



Can't afford housing? California leaders are working on it

Affordable housing, a back-burner issue at the state Capitol for a decade, has emerged as a central part of talks on a new California budget, with Gov. Jerry Brown, lawmakers and others pressing proposals they want to be part of a final deal.

Brown's revised spending plan, released May 13, includes a Senate proposal to borrow \$2 billion against revenue from the state's mental health services tax on millionaires to subsidize affordable housing projects for people with mental illness.

The Democratic governor also wants to speed up the local land-use approval process for housing projects that include affordable units.

Lawmakers, meanwhile, have introduced measures that would go much further, committing significant general fund money to the problem. The Assembly budget includes \$650 million for various affordable housing programs, and a \$3 billion affordable housing bond for the November ballot passed the Senate with bipartisan support last week.

The attention to the issue is the most since California lawmakers voted to put a housing bond on the 2006 ballot, the second such borrowing in four years. Yet that money is almost tapped out. Also gone are hundreds of millions of dollars in affordable housing money once generated by the state's former redevelopment program.

What affordable housing assistance exists is much less than what's needed in the nation's largest and most housing-expensive state, advocates say.

"Housing affordability has just gotten worse and worse in the state," said Doug Shoemaker, president of Mercy Housing California, a nonprofit housing developer whose projects include Martin Luther King Jr. Village, a supportive housing development in south Sacramento.

"It's spread to a lot of inland areas, and a much wider part of the population feels like they can't afford the kind of home they want to live in," he said.

In a recent report, the nonpartisan Legislative Analyst's Office found that housing in California is far more expensive than in other large states, with only Hawaii having higher average housing prices. Businesses, particularly in the Bay Area, warn that the situation makes it increasingly difficult to recruit workers.



Julia Chandler has an affordable home after years of homelessness. She gets health care, bus passes and trips to the grocery store and is on an advisory panel. "I can just live and not have to worry about getting kicked out," she said.

Photo Credit: José Luis Villegas

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Kari Holloway, 40, left, and Julia Chandler, 56, live in Mutual Housing at the Highlands in North Highlands. All the residents have been homeless; they receive affordable housing and supportive services.
Photo Credit: José Luis Villegas

Shamus Roller, executive director of Housing California, said he senses much more interest in the issue among policymakers.

“It just feels like it’s a different conversation,” he said. “It’s become difficult for the governor to ignore because it’s hurting so many people now. And it’s hurting businesses.”

Brown’s revised budget plan highlighted new proposals meant to increase the supply of affordable housing.

One would make a major change to a 2004 ballot measure, championed by former Senate President Pro Tem Darrell Steinberg, that imposed an additional 1 percent income tax on those making \$1 million or more to pay for mental health programs.

Proposition 63 drew criticism in recent years as some county programs spent the money on activities that included yoga and horseback riding.

Now, Steinberg backs a move to borrow money against Proposition 63’s revenue stream to help build affordable housing for people with mental illnesses, long viewed as

among the most challenging segments of the homeless. The plan, now in Brown’s budget, would generate up to \$300 million a year for housing – and ultimately tie up about \$130 million annually for debt service.

“You walk by people on the street, who are talking to themselves, who are obviously ill, you ask, ‘Why don’t we do more?’” Steinberg said.

The move would mean less of the money would go directly to counties, but no organization that receives Proposition 63 money has testified against the borrowing proposal.

The Sacramento area has several affordable housing projects of the type that would be financed with the proposed borrowing. Those include Mutual Housing at the Highlands, a 90-unit complex off Watt Avenue in North Highlands.

Julia Chandler, 56, moved into a studio apartment at the complex last June following years of homelessness. Today she receives health care and other services, bus passes and trips to the grocery store, and sits on a tenant advisory panel.

She summarized her past months there with one word: “Freedom.” “I can just live (and) not have to worry about getting kicked out,” she said.

Kari Holloway has lived at the North Highlands complex since 2012. She recalled receiving a welcome package that included clean sheets when she moved in. “I could sleep soundly and not worry about where my next meal was coming from or if somebody was going to rob me,” she said of her first days there.

The \$23.1 million project, opened in 2011, received almost \$3 million in Proposition 63 money. The bulk of its financing came from the federal stimulus program.

The budget proposal continues a recent state trend for affordable housing: targeting money at specific types of projects.

Two years ago, California voters approved a ballot measure to borrow \$600 million to pay for affordable housing for low-income and homeless veterans. Recent California budgets also have allocated \$200 million annually from the state’s cap-and-trade program to affordable housing near transit.

“That’s great,” Rachel Iskow, Mutual Housing California’s executive director, said of the programs. “But there are so many working people, an increasing numbers of seniors, and just young people trying to get into workforce who need affordable housing.”

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Kari Holloway, resident of North Highlands affordable housing complex.

Besides the mental health money, Brown wants the state to limit the ability of local governments – or their residents – to hinder developments that include a certain share of affordable units.

State-mandated “by right” zoning, supporters say, would reduce the bureaucratic red tape that ratchets up the cost of affordable housing projects or thwarts them altogether.

“What you’re taking away is the five to 10 years of horse-trading that goes on over these projects, where any neighbor who doesn’t like it

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can show up and clog up the works,” said Denise Pinkston of the Bay Area Council, a business group, at a recent Assembly budget subcommittee hearing.

If the state doesn’t take action, she added, “we will continue to see a worsening of the current housing crisis.”

But city officials, construction unions and environmental groups criticize the idea, saying it would let developers avoid the state’s landmark environmental review law and cut the public out of the process.

“We believe including our communities in those policy discussions (is) a good thing,” said Dan Carrigg, a lobbyist for the League of California Cities.

Recent legislative proposals meant to increase affordable housing have had mixed results. Bills that would impose a fee on real estate transactions to help subsidize affordable housing projects failed.

Legislation on the topic that advanced to Brown’s desk has met a mixed fate. Last year, the governor vetoed two housing-tax-credit bills, saying they should be considered during the budget process.

And in 2013, he vetoed a bill by then-Assembly Speaker Toni Atkins meant to enhance “inclusionary housing” rules for developers. “Requiring developers to include below-market units in their projects can exacerbate” challenges of attracting development to low- and middle-income communities, he wrote.

As for actual money, Assembly Democrats earlier this year proposed \$1.3 billion for affordable housing, reducing that amount by half last month. Yet that likely will face resistance from Brown, who is skeptical of government subsidies for affordable housing.

“You need more production, to bring down the cost,” Brown said last month. “Otherwise, through subsidies and through restrictions, we’re just spending more and more tax dollars and getting very little.”

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