenant pays the rent debt that is due (granting tenants the right of redemption). The tenant would also be required to pay reasonable legal costs that the landlord had actually incurred for the eviction process up to the point of payment.

Target Population: Tenants facing a formal eviction.

Racial equity

Californians of color are disproportionately likely to be renters and to have unaffordable housing costs, which can increase their risk of facing eviction due to overdue rent. Approximately 3 in 5 Black Californians and over half of Pacific Islander and Latinx Californians lived in renter households in 2019. Additionally, about 58% of Black renters and 52% of Latinx renters lived in households that spent more than 30% of their incomes toward housing in 2019, while about 44% of white renters lived in housing cost-burdened households. Nearly 1 in 3 Black and almost 1 in 4 Latinx individuals in California live in a renter household with severe housing cost burden in 2019. These high rates of housing cost burden place many Californians of color at an increased risk of facing eviction. Various national studies show that Black and Latinx individuals are most likely to face eviction.[139] Research also shows that Black and Latinx women are disproportionately represented among tenants facing eviction proceedings.[140]

Approach to estimating impact

Eviction data obtained by Tenants Together from the State Judicial Council estimates 160,000 households annually faced formal court eviction in California from 2014 to 2016.

139 Aspen Institute, *Strong Foundations: Financial Security Starts With Affordable, Stable Housing* (January 2020), 21.

140 Desmond, Matthew, *Poor Black Women Are Evicted at Alarming Rates, Setting Off a Chain of Hardship* (MacArthur Foundation, March 2014).; and Hepburn, Peter, Renee Louis, and Matthew Desmond, "Racial and Gender Disparities among Evicted Americans," *Sociological Science,* no 7 (December 2020), 649-662.

Quantification outputs

An estimated 160,000 households per year who face formal legal eviction would benefit from expanded legal eviction timelines and a right to redemption. Additional renters would also benefit who move out after a landlord gives notice of intent to file eviction, but before a formal eviction is filed.

Sources

Aspen Institute, *Strong Foundations: Financial Security Starts With Affordable, Stable Housing* (January 2020), 21.

Assembly Committee on Judiciary, analysis of Assembly Bill 265 (Ammiano), April 25, 2011.

California Code of Civil Procedure Section 1161.

Davalos, Monica, Sara Kimberlin, and Aureo Mesquita, *California's 17 Million Renters Face Housing Instability and Inequity Before and After COVID-19* (California Budget & Policy Center: January 2021).

Desmond, Matthew, *Poor Black Women Are Evicted at Alarming Rates, Setting Off a Chain of Hardship* (MacArthur Foundation, March 2014).

Hepburn, Peter, Renee Louis, and Matthew Desmond, "Racial and Gender Disparities among Evicted Americans," *Sociological Science,* no 7 (December 2020), 649-662.

Inglis, Aime, and Dean Preston, *California Evictions Are Fast and Frequent* (Tenants Together, May 2018).

Nolo, *State Laws on Termination for Nonpayment of Rent* (December 10, 2020).

Portman, Janet, *State Laws on Termination for Violation of Lease* (Nolo, *December 10, 2020)*.

3.5. CREATE EFFICIENCY AND ACCOUNTABILITY

E1. Speed the construction of affordable homes and reduce uncertainty and costs by streamlining the award of state funding for affordable housing developments into one decision-making process

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

In California's current affordable housing financing ecosystem, affordable housing providers must piece together a combination of state funding sources to fully finance a development. Research has demonstrated that each funding source and application adds incremental cost to affordable housing developments.[141] The added costs of having to apply to multiple programs across multiple state agencies in multiple funding rounds include the cost of preparing the additional applications, the review and coordination of additional loan documents, increased staff time, property holding costs due to time delays between application cycles, and the increase in construction costs that accrues for each extra month it takes to obtain these multiple funding commitments.

California's fractured process for financing affordable rental housing through four distinct agencies is inefficient for both the state and housing providers. Allowing a developer to obtain all necessary state resources in a single unified application process—a "one stop shop"—would streamline state government and get developments to construction more quickly and at lower cost. These lower costs would translate into savings for housing subsidy programs, allowing them to fund additional affordable developments.

Description:

This proposal would consolidate the award of state funding including equity, debt, and operating reserves with a single application to a single committee of the various state housing agencies. Furthermore, this proposal would create a single pool of statewide compliance personnel across state agencies and assign a single monitor per development.

---

[141] Carolina Reid, *The Costs of Affordable Housing Production: Insights from California's 9% Low-Income Housing Tax Credit Program* (Terner Center for Housing Innovation: March 2020).

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposal A2.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development of affordable housing.

Step 1: Develop model to estimate the cost of each additional state funding source / entity

To estimate potential cost savings of consolidating the award of state funding, we use a multivariate regression model to estimate the effect of multiple funding sources and agencies on costs, controlling for differences in project characteristics. For the model, we use development cost data for properties receiving Low-Income Housing Tax Credits (LIHTC) from 2012-2019.[142] This data comes from sources and uses information included in LIHTC applications submitted to the California Tax Credit Allocation Committee (TCAC) and reflects the developer's best estimates of project costs at the time of application.

We identify the number of distinct state entities financing each development with equity, debt, and operating reserves—HCD, TCAC, CDLAC, and CalHFA.[143] Then, we estimate the impact of each additional source / entity on total development costs using the regression model. Table 1 below presents the results in dollar amount on a per-unit basis.

[142] The data comes primarily from LIHTC applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of funding and residential development cost line items. When application data was not available, we used TCAC staff reports created for each LIHTC development, which include summary financing data. Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index. Commercial costs were excluded.

[143] We assume that funds going through DHHS, DDS, and BCSH (HEAP) are either no longer active or would not be affected by this proposal.

Table 1: Multivariate Regression Model Results

Variables	Per Unit	P-value
New Construction	$103,800	0.000
4% Tax Credits	-$25,000	0.042
Bay Area	$176,600	0.000
Los Angeles	$84,890	0.000
Large Family	-$40,220	0.000
# of Affordable Units	-$1,956	0.000
Awarded after 2015?	$103,200	0.000
Number of State Agencies	$15,860	0.051
Assessed Impact Fees?	$33,240	0.009
Total Sqft for all Residential Units	$2.02	0.000

According to the model, on average, every additional state agency providing funds to a development is associated with an increase of $15,860 per unit in total development costs.

Step 2: Estimate the total cost savings made possible with the consolidation of state funding

To estimate the cost savings made possible by this policy, we first calculate the average number of state sources / entities that would be eliminated in each development. Using the database of LIHTC developments referenced above, we divide LIHTC developments into two groups—those receiving funding from a state agency other than TCAC and CDLAC and those receiving funding primarily from private hard debt, tax credits, and bonds ("vanilla projects"). We estimate that, on average, developments in this first group receive funding from 3.09 distinct state agencies and vanilla projects receive funding from 2.00 distinct state agencies on average. Therefore, under this proposal an average of 2.09 and 1.00 state funding entities would be removed, respectively, and each development could save between $15,000 and $33,000 per-unit, on average.

We then estimate the total number of homes that would benefit from this proposal annually by estimating the average annual production activity that could occur from the full implementation of the Roadmap HOME platform. We then isolate the proportion of developments we assume will rely on 4% LIHTCs and funding from more than one state agency (e.g. LIHTCs from TCAC, tax exempt bonds from CDLAC, and a loan from HCD) to best reflect the likely financing structure of properties benefitting from this proposal.

Finally, we use the following formula to estimate the total state dollars saved from consolidating the award of state funding:

$$total\ dollars\ saved\ (annual) = \#\ of\ units\ benefitting\ from\ policy * cost\ savings\ per\ unit$$

Step 3: Calculate per-unit total development costs and public subsidy needed

To estimate the number of affordable homes that could then be produced with the development cost savings calculated in step 2, we next estimate the median cost to develop one unit of affordable housing in California from the LIHTC database referenced above. We only include developments receiving 4% LIHTCs and funding from more than two state agencies (e.g., LIHTCs and bonds and a loan from HCD) in this calculation to best reflect the likely financing structure of properties benefitting from this proposal.

We then use this figure to estimate the public subsidy needed to produce a new affordable home, assuming that cost savings are primarily realized in public sources providing soft debt.[144] We use the same universe of developments receiving LIHTCs from 2012-2019 described above to model the likely composition of sources (e.g., share of funding from tax credit equity, local sources, etc.), using both historical data from LIHTC development and estimates of future financing trends given the newly enacted 4% credit floor. This modeling produced the following results:

- New construction 4% LIHTC: $172,000 per unit (2019$)
- Acquisition/rehab 4% LIHTC: $59,000 per unit (2019$)

Step 4: Estimate the number of affordable homes that could be created with the cost savings generated by this policy proposal

Using the estimates from steps 1-3, we estimate the potential impact this policy could have on the development and preservation of affordable housing with the following formula:

$$\#\ of\ new\ affordable\ homes\ (annual) = \frac{total\ dollars\ saved\ (annually)}{average\ per\ unit\ public\ subsidy} * \%\ new\ construction$$

$$\#\ of\ preserved\ affordable\ homes\ (annual) = \frac{total\ dollars\ saved\ (annually)}{average\ per\ unit\ public\ subsidy} * \%\ acq/rehab$$

In the equation above, *% new construction* and *% acq/rehab* refers to the share of units benefitting from consolidation (identified in step 2) that we estimate will be new construction or acquisition/rehabilitation. These estimates are based on the distribution of construction type for all policies and programs captured in a fully implemented Roadmap Home.

Quantification outputs

- 9,900 new affordable homes created annually on average; 99,000 new affordable homes created over ten years
  - 288,000 people served per year

[144] We assume both that hard debt is inexhaustible and that 4% credits are readily available.

- 7,800 affordable homes preserved annually on average; 78,000 affordable homes preserved over ten years
  - 226,000 people served per year

Sources

California Housing Partnership, Housing Needs Dashboard (website), accessed March 1, 2021.

California Housing Partnership, LIHTC Cost Database (2012-2019) compiled from TCAC LIHTC Applications and Staff Reports.

Carolina Reid, *The Costs of Affordable Housing Production: Insights from California's 9% Low-Income Housing Tax Credit Program* (Terner Center for Housing Innovation: March 2020).

E2. Improve efficiency and effectiveness of state homelessness funding across programs administered by different state agencies by aligning funding application processes and standardizing eligible housing and service models

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Currently, state homelessness funding is highly fragmented. A recent state auditor's report noted that funding for homelessness interventions was spread across at least 41 programs administered by at least nine different state agencies from 2018-19 through 2020-21, with no central state coordination or oversight. This uncoordinated approach to addressing homelessness makes it difficult for the state to plan strategically or track overall state spending and results. Lack of coordination across different programs also increases complexity and administrative burden for grant applicants, and misses an opportunity to ensure that housing and services supported across different programs consistently follow models based on best practices.

Description:

This proposal would coordinate funding applications, pool funding where possible, and align housing and service models supported through existing homelessness programs administered through different state agencies, to increase the efficiency and effectiveness of state investments to address homelessness. Specifically, this proposal would require that all programs that address homelessness across state agencies adopt, to the extent possible, consistent standards of the housing models state programs will fund and a unified funding application. Where possible, funds would be consolidated into a combined funding pool with a single application process jointly administered by California's Departments of Housing and Community Development (HCD) and Social Services (DSS). Funds from the state homelessness flexible funding pool proposed elsewhere in the Roadmap (A1) would be included in the funds administered through this single application process. Where it is not possible to directly pool funds (due to federal or other requirements), administering agencies would align standards, definitions, models, and funding applications and timelines as closely as possible within a single application, in coordination with HCD and DSS. Agencies that administer programs that cannot directly participate in a unified funding application, like Medi-Cal programs administered by the Department of Health Care Services, would align eligibility and standards for housing and services programs to the greatest extent possible with the unified application.

Existing programs addressing homelessness that could be either consolidated into or coordinated with a single application process include housing and support programs administered through the Department of Corrections and Rehabilitation, the Office of Emergency Services, the Housing Finance Agency, the Tax Credit Allocation Committee, and the Business, Consumer Services and Housing Agency, as well as through HCD and DSS. The state Homeless Coordinating and Financing Council would support this process by convening agency representatives, arriving at standards based on evidence, monitoring progress and participation of agencies, and providing recommendations to the Legislature when statutory changes are needed. Agencies would be required to report on progress, challenges, and results to continue to improve coordination.

Target Population: Programs that fund interventions to address homelessness across various state agencies.

Racial equity

Racial inequities linked to current and past discriminatory policies and practices are clearly apparent in experiences of homelessness. Black Californians carry a disproportionate burden of homelessness, comprising nearly 30% of the individuals experiencing homelessness but only about 6% of the overall state population. American Indian and Pacific Islander Californians are also overrepresented among individuals who are homeless. Improving the efficiency and effectiveness of state investments to meet the needs of individuals experiencing homelessness can help address these racial inequities.

Approach to estimating impact

Data are not available to calculate the expected impact of increased efficiency and effectiveness in the administration of state homelessness programs. However, analysis of the expected impact of consolidating state housing production funding, provided elsewhere in the Roadmap, suggests that streamlining funding can significantly reduce administrative costs for grantees, freeing up resources to provide more housing and services with the same level of state investment.

Quantification outputs

N/A

Sources

Auditor of the State of California, *Homelessness in California: The State's Uncoordinated Approach to Addressing Homelessness Has Hampered the Effectiveness of Its Efforts*, Report No. 2020-112 (February 11, 2021).

Davalos, Monica and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center, April 2020).

US Census Bureau, Population Estimates July 1, 2019 (V2019): California.

US Department of Housing and Urban Development, *HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California* (January 29, 2019).

E3. Increase the speed and efficiency of the delivery of emergency housing assistance by creating a revolving state fund to bridge the timing of disaster relief

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Federal Community Development Block Grant Disaster Recovery (CDBG-DR) funding typically takes several years to become available to communities, even though the need to replace affordable homes lost in disasters is immediate.

Description:

This proposal will provide one-time funding for a $500 million revolving loan fund to accelerate the reconstruction of affordable multifamily homes and owner-occupied single-family homes that have been damaged or destroyed in disasters, including wildfires and earthquakes. The revolving loan fund would bridge the timing of federal relief and accelerate restoration of housing and infrastructure to disaster victims throughout California.

Racial equity

Black, Indigenous, Latinx, and other people of color are more vulnerable to disasters and are less likely to have sufficient savings to last the several years it takes for housing to be rebuilt.[145] Research has shown that in California, low-income renters and homeowners—who are more likely to be people of color—are more vulnerable to the effects of disasters, wildfires in particular, due to a lack of resources necessary to pay for insurance, rebuild without assistance, or to pay for continual investments in fire safety, increasing their vulnerability.[146]

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development of new affordable housing.

[145] Substance Abuse and Mental Health Services Administration, *Greater Impact: How Disasters Affect People of Low Socioeconomic Status* (July 2017).
[146] Ian Davies, et al., *The unequal vulnerability of communities of color to wildfire* (PLOS, 2018).

Step 1: Estimate the amount of CDBG-DR funding that could be available to California

First, we estimate the amount of funding that has been allocated to California through CDBG-DR over the last two years, specifically for affordable multifamily housing and owner-occupied rehabilitation. Two years

of funding are used in our impact estimate because CDBG-DR funding has only been granted to California in two of the last five years, in 2018 and 2019. In 2018 a total of $114M was provided, and in 2019 the total was $455M.[147]

These totals represent the funding amount that has been earmarked for distribution, it does not reflect the amount to date that has been distributed.

Step 2: Estimate the distribution of unit sizes of rental units in California

Because the CDBG-DR multifamily program guidelines specify different funding limits for each unit size (number of bedrooms), we next estimate the distribution of unit sizes across all multifamily rental homes in the state. On average, we found that one and two-bedroom units made up the largest share of the total rental stock, with 39% each. Studio units were the next largest share with 14%, and units with three or more bedrooms made up the remaining 7% of units.[148]

Step 3: Calculate the number of multifamily units created with the CDBG-DR funding

We then calculate the funding available for each unit by multiplying each unit size category's share of the rental stock by the total multifamily funding amount:

Total Funding	$317,474,913		
Unit Size	**Percent of HH stock**	**Funding Available**	**Homes Created**
0	14.8%	$46,986,287	767
1	39.1%	$124,132,691	1,767
2	39.1%	$124,132,691	1,453
3	6.3%	$20,000,920	181
4+	0.7%	$2,222,324	18

Next, we divide the funding available for each unit size by the CDBG-DR designated funding limit for that unit size category, which gives us the number of homes of each size that can be created with the available funding. We then add the total number of homes of each unit to calculate the number of multifamily rental homes that can be created with the estimated CDBG-DR funding.

[147] Funding amounts cited from HCD Disaster Recovery Action Plans for 2017 and 2018 Disasters. "State of California Action Plan for Disaster Recovery (2018)," and "State of California Proposed Action Plan for Disaster Recovery (2019)," California Department of Housing and Community Development, access March 15, 2021.
[148] Bedroom composition was calculated using 1-year 2019 ACS PUMS data.

$$\# \ of \ households = \sum \frac{(multifamily \ funding \ total * share \ of \ rental \ stock_{Unit \ size})}{funding \ limit_{Unit \ size}}$$

Step 4: Calculate the number of owner-occupied homes assisted with CDBG-DR funding

The per-home funding limit for owner-occupied rehabilitation specified by CDBG-DR guidelines was $150,000 per household in 2018 and $200,000 in 2019. Using a similar process to Step 3, the number of

homes assisted is calculated by dividing the owner-occupied rehab funding amount for each year by the respective funding limit.

$$owner \ occupied \ rehab \ total = \left(\frac{2018 \ funding \ total}{2018 \ funding \ limit}\right) + \left(\frac{2019 \ funding \ total}{2019 \ funding \ limit}\right)$$

Step 5: Estimate the total number of homes created with the CDBG-DR funding during the next decade

To estimate the total number of homes created with CDBG-DR funding during the next decade, we add the totals from steps 3 and 4, then multiply by three. We multiply by three to account for the cyclical nature of disaster relief funding, which is rarely available every year, and the likelihood that multiple disasters will occur over the coming decade. Therefore, we estimate that funding will be available three times from 2020 to 2030.

Quantification outputs

- 1,700 homes rebuilt faster on average annually; 17,000 homes rebuilt several years faster over ten years
- 48,000 people served per year

Sources

California Housing Partnership analysis of US Census Bureau, American Community Survey data for CA for 2019, downloaded from IPUMS-USA (University of Minnesota, www.ipums.org).

Ian Davies, et al., *The unequal vulnerability of communities of color to wildfire* (PLOS, 2018).

Substance Abuse and Mental Health Services Administration, *Greater Impact: How Disasters Affect People of Low Socioeconomic Status* (July 2017).

"State of California Action Plan for Disaster Recovery (2019)," California Department of Housing and Community Development, access March 15, 2021.

"State of California Proposed Action Plan for Disaster Recovery (2018)," California Department of Housing and Community Development, access March 15, 2021.

E4. Lower costs by allowing developers to request that HCD loan funds come in during the construction period

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

In California's current affordable housing financing ecosystem, the California Department of Housing and Community Development (HCD) funds its loan after construction is complete when developments convert to permanent financing. This requires developers to obtain larger construction loans and pay additional interest. Making HCD funds available during construction would save hundreds of thousands of dollars in construction interest expense per development. These lower costs would translate into savings for housing subsidy programs, allowing them to fund additional affordable developments.

Description:

This proposal would allow an affordable rental housing developer to request that HCD loan funds under any program during the construction period, as opposed to at conversion to permanent financing. The private construction lender would continue to do all construction monitoring and process disbursements and would fund 25% of each draw to ensure due diligence on HCD's behalf.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposal A2.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development of new affordable housing.

Step 1: Develop prototype to model interest cost savings

We estimate the amount of interest cost savings developers could experience were this policy to go into effect with financial modeling developed by the California Housing Partnership financial consulting team. Table 1 below shows the basic property characteristics and financing parameters used to inform the model.

TABLE 1: PROPERTY CHARACTERSTICS & FINANCING PARAMETERS FOR COST SAVINGS MODEL

Construction Loan Term (months)	24
Construction Period (months)	18
Eligible Basis (as % of TDC)	81.5%
Land Costs (as % of TDC)	5.5%
Maximum Tax-Exempt Bond (TEB) Loan Size for 50% test (as % of TDC)	43.5%
TEB Loan Set at 55% (as % of TDC)	47.9%
Project Equity in at Construction Closing (as % of TDC)	2.2%
HCD Award (as % of TDC)	37.0%
Tax Exempt Construction loan interest rate	3.5%
Taxable Construction loan interest rate	3.7%
Tax Credit Equity Pricing	\$0.90
HCD Mandatory Interest Rate	0.42%
Assumed Average Outstanding Balance Bank (status quo)	59.6%
Assumed Average Outstanding Balance Bank (proposal)	46.1%

Step 2: Estimate the interest costs under the status quo (HCD loan funds available at conversion to permanent financing)

In other to calculate the interest costs for a project receiving HCD loan funds at conversion to permanent financing, we use the following formula:

$$\begin{aligned}&\mathit{construction\ loan\ interest\ cost}\\&= \left(\mathit{TE\ bond\ constructction\ loan} * \left(\frac{\mathit{TE\ loan\ interest\ rate}}{12}\right)\right.\\&\left.* \mathit{assumed\ avg\ outstanding\ balance\ bank} * \mathit{construction\ loan\ term\ in\ months}\right)\\&+ \left(\mathit{taxable\ construction\ loan\ size} * \left(\frac{\mathit{interest\ rate}}{12}\right) * \mathit{assumed\ avg\ outstanding\ balance\ bank}\right.\\&\left.* \mathit{construction\ loan\ term\ in\ months}\right)\end{aligned}$$

Step 3: Estimate the interest costs under the proposal (HCD loan funds available during the construction period)

In other to calculate the interest costs for a project receiving HCD loan funds during construction, we use the same formula as described in step 2, but with lower values for the taxable construction loan size based on subtracting the amount of HCD funds that can be put in at construction closing from the taxable construction loan amount.

We then calculate the interest cost savings from making HCD loan funds available during the construction period with the following formula:

$$\begin{aligned} &interest\ cost\ savings \\ &\qquad = (construction\ loan\ interest\ costs\ of\ status\ quo - tax\ credit\ equity\ from\ interest) \\ &\qquad - (construction\ loan\ interest\ costs\ of\ proposal - tax\ credit\ equity\ from\ interest) \end{aligned}$$

$$\%\ of\ TDC\ saved = \frac{interest\ cost\ savings}{TDC} = 1.24\%$$

Step 4: Estimate interest savings per unit

To estimate the number of new affordable homes that could be produced with the interest cost savings made possible by this policy, we first calculate the typical (or, in this case, median) cost to develop one unit of affordable housing in California from development cost data for properties receiving Low-Income Housing Tax Credits (LIHTC) from 2012-2019.[149] This data comes from sources and uses information included in LIHTC applications submitted to the California Tax Credit Allocation Committee (TCAC) and reflects the developer's best estimates of project costs at the time of application.

Given the nature of this proposal, we only include new construction developments receiving 4% LIHTCs in the calculation to best reflect the likely financing structure of properties seeking additional gap financing from HCD programs. Accordingly, we estimate that the median per-unit development cost is $475,000 (2019$). To reflect the cost escalation and inflation that will likely occur over the next decade, we further assume that TDC will increase by 3% each year.[150]

$$interest\ savings\ (per\ unit) = TDC\ per\ unit * 0.0124$$

Step 5: Estimate the number of new affordable homes that could be created with the cost savings generated by this policy proposal

Using the estimates from steps 1-4, we estimate the potential impact this policy could have on the development of new affordable housing with the following formula:

[149] The data comes primarily from LIHTC applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of funding and residential development cost line items. When application data was not available, we used TCAC staff reports created for each LIHTC development, which include summary financing data. Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index. Commercial costs were excluded.

[150] The 3% inflation adjustment is based on historical trends in the RS Means Construction Cost Index from 1987 to 2020.

$$\# \ of \ new \ affordable \ homes \ (annual) = \frac{interest \ savings \ per \ unit * \# \ of \ new \ LIHTC \ units \ expected \ annually}{TDC \ per \ unit}$$

In the equation above, *# of new LIHTC units expected annually* refers to total number of homes that would benefit from this proposal annually from 2020 to 2030, including historical data for LIHTC new. Construction activity and taking into account the additional affordable rental homes produced were the entire Roadmap Home policy platform to go into effect.

Quantification outputs

- 700 new affordable homes created annually on average; 7,000 new affordable homes created over ten years
- 19,000 people served per year

Sources

California Housing Partnership, LIHTC Cost Database (2012-2019) compiled from TCAC LIHTC Applications and Staff Reports.

E5. To simultaneously advance housing, transportation, and climate change goals, tie Housing Element compliance and revamped Prohousing incentives to state transportation funding sources

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

To meet its housing, transportation and climate change goals, the state should align its housing and transportation policies and investments to the greatest degree possible.

Description:

This proposal has three components:

1. For the following sources of competitive transportation funding, 1) require Housing Element compliance and submission of three most recent annual performance reports (APR) in cities or counties where proposed projects are located; and 2) incorporate meaningful point-score or preferential incentives for cities or counties where proposed projects are located when such cities or counties have achieved a Prohousing designation from the Department of Housing and Community Development (HCD):
    a. Transit & Intercity Rail Capital Program (Housing Element compliance currently incentivized but not required)
    b. Local Partnership Program (Housing Element compliance currently incentivized but not required)
    c. Active Transportation Program (Housing Element compliance currently incentivized but not required)
    d. Solutions for Congested Corridors Program (Housing Element compliance not currently considered)
2. Temporarily withhold Local Streets and Roads Program funding from cities and counties until such time as their Housing Element is brought back into compliance and they are current on three most recent APR submissions.
3. Create an independent commission or academic advisory panel and/or fund the creation of a fully objective scoring tool and publicly accessible dashboard such that Prohousing designations are based on objective criteria and empirically validated measures of regulatory constraints that can be compared across jurisdictions.

Racial equity

Local land use and zoning policies create the conditions for developing housing, and research has shown that density controls which limit housing production contribute to broader patterns of segregation.[151] In addition, limiting realistic opportunities to develop affordable housing through local land use and zoning policy translates into fewer housing options for low-income households, who in California are more likely to be Black, Latinx, and other people of color. For additional supporting data, see the racial equity section of proposals A2 and A3.

Approach to estimating impact

Adequately zoned land to develop affordable housing at the scale needed to meet projected need is a minimum necessary condition for implementing other Roadmap proposals to create 1.2 million new affordable homes. Although the rate of Housing Element compliance for the 5th cycle Regional Housing Needs Allocation (RHNA) was nearly 100%, RHNA allocations to jurisdictions—which dictates the amount of zoned capacity they are legally required to provide for housing development in their Housing Elements—are considerably larger in the 6th cycle. For this reason, cities and counties will be more challenged to bring their Housing Elements into compliance.

Conditioning accessing competitive transportation funding programs and formula Local Streets and Roads funds Housing Element compliance and submission of three most recent annual performance reports would provide a strong incentive to come into compliance and could substantially increase the rate of compliance across the state, helping ensure the state can meet its housing production goals. Additional incentives to achieve a Prohousing designation from HCD for accessing competitive transportation funding programs—and ensuring these designations are based on objective criteria—will further enhance conditions for developing affordable housing across the state.

Although we expect implementation of this proposal would result in meaningful progress on the part of local jurisdictions in compliance with state housing laws and creating conditions supportive of housing development for the reasons cited above, lack of available data and evidence limits our ability to quantify this effect.

Sources

Michael C. Lens and Paavo Monkkonen, "Do Strict Land Use Regulations Make Metropolitan Areas More Segregated by Income?," *Journal of the American Planning Association* 82, no. 1 (December 2015): 6-21.

[151] Michael C. Lens and Paavo Monkkonen, "Do Strict Land Use Regulations Make Metropolitan Areas More Segregated by Income?," *Journal of the American Planning Association* 82, no. 1 (December 2015): 6-21.

E6. Bring modular affordable housing to scale

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Factory-built modular housing has the potential to significantly reduce the cost of construction, but limited capacity, financing challenges, and logistics hinder its uptake. By addressing these barriers, modular housing can live up to its full potential for cost reduction.

Description:

The state should take various measures to increase modular production capacity in California as well as increase access to modular for affordable housing developers.

1. Create an HCD/CalHFA/GSAF short-term loan product to fund deposits with a one-time appropriation of $25 million;
2. Have the state underwrite performance bonds for modular housing manufacturers as not all are capable of obtaining such bonds, which are a lender requirement;
3. Create a template lease agreement and have the Governor issue an Executive Order directing the Department of General Services (DGS) and other state entities to make state properties available upon request as modular staging sites;
4. Convene seminars/webinars/conference panels to educate developers and local building officials on when modular housing makes sense, how to set up a project for maximum success, and how the state plan check process works; and
5. Authorize and fund HCD to make equity investments in new factories ($15 million each in four new factories), with a priority for firms led or owned by Black, Latinx, Indigenous, or other people of color.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposal A2. This proposal would also advance racial equity by prioritizing investments in firms led or owned by Black, Latinx, Indigenous, or other people of color.

Approach to estimating impact

Increasing access for affordable housing developers: According to affordable housing developers and modular construction experts, the five proposal components could, in combination, allow affordable housing to claim a greater share of existing statewide modular capacity, increasing from 500 of 9,000 homes to approximately 50% or 4,500 homes per year.

Increasing modular capacity for affordable housing: Based on interviews with affordable housing developers and modular construction experts, we estimate that if HCD were to make equity investments of $15 million each to help four new factories begin operations, and that access to these factories is limited to affordable housing developers on condition of receiving HCD's investment, approximately 6,000 additional affordable homes could be created using modular construction each year (assuming 1,500 homes per factory per year).[152]

Total impact on affordable housing: In combination, we estimate that the proposal would enable approximately 10,000 additional affordable homes to be created with modular construction methods each year, or 100,000 by 2030.

Translating savings into production: If modular methods are applied in such a way to maximize savings, affordable housing and modular construction experts estimate savings of $80,000 in total development costs per affordable home in the San Francisco Bay Area and $48,000 per home in Southern California (little savings can be realized using modular construction in inland areas).[153] Assuming all of the 100,000 affordable home increase in modular construction will happen in these two markets, with 47% in the Bay Area and 53% in Southern California, we estimate that an additional 38,000 new affordable homes can be developed with the cost savings realized by this proposal.

We arrive at this estimate by analyzing development cost data for affordable housing properties receiving Low-Income Housing Tax Credits (LIHTC) from 2012-2019.[154] We first estimate that the median per-unit development cost for new construction in the Bay Area and Southern California is $475,000 (2019$). We then use this figure to estimate the public subsidy needed to produce a new affordable home, assuming that cost savings are primarily realized in public sources providing soft debt.[155] We use the same universe of developments receiving LIHTCs from 2012-2019 described above to model the likely composition of sources (e.g., share of funding from tax credit equity, local sources, etc.), using historical data from LIHTC development. This modeling produced the following results for new construction: $143,000 per unit (2019$).

---

[152] Communication with Caleb Roope (The Pacific Companies) on November 22, 2020.

[153] Communication with Caleb Roope (The Pacific Companies) on November 22, 2020 and Brendan O'Donnell (Abode Communities) on December 17, 2020.

[154] The data comes primarily from LIHTC applications to the California Tax Credit Allocation Committee (TCAC) and includes detailed information on the sources of funding and residential development cost line items. When application data was not available, we used TCAC staff reports created for each LIHTC development, which include summary financing data. Development costs are adjusted for inflation to 2019 dollars using the RS Means Construction Cost Index. Commercial costs were excluded.

[155] We assume both that hard debt is inexhaustible and that 4% credits are readily available.

Using the modular cost savings estimate and public subsidy estimate calculated above, we estimate the number of affordable homes that could be created with the cost savings generated by this proposal with the following formula:

$$\# \, of \; new \; affordable \; homes \; (annual) = \frac{modular \; cost \; savings \; per \; unit * \# \, of \; affordable \; homes \; created \; with \; modular \; construction}{(average \; per \; unit \; public \; subsidy)}$$

Quantification outputs

- 3,800 new affordable homes annually on average; 38,000 new affordable homes created over ten years
- 110,000 people served per year

Sources

California Housing Partnership, LIHTC Cost Database (2012-2019) compiled from TCAC LIHTC Applications and Staff Reports.

Communication with Brendan O'Donnell (Abode Communities) on December 17, 2020.

Communication with Caleb Roope (The Pacific Companies) on November 22, 2020.

E7. Prioritize access to affordable housing and homeownership programs for residents of low-income communities

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

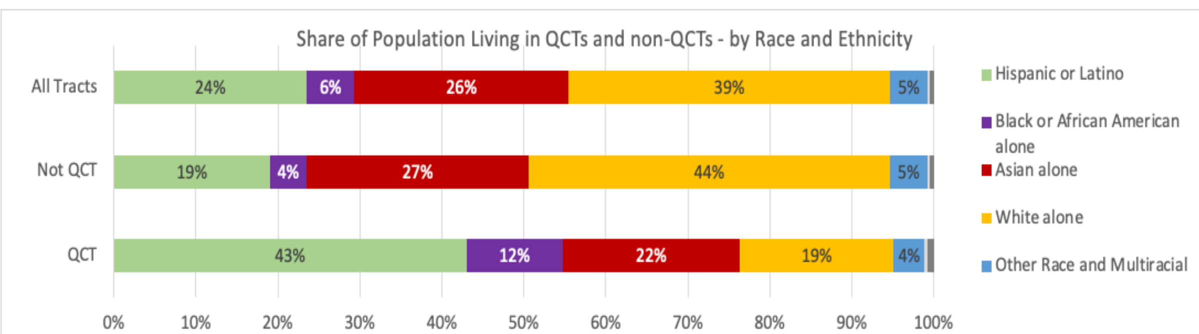
Access to affordable housing and homeownership assistance programs should be prioritized for residents of low-income neighborhoods, who are disproportionately Black and Latinx, and are thus more likely to face discrimination in the housing market as well as experience constrained housing choices due to the effect of racist housing and land use policy.[156]

Description:

This proposal would create a preference policy for deed-restricted affordable housing and homeownership assistance for residents of low-income neighborhoods, who are more likely to be Black and Latinx (see below). This policy would expand housing choice by ensuring that residents of low-income communities have the option to move into new affordable housing in their own neighborhoods, as well as in other neighborhoods, as it becomes available.

Racial equity

Residents of low-income neighborhoods are more likely to be Black and Latinx, as shown in the analysis of federally defined Qualified Census Tracts (QCTs)—one possible definition of low-income neighborhoods—below. QCTs are tracts where at least half of households have incomes below 60% of area median income or have poverty rates above 25%.[157] QCTs are 43% Latinx and 12% Black, whereas non-QCTs are 19% Latinx and 4% Black.[158]



[156] See, for example: Stephen Menendian, *Recent Writing on the Causes, Consequences, and Politics of Racial Segregation (2019)*.
[157] "Qualified Census Tracts and Difficult Development Areas," US Department of Housing and Urban Development Office of Policy Development and Research (webpage), accessed on March 13, 2021.
[158] California Housing Partnership analysis of US Census Bureau, American Community Survey data (2019, 5-year data).

A preference policy for residents of low-income neighborhoods could support community-building and anti-displacement goals in these neighborhoods while expanding choices outside of them—both of which are critical for advancing racial equity in housing. Prioritizing access to affordable homeownership programs for residents of low-income neighborhoods could also help close the racial wealth gap.

In addition, to the extent that a preference policy for residents of low-income neighborhoods could help expand housing choices: research has shown that existing levels of segregation do not reflect the location preferences of low-income families across racial and ethnic backgrounds, and deliberate efforts to expand choices can increase neighborhood satisfaction and access to resource-rich neighborhoods whose characteristics are associated with positive outcomes for families and children.[159]

Quantification outputs

The degree to which a preference policy for residents of low-income neighborhoods would achieve relevant goals, such as increasing access to opportunity and preventing displacement, is not known because of limitations in the literature. However, we anticipate this proposal could combine with a separate Roadmap Home proposal to create regional waitlists for affordable housing (proposal E10) to support these goals and broadly serve to expand housing choices—whether this means moving to another neighborhood or remaining in place in the face of market pressure.

Sources

California Housing Partnership analysis of US Census Bureau, American Community Survey data (2019, 5-year data).

Peter Bergman, Raj Chetty, Stefanie DeLuca, Nathaniel Hendren, Lawrence Katz, and Christopher Palmer, "Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice," *NBER Working Paper No. 26164* (August 2019).

"Qualified Census Tracts and Difficult Development Areas," US Department of Housing and Urban Development Office of Policy Development and Research (webpage), accessed on March 13, 2021.

Stephen Menendian, *Recent Writing on the Causes, Consequences, and Politics of Racial Segregation (2019)*.

[159] See, for example: Peter Bergman, Raj Chetty, Stefanie DeLuca, Nathaniel Hendren, Lawrence Katz, and Christopher Palmer, "Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice," *NBER Working Paper No. 26164* (August 2019), https://www.nber.org/papers/w26164.

E8. Build local capacity for homelessness planning, improve local governance, and create more accountability

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Local capacity for planning and effectively administering homeless service systems varies widely across the state. CoCs are the HUD-designated local bodies for coordinating homelessness systems, and generally cover geographic areas corresponding to a single county or multiple counties, but many counties and cities also support, administer, or implement homelessness services, while cities have primary responsibility for land use, including zoning to accommodate emergency shelters and affordable housing needed to meet the needs of people experiencing or at risk of homelessness. HUD requires that CoCs complete an annual homeless services gaps analysis and regularly update a comprehensive plan to address homelessness. Theoretically these local CoC plans could be tools for effective countywide or regional planning to meet homeless needs and to ensure accountability for closing system gaps. However, as a recent state auditor's report notes, HUD provides little guidance for what these plans should include and little formal accountability for preparing and following these plans, and in practice the plans produced by CoCs, as well as the gaps analyses, are often incomplete or inadequate. By providing or facilitating technical assistance, the state can help local jurisdictions and CoCs gain the capacity to conduct effective planning, including to participate in and coordinate the CoC gaps analyses and comprehensive plans that are based on data on need. The state can leverage this HUD CoC planning requirement to increase local accountability for taking concrete steps to address homeless gaps by requiring that local jurisdictions and CoCs submit and explicitly address these plans to address homelessness when applying for state funding. The state can further enforce local accountability for addressing homeless needs by incorporating these analyses and plans into the existing accountability mechanism of the Housing Elements that local jurisdictions must regularly update and submit to the Department of Housing and Community Development for approval.

Description:

This proposal would increase local capacity and accountability for homelessness planning and improve local governance in solving homelessness according to local data. Specifically, the state would provide or facilitate technical assistance and peer learning opportunities for cities, counties, and Continuums of Care (CoCs) to improve the capacity of local jurisdictions and CoCs to coordinate and participate in homeless system gaps analyses and to develop and coordinate comprehensive local homelessness plans, as HUD requires of CoCs. This technical assistance would allow local jurisdictions and CoCs to improve coordinated entry systems and identify needs for interim interventions, permanent housing, and services to reach "functional zero" for homelessness (fewer people homeless than the number the local jurisdiction can house within the month).

Technical assistance can also help local jurisdictions to coordinate existing mainstream resources with designated housing and homeless resources to fund housing and services.

The state would also require accountability from local jurisdictions for taking action to address identified homelessness needs and service gaps. Local government or CoC applicants for any source of state funding to address homelessness would be required to submit a CoC gaps analysis and a comprehensive homelessness plan that are no more than three years old with their funding applications, and would need to explain how the activities they seek to fund address priorities identified in the gaps analysis and comprehensive plan.

In addition, local jurisdictions would be required to address homelessness system planning more completely through the Housing Element. When submitting their updated Housing Elements to the state, local jurisdictions would be required to submit their CoC's gaps analysis, completed within three years prior to submitting, and a comprehensive plan the applicable jurisdiction has completed in collaboration with other jurisdictions and the CoC. The jurisdictions would be required to explain how they participate in planning and coordinate services with the CoC covering their area, and outline concrete steps the local jurisdiction is implementing to increase homeless service capacity or housing for people experiencing or exiting homelessness to address gaps or needs identified in the CoC gaps analysis and comprehensive plan. The Department of Housing and Community Development would review these homelessness accountability components as part of the process of approving the Housing Element.

Target Population: Local jurisdictions and Continuums of Care.

Racial equity

Racial inequities linked to current and past discriminatory policies and practices are clearly apparent in experiences of homelessness. Black Californians carry a disproportionate burden of homelessness, comprising about 30% of the individuals experiencing homelessness on a given night but only about 6% of the overall state population. American Indian and Pacific Islander Californians are also overrepresented among individuals who are homeless. Improving the efficiency and effectiveness of homelessness planning and governance can help address these racial inequities.

Approach to estimating impact

Data are not available to calculate the expected impact of increased effectiveness and accountability for local planning to address homelessness, but more effective and accountable planning can be expected to increase effective and responsive action to meet the needs of people experiencing homelessness.

Quantification outputs

N/A

Sources

Auditor of the State of California, *Homelessness in California: The State's Uncoordinated Approach to Addressing Homelessness Has Hampered the Effectiveness of Its Efforts*, Report No. 2020-112 (February 11, 2021).

Davalos, Monica and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center, April 2020).

US Census Bureau, Population Estimates July 1, 2019 (V2019): California.

US Department of Housing and Urban Development, *HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California* (January 29, 2019).

E9. Ensure that individuals temporarily housed through state systems and institutions (such as criminal justice, child welfare, hospitals/health) have the support they need to avoid discharge into homelessness

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Individuals exiting institutional care settings face an immediate need for stable housing, yet many have low or no incomes and limited personal or family resources to meet their housing needs. Some of these individuals—including individuals with significant health challenges or disabilities and those with criminal records—also face particular barriers to securing stable housing that can meet their needs. Without specific assistance to secure and sustain stable housing before discharge, many of these individuals risk becoming homeless when they exit institutional care or soon afterward. Research has documented, for example, high rates of homelessness among young adults after exit from foster care and among formerly incarcerated individuals. Requiring that state-funded institutions and systems develop and implement strong pre-discharge planning protocols that include connecting individuals to concrete housing resources and other ongoing supports can help prevent discharges into homelessness. A recent systemic review of multiple studies of effectiveness of discharge planning for individuals exiting foster care, prisons, and hospitals found a large positive effect of this intervention in reducing homelessness and increasing housing stability (though with some uncertainty in the effect size, likely due to differences in study design and context).

Description:

This proposal would require state-funded systems that discharge individuals from institutional placements that provide housing (such as prisons, foster care, and state-funded hospitals or nursing homes) to adopt robust processes to prevent discharges into homelessness. Specifically, agencies and departments would develop standard pre-discharge protocols that include providing housing navigation support, linking individuals to concrete housing resources, and connecting individuals to ongoing supports to address other basic needs (such as CalFresh, Medi-Cal, CalWORKs, general relief) before they exit state-funded systems of care.

Target Population: Individuals exiting state-funded institutional placements who are at risk of discharge into homelessness.

Racial equity

Racial inequities are clearly apparent in experiences of homelessness. Black Californians carry a disproportionate burden of homelessness, comprising about 30% of the individuals experiencing homelessness but only about 6% of the overall state population. American Indian and Pacific Islander Californians are also overrepresented among individuals who are homelessness. Racial inequities reflecting

legacies of discriminatory policies and practices in housing, education, employment, and other areas are also found in many of the state-funded institutions targeted by this proposal. For example, Black and American Indian children have the highest rates of placement in foster care in California, at about 20 per 1,000, compared to about 5 per 1,000 among all children. Among Californians incarcerated in state prisons, more than one-quarter are Black, while Black individuals comprise only about 6% of the state population overall. Latinx Californians are also overrepresented among individuals in state prisons. Improving pre-discharge processes to prevent avoidable experiences of homelessness can help ensure that overrepresentation of Californians of color in state-funded institutional settings does not contribute to inequitable overrepresentation among individuals experiencing homelessness.

Approach to estimating impact

Available data to estimate the impact of this policy proposal are limited. In terms of number of individuals potentially affected, the most complete data were identified for individuals discharged from foster care and to a lesser extent prisons, with less data identified for discharges from state-funded health care institutions.

Quantification outputs

The number of individuals potentially benefiting from improvements in discharge planning include the following:

- Individuals exiting foster care per year = approximately 2,900 per most recent final annual data from the Department of Social Services (for FFY 2018-19)
- Individuals exiting state prisons per year = approximately 39,000 per most recent published data from the Department of Corrections and Rehabilitation (for FY 2018-19)
- Individuals exiting state-funded hospitals or nursing homes = data not readily available
- Total individuals potentially benefiting = more than 41,900 per year

Directly estimating more specifically the number of individuals who would avoid homelessness as a result of improved discharge planning was not possible due to limited directly applicable research results.

Sources

California Department of Corrections and Rehabilitation, *Offender Data Points: Offender Demographics for the 24-Month Period Ending June 2019*, by Ashley Gabbard, Krista Christian, Shelley Buttler, John Yessen, Michael Keeling, and Yvonne Lawrence (October 2020).

California Department of Social Services, *Outcomes for Nonminor Dependents Child Welfare Youth Exiting Foster Care Quarterly Statistical Report (SOC 405X), FFY 2018-19 Final Data*.

Couloute, Lucius, *Nowhere to Go: Homelessness Among Formerly Incarcerated People* (Prison Policy Initiative, August 2018).

Davalos, Monica and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center, April 2020).

Dworsky, Amy, Laura Napolitano, and Mark Courtney, "Homelessness During the Transition From Foster Care to Adulthood," *American Journal of Public Health* 103, no. S2 (December 1, 2013): S318-S323.

Graves, Scott, *State Corrections in the Wake of California's Criminal Justice Reforms: Much Progress, More Work to Do* (California Budget & Policy Center, October 2018).

Hanratty, Jennifer et al., *Discharge Programmes for Individuals Experiencing, or at Risk of Experiencing Homelessness: A Systematic Review* (Centre for Homelessness Impact, August 2020).

KidsData.org, *Children in Foster Care, by Race/Ethnicity, California 2018* (accessed February 28, 2021).

US Census Bureau, Population Estimates July 1, 2019 (V2019): California.

US Department of Housing and Urban Development, *HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California* (January 29, 2019).

E10. Establish regional waitlists for affordable housing

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

Waitlists for affordable housing are currently administered at the property level, which potentially limits the pool of prospective residents. Establishing regional waitlists for affordable housing could help create broader access to affordable homes, particularly those in resource-rich areas where Black, Latinx, Indigenous, and other people of color have been historically excluded.

Description:

Establish regional waitlists, instead of property-based waitlists, for deed-restricted affordable homes monitored by a public agency (including those created with and without public funding). These waitlists would be accessible to people with disabilities and would identify whether available units are accessible.

Racial equity

Research has shown that existing levels of segregation do not reflect the location preferences of low-income families across racial and ethnic backgrounds, and that deliberate efforts to expand choices—to which regional waitlists could contribute—can increase neighborhood satisfaction and access to resource-rich neighborhoods whose characteristics are associated with positive outcomes for families and children.[160]

Approach to estimating impact

The degree to which regional waitlists would expand housing choices is not known because of limitations in the literature. However, waitlists for affordable housing covering broader geographies rather than operating at the property level are increasingly considered a best practice in expanding housing choices. National examples include a statewide search tool in Washington, a pooled regional waitlist of eight housing authorities in northeastern Illinois, and a statewide nonprofit providing search assistance in Massachusetts. Some models are also local; the City and County of San Francisco operates a citywide waitlist.

[160] See, for example: Peter Bergman, Raj Chetty, Stefanie DeLuca, Nathaniel Hendren, Lawrence Katz, and Christopher Palmer, "Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice," *NBER Working Paper No. 26164* (August 2019).

In addition, emerging evidence suggests eventual residents often learn about the opportunity to move into affordable housing because they already live nearby and/or have friends or family who are residents.[161] This outcome can be desirable in the context of community-building and providing higher

quality and affordable housing options in low-income neighborhoods and communities of color, particularly those facing gentrification and displacement pressure. However, in the context of resource-rich areas where Black, Latinx, and other people of color have been excluded, drawing primarily from local residents can inhibit the potential for affordable housing to expand choices for those whose choices have been most constrained due to decades of racist housing and land use policies.

We are not able to quantitatively estimate the impact of regional waitlists on expanding housing choices or related policy goals due to limitations in existing data and the literature. However, we believe this proposal could have a meaningful effect on its own, as well as in combination with a separate Roadmap Home proposal to prioritize access to affordable housing for residents of low-income areas (proposal E7), who are more likely to be people of color. Together, these proposals would support both community-building/up-grading and anti-displacement goals in low-income neighborhoods while expanding choices outside of them.

Sources

Aptfinder.org (website), accessed March 1, 2021.

Carolina Reid, *The Links Between Affordable Housing and Economic Mobility: The Experiences of Residents Living in Low-Income Housing Tax Credit Properties* (Terner Center for Housing Innovation, May 2018).

Housing Navigator Massachusetts (website), accessed March 1, 2021.

Peter Bergman, Raj Chetty, Stefanie DeLuca, Nathaniel Hendren, Lawrence Katz, and Christopher Palmer, "Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice," *NBER Working Paper No. 26164* (August 2019).

"Regional Housing Initiative," Chicago Metropolitan Agency for Planning (webpage).

[161] Carolina Reid, *The Links Between Affordable Housing and Economic Mobility: The Experiences of Residents Living in Low-Income Housing Tax Credit Properties* (Terner Center for Housing Innovation, May 2018).

4. Federal sidebar

F1. Make Housing Choice Vouchers an entitlement for eligible low-income households

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

The federal Housing Choice Voucher program provides rental assistance to households with very low incomes. Households are eligible for this support generally if their income is below 50% of AMI (the HUD VLI threshold), and they can use these vouchers to rent housing in the private market. With a voucher, renters pay 30% of their income toward rent, and the voucher covers the rest of the actual rent amount charged, paid directly to the landlord. Housing units must meet certain quality standards and must have rents that do not exceed certain levels (based on HUD Fair Market Rents). Vouchers are administered by local Public Housing Authorities, and a share of vouchers in each locality can be “project-based” or assigned to housing units in specific affordable housing development. (A separate Roadmap proposal, F3, proposes increasing the share of vouchers that can be project-based.)

Currently, the Housing Choice Voucher program is severely underfunded. Only 1 in 5 households who qualify for housing assistance receives a voucher. Millions of eligible households nationally are on waitlists for vouchers, often with years-long wait times, and in many local areas demand is so high that wait lists are closed to new applicants.

Fully adequate long-term federal funding of Housing Choice Vouchers, at a level that guarantees access for all eligible renters, would have a transformational effect on housing affordability for Californians with very low incomes. Full ongoing federal support to meet the housing needs of these renters could also encourage production of more housing that meets voucher criteria for rents and quality, because developers could count on vouchers as a reliable source of rental income. This federal support would also free up state resources to focus on addressing other aspects of housing and homelessness needs.

A substantial increase in the number of vouchers could affect rents and housing availability in the broader rental market, especially over the short term, depending on how the increase was structured and phased in. Federal, state, and local policymakers should consider broader issues that may arise and prepare to address them through design and implementation of voucher expansion.

Description:

This federal advocacy proposal would fully fund federal Housing Choice Vouchers as an entitlement, so that this housing support is available to all low-income renters who are eligible.

Target Population: Renters with very low incomes, below 50% of AMI.

Racial equity

Californians of color are disproportionately likely to be renters and have unaffordable housing costs. Approximately 3 in 5 Black Californians and over half of Pacific Islander and Latinx Californians lived in renter households in 2019. Additionally, about 58% of Black renters and 52% of Latinx renters lived in households that spent more than 30% of their incomes toward housing in 2019, versus about 44% of white renters. Nearly 1 in 3 Black and almost 1 in 4 Latinx individuals in California lived in a renter household with severe housing cost burden in 2019. Among Californians of color who are renters, a substantial share have very low incomes (<50% of AMI). More than 4 in 10 Black, American Indian or Alaska Native, Latinx, and Pacific Islander households that rent their homes have incomes below 50% of AMI.

Approach to estimating impact

The Urban Institute estimated the number of households in California who would benefit if Housing Choice Vouchers were fully funded as an entitlement, based on income and rent data from 2016. Income losses due to the COVID-19 recession could increase the number of eligible households.

Quantification outputs

According to Urban Institute estimates, 1.2 million California households (which include 3.5 million individuals) with very low incomes would gain access to new vouchers if Housing Choice Vouchers were fully funded.

These estimates assume a 70% take-up rate among eligible households. With 100% take-up, a total of 1.7 million California households (including 5 million individuals) could benefit.

Sources

Aurand, Andrew et al, *Housing Spotlight: The Long Wait for a Home* (National Low Income Housing Coalition, Fall 2016).

California Budget & Policy Center analysis of US Census Bureau, American Community Survey public-use microdata for 2017-2019 downloaded from IPUMS-USA (University of Minnesota).

Cunningham, Mary K., *It's Time to Reinforce the Housing Safety Net by Adopting Universal Vouchers for Low-Income Renters* (Urban Institute, April 7, 2020).

Payton Scally, Corianne et al., *The Case for More, Not Less: Shortfalls in Federal Housing Assistance and Gaps in Evidence for Proposed Policy Changes* (Urban Institute, October 2018).

Public and Affordable Housing Research Corporation, *Housing Agency Waiting Lists and the Demand for Housing Assistance* (February 2016).

US Department of Housing and Urban Development, *Housing Choice Vouchers Fact Sheet* (accessed February 1, 2021).

F2. Provide temporary federal emergency rental assistance for renters unable to pay rent

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

The COVID-19 pandemic and severe wildfires around the state in recent years have brought attention to the need for quick responses to address needs that arise during community-wide emergencies. Lessons from these experiences can inform proactive planning for future crises. Federal policymakers have recognized the need for federal support for emergency rental assistance for renters with low incomes during the COVID-19 pandemic. This support helps to prevent displacement and homelessness among households with low incomes due to eviction for nonpayment of rent, while ensuring that landlords that house low-income renters, including affordable housing providers, are able to cover their operating costs. Applying lessons learned during COVID-19 by guaranteeing this type of federal support in the case of future emergencies would proactively prevent housing instability and homelessness among Californians with low incomes and help preserve the state's supply of affordable housing.

Description:

This federal advocacy proposal would provide temporary federal emergency rental assistance, including assistance with overdue rent, for renters with low incomes who are unable to pay rent during or shortly after a disaster. Emergency rental assistance would be made available to low-income renters and/or to their landlords, including affordable housing providers, in the affected area upon the declaration of a state of emergency by the Governor or President of the United States.

Note that a separate complementary Roadmap proposal (D5) would create a state policy to automatically launch a temporary eviction moratorium and assessment of financial need among low-income renters, small landlords, and affordable housing providers upon a disaster declaration.

Target Population: Renters with low incomes affected by a disaster and the landlords that provide housing to them.

Racial equity

Californians of color are disproportionately likely to be renters. Approximately 3 in 5 Black Californians and over half of Pacific Islander and Latinx Californians lived in renter households in 2019. Among Californians of color who are renters, a substantial share have very low incomes, making it more difficult for them to cover unexpected costs or interruptions in income due to a disaster. More than 4 in 10 Black, American Indian or Alaska Native, Latinx, and Pacific Islander households in California that rent their homes have incomes below 50% of AMI.

Approach to estimating impact

This policy would take effect during varying types of emergencies affecting varying localities. Impact would depend on the specific circumstances of each disaster.

Quantification outputs

N/A

Sources

California Budget & Policy Center analysis of US Census Bureau, American Community Survey data for 2017-2019 downloaded from IPUMS-USA (University of Minnesota).

Davalos, Monica, Sara Kimberlin, and Aureo Mesquita, *California's 17 Million Renters Face Housing Instability and Inequity Before and After COVID-19* (California Budget & Policy Center, January 2021).

F3. Increase the share of project-based vouchers housing authorities are allowed to issue

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

There are numerous benefits to project-basing Housing Choice Vouchers, both to the tenants themselves and the development to which they are attached. Project-based vouchers can be used to guarantee affordability—particularly in low-poverty neighborhoods, where a combination of low vacancy rates, discrimination against voucher recipients, and other factors may contribute to difficulty in obtaining residence for those with tenant-based vouchers. Additionally, attaching vouchers to multiple homes in a development increases the accessibility of services for people with disabilities or who were formerly homeless.[162] Project-basing vouchers also guarantees stable source of income for the affordable housing providers, which can be advantageous when assembling financing to build new affordable housing by reducing the amount of private debt required.

This proposal focuses on state leadership advocating federally for an increase in the percentage of authorized housing vouchers that public housing authorities (PHAs) are allowed to allocate for project-based vouchers.[163] Increasing the limits on project-basing in federal law would unlock this untapped private capital and make it financially feasible to serve extremely low-income renters in affordable housing.

Description:

The current federal cap on project-basing of Housing Choice Vouchers is set at 30% and consists of two components: 20% of vouchers available for project-basing and an additional 10% of vouchers to be used for supportive housing.[164] This proposal would raise the cap to allow 50% of authorized vouchers to be used for project-basing, with the 20% increase split evenly between standard and supportive housing such that the caps on the two components would be 30% and 20%, respectively.

Racial equity

Renters of color make up the majority of households benefitting from project-basing in California: 70% of project-based voucher recipients are people of color. Black households make up 15% of project-based voucher recipients, widely overrepresented compared to Black households being only six (6)

[162] "Policy Basics: Project-Based Vouchers," Center on Budget and Policy Priorities, accessed October 2, 2020.
[163] This proposal does not include a related proposal to advocate to expand the Housing Choice Voucher program (e.g., an increase in the number of vouchers available throughout the state), but rather an increased ability for PHAs to attach vouchers to specific properties in order to increase the state's affordable housing stock in addition to providing rental assistance to low-income households.
[164] Code of Federal Regulations Title 24, Part 983.6.

percent of California's population, and Asian households account for 27% of voucher recipients, despite being only 14% of the population.[165,166]

By attaching affordability to specific units, voucher recipients may be able to obtain housing in high-opportunity, lower poverty areas while facing less discrimination, while guaranteeing lower rents in areas where housing costs are high or may be rising.[167]

Approach to estimating impact

This section provides details on the key assumptions, calculations, and data sources employed in estimating the potential impact this policy could have on the development and preservation of affordable housing.

Step 1: Calculate the current number of units that are project-based for each PHA in California

The total number of vouchers (housing choice vouchers, project-based vouchers, enhanced vouchers, HOPE VI vouchers, VASH vouchers, etc.) available and leased for each PHA in California is published through the HUD Housing Choice Voucher Management System.[168] From this data, we calculate the number of project-based vouchers used by PHAs in California by calculating the three-month average for the number of PBVs leased and unleased by each PHA. This figure represents the baseline—or the number of PBVs in California under the current cap.

Step 2: Assume HCV availability increases by 25%

Next, we assume that the total number of vouchers available to California PHAs and the estimate for project-based units calculated in step 1 increases by 25% to account for the effect of the other Roadmap proposal to make housing choice vouchers an entitlement for eligible households.[169]

This adjustment is not applied to RAD and TPV vouchers, which we cannot reasonably assume would be impacted by the federal proposal.

Step 3: Estimate current uptake of project-based vouchers for all California PHAs

We then estimate current voucher uptake for each PHA. While uptake varies significantly by PHA, we assume that all PHAs using above 10% or half of the current cap will choose to take advantage of a higher cap. To estimate uptake, use the current number PBVs calculated for each PHA in step 1 and the number of vouchers authorized for each PHA and calculate uptake using the following formula:

---

[165] This data comes from an analysis of 1-year ACS PUMS data for 2017, 2018, and 2019, and represents the race/ethnicity of the head of household or householder—the person or one of the people in each household in whose name the home is owned, being bought, or rented and who is listed on line one of the survey.
[166] "Picture of Subsidized Households," HUD, accessed March 10, 2021.
[6] "Policy Basics: Project-Based Vouchers," Center on Budget and Policy Priorities, accessed October 2, 2020.
[168] "Housing Choice Voucher (HCV) Data Dashboard," HUD, accessed October 2, 2020.
[169] While the proposal is to make housing choice vouchers an entitlement for all eligible households, we conservatively assume that the number of available HCVs increases by only 25% over the next ten years.

$$Uptake = \frac{(PBV\ units\ leased + PBV\ units\ unleased) - RAD\ vouchers - Tenant\ Protection\ vouchers}{\#\ authorized\ vouchers - RAD\ vouchers - Tenant\ Protection\ vouchers}$$

Step 4: Estimate the number of additional PBVs made possible with a 50% cap

In order to accurately estimate the number of new PBVs that would be made available with a 50% cap, we look to the current uptake rates for each PHA throughout the state—calculated above in step 2. We assume that only PHAs project-basing at least 10% of its vouchers (half of the current 20% maximum) will take advantage of the expanded project-based voucher cap. Our estimate does not include any additional project-based units being added by the remaining PHAs that do not currently meet the 10% minimum, as it is unrealistic to assume that the expanded voucher cap will provide any incentive to create new project-based units for those PHAs already utilizing few PBVs.

For all PHAs already using at least 10% of their vouchers for project-basing, we assume that their uptake will increase to the new cap, as a result of a proposed HUD rule change eliminating HUD approval to operate a PBV program and enter into each PBV contract.[170] This, along with new incentives through the Housing Element process and funding allocations, will create the conditions to increase PBV uptake to the new 50% cap. We calculate the number of net new units with the following formula:

$$\begin{aligned} &net\ new\ PBV\ units \\ &\quad = \big((0.5) * (\#of\ authorized\ vouchers - RAD\ \&\ TPV\ vouchers)\big) \\ &\quad - (current\ PBV\ units\ leased\ \&\ unleased - RAD\ \&\ TPV\ vouchers) \end{aligned}$$

Though they do not meet the 10% threshold currently, Los Angeles County Development Authority (LACDA) is included in the estimate due to the recent expansion of their flex subsidy pools.

Quantification outputs

- 8,000 additional PBV units annually on average, which are critical for ensuring affordability for extremely low-income households; 80,000 additional PBVs made possible over ten years
- 232,000 people served per year

Sources

Code of Federal Regulations Title 24, Part 983.6.

"Housing Choice Voucher (HCV) Data Dashboard," HUD, accessed October 2, 2020.

"Picture of Subsidized Households," HUD, accessed March 10, 2021.

"Policy Basics: Project-Based Vouchers," Center on Budget and Policy Priorities, accessed October 2, 2020.

[170] "HUD Regulations—Part 983," HUD, accessed October 2, 2020.

F4. Improve federal income and safety net supports that help families and individuals with low incomes meet basic needs, including costs of housing

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

Federally-funded income supports and safety net supports provide families and individuals with resources to pay for housing—or to meet other basic needs, freeing up resources to cover housing costs. Expanding these supports can increase economic security for Californians with low incomes, improving their ability to maintain stable housing. Investing in effective workforce development policies, such as well-designed subsidized jobs, can help individuals enter or re-renter the labor market to improve their incomes—and their ability to afford housing costs—over the long-term.

Description:

This federal advocacy proposal would strengthen federally-funded supports that provide families and individuals with income to cover basic needs, including housing costs, or that help individuals improve income over the long-term through employment, enhancing long-term ability to afford housing.

Specific improvements for immediate consideration include:

- Make permanent the substantial temporary expansions of the federal Child Tax Credit (CTC) adopted through the American Rescue Act. These expansions made the credit fully refundable so that children in families with the lowest incomes can newly benefit from the full credit amount, newly extended the credit to families with 17-year-old children, and also substantially increased the credit amounts for families with low and middle incomes, including adding an extra boost to the credit amount for families with children under age 6.
- Make permanent the temporary expansion of the federal Earned Income Tax Credit (EITC) adopted through the American Rescue Act. These expansions increased the amount of the credit for workers with low incomes not living with dependent children and made more of these workers eligible for the credit, including many working young adults and seniors.
- Provide ongoing federal support for well-designed subsidized jobs to help individuals struggling to find employment during the recovery from the COVID-19 recession and after the job market has fully recovered. Thoughtfully structured subsidized jobs can be effective in providing income support and helping individuals enter or re-enter the labor market both during a weak labor market, when these policies can help support job creation, and during a strong labor market, when these policies can particularly support individuals with significant barriers to employment and incentivize employers to hire and retain these workers.

While the improvements above represent opportunities for immediate consideration, other expansions of federally-funded income and safety net supports would also help Californians with low incomes afford housing costs and avoid housing instability. Examples include further expansions of federal refundable tax credits; expanding eligibility or increasing benefit amounts for food assistance provided through the

Supplemental Nutrition Assistance Program (SNAP, known as CalFresh in California); or increasing income support for individuals with disabilities and seniors provided through Supplemental Security Income (SSI). Ending the exclusion of individuals who are undocumented immigrants, and those in mixed status families, from federally-funded supports that help families and individuals meet basic needs would help many Californians who make important contributions to the state's communities and economy, including as essential workers. Improvements to state-funded income and safety net supports—such as the CalEITC and Young Child Tax Credit, the State Supplementary Payment (SSP) for SSI recipients, and the California Food Assistance Program (CFAP) for immigrant Californians—would also improve the ability of Californians with low incomes to afford and maintain stable housing.

Target Population: Individuals and families with low incomes.

Racial equity

Californians of color are disproportionately likely to face housing costs that are unaffordable compared to their incomes. Nearly half of Black and more than 4 in 10 Latinx Californians lived in households that spent more than 30% of their incomes toward housing in 2019, while only about 1 in 3 white Californians lived in housing cost-burdened households. American Indian or Alaska Native individuals in California also had an elevated rate of living in a household with severe housing cost burden. These Californians can particularly benefit from improvements to income and safety net supports and workforce development opportunities that increase the resources available to families and individuals to cover housing costs.

Approach to estimating impact

The Center on Budget and Policy Priorities has estimated the number of Californians who will benefit from the recent temporary expansions of the federal CTC and EITC through the American Rescue Act, who would continue to benefit if those expansions were made permanent.

Quantification outputs

According to the Center on Budget and Policy Priorities, the federal CTC expansions will benefit an estimated 7,865,000 children in California (representing 88% of all children under 18) and their families. The expansion of the federal EITC will benefit an estimated 1,840,000 California workers without dependent children.

For subsidized jobs, the number of Californians benefiting would depend on the level of federal investment, while this level of investment would ideally vary to meet needs based on labor market conditions.

Sources

California Budget & Policy Center analysis of US Census Bureau, American Community Survey public-use microdata for 2019 downloaded from IPUMS-USA (University of Minnesota).

Kimberlin, Sara, and Aureo Mesquita, *California's Undocumented Workers and Mixed Status Families Are Locked Out of Safety Net and Federal COVID-19 Support* (California Budget & Policy Center, April 2020).

Marr, Chuck, Kris Cox, Stephanie Hingtgen, Katie Windham, and Arloc Sherman, *American Rescue Plan Act Includes Critical Expansions of Child Tax Credit and EITC* (Center on Budget and Policy Priorities, March 12, 2021).

Mesquita, Aureo, and Sara Kimberlin, *Staying Home During California's Housing Affordability Crisis* (California Budget & Policy Center, July 2020).

Mitchell, Tazra, *Designed to Fit the Times: Flexible Design Elements for Subsidized Jobs Programs* (Center on Budget and Policy Priorities, July 23, 2018).

F5. Unlock Low-Income Housing Tax Credits and increase HUD funding

Analysis prepared by the California Housing Partnership

Description of policy

Rationale:

The single biggest bottleneck to financing additional affordable rental housing in California is the oversubscription for tax-exempt bonds. California could provide bonds to twice as many developments by reducing the threshold of project costs financed with tax-exempt bonds from 50 percent to 25 percent so affordable housing developments can access valuable and unlimited federal 4% LIHTCs. Additional
funding for HUD programs, such as CDBG, HOME, ESG, and the National Housing Trust Fund would also create thousands of additional affordable homes.

Description:

The analysis below focuses on state leadership advocating federally for the passage of the full Moving Forward Act. As approved by the House in July 2020, the Moving Forward Act includes several housing-related provisions designed to strengthen and grow the Low-Income Housing Tax Credit (LIHTC), including reducing the 50 percent test for 4% LIHTCs, several basis boosts, and an allocation increase for 9% LIHTCs.[171] Each of these provisions has the potential to increase the amount of LIHTC activity in California.

Racial equity

Lower incomes and higher rates of housing cost burden among Californians of color, particularly Black and Latinx Californians, means they are more likely to benefit from policies that lead to creation of deed-restricted affordable housing. These policies help protect residents from involuntary displacement and unaffordable rent increases, and help reduce racial/ethnic disparities in housing outcomes. For supporting data, see the racial equity section of proposal A2.

In addition, separate Roadmap proposals to regionalize waitlists for deed-restricted affordable homes (proposal E10) and prioritize access to affordable homes for residents of low-income neighborhoods (proposal E7) would combine with this proposal to advance racial equity.

---

[171] House Resolution 2 – Moving Forward Act.

Approach to estimating impact

To estimate the number of additional affordable homes that could be produced by the passage of the Moving Forward Act of 2020, we use analysis from Novogradac, a certified public accounting and consulting firm with expertise in the LIHTC program, among other federal community revitalization and development programs.

According to Novogradac's 2020 analysis, an additional 149,400 affordable rental homes could be financed in California through the Moving Forward Act provisions from 2020 to 2030.[172]

As described in section 2 of the Appendix (Methodology for defining the Roadmap goals and overall impact), we incorporate the impact of the 4% credit rate floor and 4% basis boosts into the financial model of every production funding proposal in the Roadmap designed for 4% LIHTC developments.[173] To avoid double-counting, we only include the impact estimates for provisions relating to 9% LIHTCs as progress towards the 1.2 million affordable homes goal, including adding a 50 percent basis boost for LIHTC developments serving ELI households and increasing the 9% allocation annually by 25 percent plus inflation.

Quantification outputs

- 15,000 additional affordable homes financed annually on average; 149,000 additional affordable homes financed over ten years
- 433,000 people served per year

Sources

Dirk Wallace and Peter Lawrence, *What Novogradac's Estimate of More Than 1 Million Rental Homes That Could be Financed through H.R. 2 Means for Each State* (Novogradac: October 2020). Downloaded February 16, 2021.

House Resolution 2 – Moving Forward Act.

---

[172] Dirk Wallace and Peter Lawrence, *What Novogradac's Estimate of More Than 1 Million Rental Homes That Could be Financed through H.R. 2 Means for Each State* (Novogradac: October 2020). Downloaded February 16, 2021.

[173] Similar to the 4% credit rate floor, we assume that the 4% basis boosts will unlock additional capital for LIHTC developments financed with private activity bonds, reducing the gap financing needs of the development.

F6. Implement recently expanded eligibility for the HUD-VASH program to include veterans with “other-than-honorable” discharges

Analysis prepared by California Budget & Policy Center

Description of policy

Rationale:

The HUD-VASH program addresses the needs of veterans who are homeless and have significant support service needs through the effective evidence-based intervention of supportive housing, provided through housing vouchers linked to supportive services provided by the Veterans Administration. Until recently, veterans who received “other-than-honorable” discharges (which are distinct from “dishonorable” discharges) were not eligible to access HUD-VASH support, even though they were eligible to access other VA programs that address homelessness among veterans. In December, the federal government changed this policy and extended access to HUD-VASH to these veterans. By effectively implementing this change to ensure newly eligible veterans succeed in gaining access to needed services, California can provide those who experience homelessness, especially chronic homelessness, with the support they need to successfully exit homelessness and stabilize in permanent housing.

Description:

This proposal would prioritize robust implementation within California of a recent federal policy change to allow veterans who received “other-than-honorable” (OTH) discharges to access the HUD-VASH program, which provides housing vouchers and Veterans Administration supportive services to enable homeless veterans with significant support service needs to exit homelessness and maintain stable housing. Ensuring that newly eligible veterans who need these services have the support they need to access them can improve housing stability and reduce homelessness among these individuals.

Target Population: Veterans with “other-than-honorable” discharges who are homeless and have significant support service needs, particularly those experiencing chronic homelessness.

Racial equity

Racial inequities linked to current and past discriminatory policies and practices are clearly apparent in experiences of homelessness. Black Californians carry a disproportionate burden of homelessness, comprising about 30% of the individuals experiencing homelessness on a given night but only about 6% of the overall state population. American Indian and Pacific Islander Californians are also overrepresented among individuals who are homeless. Improving access to effective supports to exit homelessness can help address these racial inequities.

Approach to estimating impact

Data published by the Veterans Administration are used to estimate the number of California veterans with "other-than-honorable" discharges and the number of these likely to experience homelessness.

Quantification outputs

According to data published by the Veterans Administration, a total of 1,681,730 veterans lived in California as of September 2017. This represents 8.4% of all veterans nationally. Separately, the Veterans Administration estimates that there are about 500,000 veterans nationally with "other-than-honorable" discharges. Assuming that the share of these veterans living in California matches the share of all veterans living in California, at 8.4%, results in an estimate of approximately 42,000 veterans in California with "other-than-honorable" discharges, who have recently become eligible for HUD-VASH supports if they experience homelessness and need the high level of support services available through this program. Individuals experiencing chronic homelessness are especially likely to benefit from this supportive housing option.

A relatively small share of these individuals are likely to become chronically homeless. The overall homelessness rate for the full veteran population is estimated at about 3.7% over a five-year period, according to data cited by the Veterans Administration, which would translate into about 1,550 California veterans with "other-than-honorable" discharges who might be expected to experience any type of homelessness, with fewer likely to experience chronic homelessness or otherwise need intensive support services linked to stable housing. For affected individuals, however, effective services like those available through HUD-VASH represent vital supports to achieve housing stability.

Sources

Berg, Steve, *Positive Changes in FY2021 Spending: HUD-VASH Eligibility Expands* (National Alliance to End Homelessness, February 9, 2021).

Davalos, Monica and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center, April 2020).

National Alliance to End Homelessness, *Expanding Eligibility for HUD-VASH to Other-Than-Honorably Discharged Veterans (H.R. 2398 and S. 2061)* (accessed February 28, 2021).

US Department of Housing and Urban Development, *HUD 2019 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations Point-in-Time Count: California* (January 29, 2019).

US Department of Veterans Affairs, *VA Secretary Announces Intention to Expand Mental Health Care to Former Servicemembers with Other-Than-Honorable Discharges and in Crisis* (March 8, 2017).

US Department of Veterans Affairs, National Center for Veterans Analysis and Statistics, *State Summary: California FFY 2017* (September 30, 2017).

US Department of Veterans Affairs, Office of Research and Development, *VA Research on Homelessness* (webpage), accessed February 28, 2021.

Our roadmap will bring everybody

HOME

How to find out more

info@roadmaphome2030.org

Roadmap Home 2030