

FACT SHEET: CALIFORNIA HOUSING TRUST FUND

BACKGROUND

California's housing market is broken. The evidence surrounds us:

- Hundreds of thousands of homebuyers took out risky mortgage loans to avoid being completely priced out of the market.
- 133,000 Californians sleep on the street or in shelters on any given night, meaning California has 21% of the nation's homeless, even though we are only 10% of the nation's population. 37% of these homeless are families and thousands are vulnerable children and youth.
- Vacancy rates for California rental homes are extremely low, with averages of 2%-5%. As a result, rents are so high that millions of working families earn too little to afford even a two-bedroom apartment. (The foreclosure crisis has further strained the rental market.)

These are all symptoms of a broken market where supply and demand are severely out of balance. California's increasing population needs an average of 220,000 new homes of all types annually - a need that hasn't been met since 1980. Additionally, those homes built over the past two decades were primarily large, single-family for-sale homes. Missing, were the apartments for young adults and lower-income working families, small for-sale homes for growing families, and condos for downsizing seniors.

The creation of badly needed permanent affordable housing in California has been funded in the past largely by State general obligation bonds, including Proposition 46 (2002) and 1C (2006). Since 2002, they have helped build over 153,000 emergency shelter beds and homes affordable to low- and moderate-income Californians. Every year, California developers combine general obligation bond funds and other government investments with bank loans to build approximately 17,000 homes that will remain affordable for 30-55 years.

This production pipeline however - and its job creation engine - is starting to run dry, as bond funds are virtually depleted. Meanwhile, the state's largest

investment in homes is the \$6.2 billion spent annually on tax deductions for homeowners, almost 50% of which benefits the top 10% of earners.

SOLUTION

One effective strategy for state government to facilitate a thriving and healthy housing market is through targeted investment in public-private partnerships. The Legislature should create a new ongoing revenue stream dedicated for the state's Housing Trust Fund. Funds should be targeted to induce the private market to produce homes affordable to the lowest-income Californians. An annual investment of \$2 billion would create an estimated 43,000 new, affordable places to live; create more than 92,000 jobs; and produce \$590 million in revenues to local governments.

The current market failure impacts all Californians, but putting housing at the forefront of the state's recovery will lead to extensive benefits:

- The strong economic engine of construction will provide decent jobs for middle-class families.
- Businesses will be able to attract and retain employees.
- Children and classrooms will be more stable, with teachers and classmates not having to contend with children moving in and out during the school year. Academic performance will improve.
- Hard-working families will be able to afford a place to live and have money left over for food, clothes, transportation, and other necessities.
- Demands on law enforcement will lessen when fewer people live in substandard buildings or are homeless.
- Low-income seniors, transition-age youth, people with disabilities, and domestic abuse survivors will find low-cost options that allow them to live independently.

SUPPORT

Support: Housing California, John Burton Foundation, California Coalition for Youth