

Increase housing supply by meeting the Bay Area's regional targets for 57,000 Extremely Low-Income housing units.

Streamline approvals, create permanent funding, and set explicit local targets to meet the region's need for ELI housing.

Scale of Impact: If the Bay Area meets its Regional Housing Needs Allocation (RHNA) targets, it would result in an estimated 57,000 new units affordable to people with extremely low incomes (ELI) by 2031.¹ The impact is hard to overstate—an increase in affordable housing supply at this scale, coupled with sustained operations and services funding, would stabilize thousands of ELI households, provide options for people to exit homelessness, and help stem the flow of people falling into homelessness.

Background

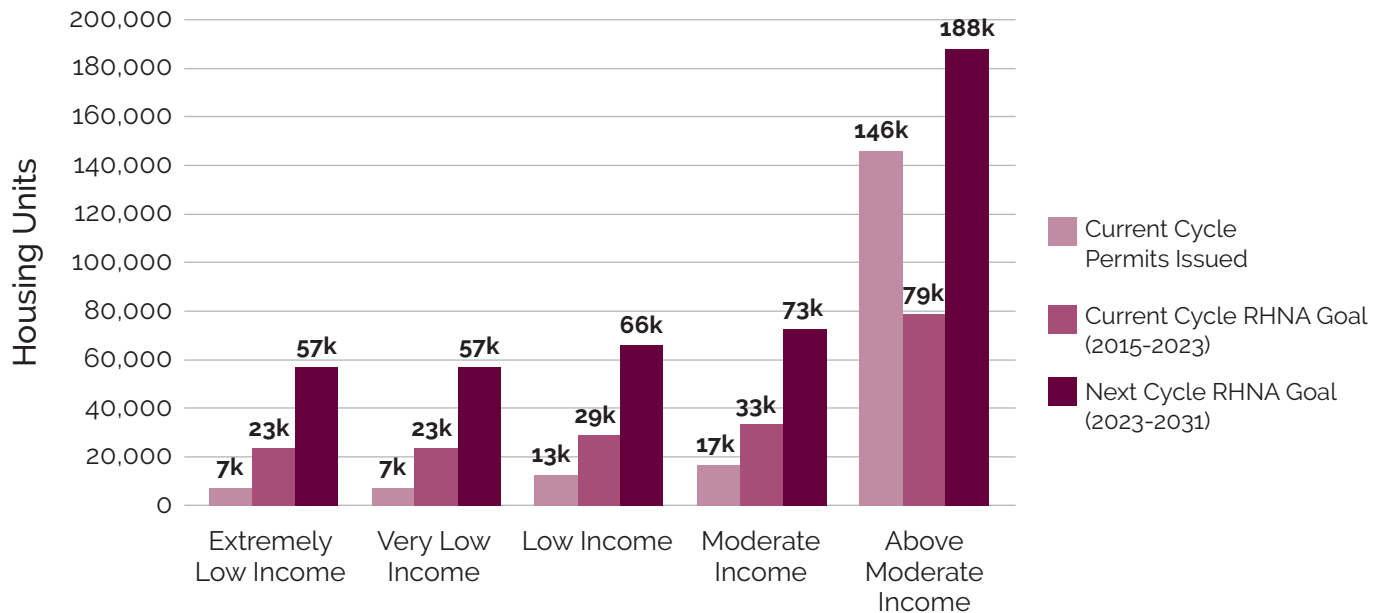
For decades, California and the Bay Area have underbuilt housing, particularly subsidized, deeply affordable housing, as the population has grown. While the State establishes regional targets for housing production and directs jurisdictions to plan and zone for that housing, those targets have rarely — if ever — been met. **If the Bay Area actually met its housing goals for deeply affordable housing, the benefits would be transformative.**

The Bay Area failed to meet its Regional Housing Needs Allocation (RHNA) goals for the 5th cycle, which ends in 2023, for all income levels except Above Moderate. On top of this, the 6th cycle goals are extremely ambitious, calling for more than double the units in all income categories by 2031.

An abundant supply of affordable housing would provide more options to ELI households, whether they are a single father working two part-time jobs, an elderly couple exiting homelessness, or someone living on Supplemental Security Income with a history of homelessness. It would allow the housing market to better match the range of housing needs and incomes, support more “flow”

¹ Per HCD, the Bay Area's Regional Housing Needs Allocation for the 2023-31 cycle for Very Low Income housing is 114,442 units. Though HCD doesn't set official targets for Extremely Low Income housing, it suggests that half of a jurisdictions' VLI goal be used for ELI housing. Accessed at: <https://abag.ca.gov/our-work/housing/rhna-regional-housing-needs-allocation>

Progress Toward Regional Housing Goals



Note that ELI is not an official income category in RHNA; this chart follows HCD guidance and splits the VLI category in half to estimate the ELI goals, and assumes 5th cycle progress is evenly split between the ELI and VLI categories.

Source: California Housing and Community Development Department Housing Element Implementation and APR Dashboard, <https://bit.ly/3SzDJqX>.

through the housing system, and over time, help to moderate rental prices across the region. In combination with strong renter protections and more robust housing assistance at the federal and state levels, it would transform housing security for millions of Bay Area residents, particularly people with extremely low incomes.

Implementing this Big Move would also help to address the glaring racial disparities in homelessness and housing insecurity in the Bay Area. **See the full report for more on how systemic racism has impacted who experiences housing and economic insecurity in our region and how the Big Moves would help repair that injustice.**

Implementation Steps

To meet our RHNA goals for ELI units, the Bay Area will need to devote ongoing resources, accelerate and simplify approvals, and invest in institutions to coordinate efforts to address homelessness and housing insecurity across the region.

1. **Make the California Environmental Quality Act (CEQA) exemption for Project Homekey permanent, and apply it to more types of affordable housing projects that include a minimum percentage of ELI units, ideally 20 percent.**
2. **Pass a regional bond to fully fund the Bay Area Housing Finance Authority, and a state constitutional amendment to make it easier to pass housing revenue measures in the future.**
3. **Dedicate a percentage of future state, regional, and local funding measures for ELI housing based on a jurisdiction's RHNA goal, with a priority for housing that serves people experiencing homelessness.**
4. **Create a permanent State source of operations and services funding for supportive housing.**

1. Make the California Environmental Quality Act (CEQA) exemption for Project Homekey permanent, and apply it to more types of affordable housing projects that include a minimum percentage of ELI units, ideally 20 percent.

Meeting the region's RHNA goals will require building housing much more quickly than is being done today. **Housing streamlining reforms, including CEQA exemptions, have the potential to speed housing production by as much as 30 percent.**² Homekey could provide a template: affordable housing developers and public agency staff alike have pointed to the local land use exemption and statutory exemption from the California Environmental Quality Act (CEQA) review as a key element of the program's success.³ The bill language stipulated that projects receiving Homekey funds, which "are used to provide housing for those who are experiencing homelessness or at risk of homelessness and are impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases" would be exempt from CEQA review. This exemption will be repealed on July 1, 2024.

CEQA is a complex and nuanced issue. The review process can be an important source of power for marginalized communities protecting themselves from potentially harmful environmental impacts of development projects (e.g. industrial sites, major transportation facilities, etc). CEQA review has also become

² Nathaniel Decker, Turner Center for Housing Innovation, *Strategies to Lower Cost and Speed Housing Production: A Case Study of San Francisco's 833 Bryant Street Project*, 2022.

³ Carolina Reid et al., Turner Center for Housing Innovation, *Lessons Learned from Homekey Round 1*, 2022.

a means by which private citizens and other stakeholders can intentionally delay or block housing from being built.⁴ Any proposed exemption must be strategically targeted and narrowly focused on addressing the state's housing affordability and homelessness crisis for people with extremely low incomes—and preserve the benefits of CEQA related to mitigating truly harmful environmental impacts from projects.

Section 50675.1.1 of the Health and Safety code established the housing types that are funded through Homekey, and AB 140 created the streamlining provisions for these projects, including the statutory CEQA exemption for housing projects funded by Homekey.⁵ To support Homekey as an ongoing tool to rapidly address homelessness and housing insecurity, AB 140 should be amended to:

- remove the July 1, 2024 sunset date;
- remove reference to the COVID-19 pandemic;
- add language to create consistency with the labor standards established in AB 2011 (Wicks, 2022); and
- add language establishing that the streamlining provisions apply to additional affordable housing project types that include a minimum percentage of units serving ELI households (30 percent AMI), ideally 20 percent. For example, acquisitions of building types beyond hotels and motels.

These changes will ensure that the benefits of AB 140 permanently apply to housing that serves ELI residents, including those who are experiencing homelessness.

2. Pass a regional bond to fully fund the Bay Area Housing Finance Authority, and a state constitutional amendment lowering the voter threshold needed to pass other housing bond measures in the future.

The 101 cities and nine counties in the Bay Area are each trying to solve the regional housing and homelessness crisis on their own with severely constrained resources and persistent local opposition. Many local housing agencies and departments have been left anemic after the dissolution of Redevelopment Agencies in 2012. **The Bay Area lacks coordination across jurisdictions and capacity at every level to create the deeply affordable housing that is needed to ensure that existing Bay Area residents remain stably housed.**

In 2019, the Bay Area took a significant step toward solving its regional housing crisis by creating the Bay Area Housing Finance Authority (BAHFA), which is mandated to provide funding and technical assistance to local jurisdictions

4 See, for example: M.Nolan Gray, *How Californians Are Weaponizing Environmental Law*, 2021. Accessed at: <https://www.theatlantic.com/ideas/archive/2021/03/signature-environmental-law-hurts-housing/618264/>

5 See text: <https://bit.ly/disbursement-funds-section><https://casetext.com/statute/california-codes/california-health-and-safety-code/division-31-housing-and-home-finance/part-2-department-of-housing-and-community-development/chapter-67-multifamily-housing-program/section-5067511-disbursement-of-funds-in-accordance-with-the-multifamily-housing-program>

to preserve and produce affordable housing, protect tenants, and prevent homelessness. **BAHFA has the potential to transform the region's response to the affordability crisis and to homelessness, but needs ongoing funding.** In addition to BAHFA, Bay Area jurisdictions would benefit from additional local revenue, but state law requires a two-thirds majority of voter support to pass affordable housing funding measures.⁶ This threshold is difficult to meet in most election years. To break this impasse and support BAHFA's critical role in the region, we should:

- Pass the *California Housing Initiative*, a state constitutional amendment that would change the voting threshold for housing revenue measures from 67 percent to 50 percent +1, and would revise the allowable uses of housing funded through General Obligation Bonds to include operations and on-site services.
- Pass the *BAHFA Regional Housing Measure* in the Bay Area (\$10-20 billion general obligation bond) to fund affordable housing solutions including deeply affordable housing, rental assistance, and homelessness prevention services.

3. Dedicate a percentage of future state, regional, and local funding measures for ELI housing based on a jurisdiction's RHNA goal, with a priority for housing that serves people experiencing homelessness.

Jurisdictions should pair their RHNA goals for ELI housing with setting aside a portion of funding measures specifically to develop it. This explicit priority ensures that public resources are dedicated to creating housing for people who have the hardest time maintaining housing stability—and thus preventing homelessness. Bay Area jurisdictions like San Mateo County, Santa Clara County, and others have either dedicated a percentage of funding or set explicit unit targets (or both). Local jurisdictions should:

- Establish a set-aside for ELI housing in any ballot measure language associated with a funding stream (like a sales tax or bond); and
- Boards of Supervisors and City Councils should explicitly prioritize funding for ELI housing in their budgets, either through general fund appropriations or drawing upon funding sources specific to housing.

A priority for people experiencing homelessness ensures that those with some of the greatest barriers to housing can access it. Homeless set-aside units can also be matched with Coordinated Entry so that clients are assigned to housing navigators and have additional support in accessing housing.

⁶ In 2000, Californians passed Proposition 39 to lower the voter threshold to 55 percent for school bonds. Prior to Proposition 39, slightly more than half of local school bond measures passed with the required two-thirds requirement. After Proposition 39, the success of local school bond measures increased to approximately 84 percent in 2001 and 2002.

4. Create a permanent State source of operations and services funding for supportive housing.

A relatively small yet significant portion of ELI households need both subsidized housing and supportive services to be stably housed—as of 2021 almost 70,000 Californians lived in permanent supportive housing (and more units are needed).⁷ Supportive housing has not only been proven to solve homelessness, but to increase health and save public funds by reducing the use of shelters, hospitals, psychiatric centers, and the criminal justice system. **A future where homelessness is rare, brief and non-recurring would include a permanent and sustainable funding source to meet the state’s supportive housing needs.**

Permanent supportive housing (PSH) provides deeply subsidized housing with supportive services (including behavioral health care, case management, and employment and life skills training) and serves a range of community members. **Cities and counties struggle to stitch together a patchwork of funding sources to subsidize the operating costs of these buildings** and provide services to residents, often layering multiple subsidies to provide both deep affordability and supportive services.⁸ Homekey is a case in point: the program has dedicated unprecedented capital investments to create PSH and interim supportive housing, but minimal funding for operations or services.⁹ Developers, advocates, public officials, and funders have all voiced serious concerns regarding the sustainability of maintaining the properties and providing services long-term—less than half of Homekey sites have funding in place to support operations for the duration of their regulatory agreements.¹⁰

A sufficient permanent statewide funding source for operations and services for Homekey and other Interim and Permanent housing projects is urgently necessary to ensure the long-term success of the people who live there. Although estimates vary for PSH projects,¹¹ publicly available data suggests that the Homekey portfolio alone would require over \$80 million in funding per year to sustain. A number of sources have been proposed by policymakers and advocates like the Bring California Home coalition, including:

- Capping the mortgage interest deduction for primary homes and eliminating a state tax deduction for interest paid on the mortgage for a second home.

7 Marisol Cuellar Mejia, et al., Public Policy Institute of California, *A Snapshot of Homeless Californians in Shelters*, March 2022.

8 Supportive services offered at PSH including Homekey developments may include a range of services: medical care, behavioral health care, case management, employment and life skills training, and more. Operating expenses include maintenance and repairs, property insurance, and janitorial and security staff.

9 Homekey, *Bringing California Home*, May 2022. Accessed at: <https://homekey.hcd.ca.gov/content/background>

10 California YIMBY, *Project Homekey: A Model for Addressing Homelessness*, 2022. Accessed at: <https://cayimby.org/project-homekey-a-model-for-addressing-homelessness/>

11 A 2022 Turner Center for Housing Innovation [report](#) estimates that typical PSH operating costs in California range from \$5,000 to \$15,000 per unit, with an average of \$8,760. Much depends on the level and intensity of services that are available on site.

- Proposition 27, which would legalize, regulate, and tax online sports betting in California and dedicate a percentage of the revenues to homelessness solutions.
- Pooling funds that are generated from the state's real estate transaction fee at the county level.
- A permanent set-aside of the state's General Fund dedicated to homelessness and affordable housing, similar to Assemblymember Wicks' proposal in ACA 14 (2021).
- A constitutional amendment that would make operations and services an allowable use for bond-funded capital projects. Today, locally issued bonds for affordable housing can only be used for capital expenditures, like construction.

New proposals may emerge as political opportunities change, but a source for supportive housing operations and services should be permanent, ongoing, and sufficient to meet the scale of the need across the state.

Implementation Roles

Actor	Role	Timeframe
State elected officials and staff	<ul style="list-style-type: none"> • Propose legislation to earmark money from the state general fund or create a new funding source through a tax. • Propose legislation to extend the Homekey CEQA exemption. 	Ongoing Short term (2022 - 2024)
City and county elected officials and staff	<ul style="list-style-type: none"> • Pass a resolution that, if a revenue measure is proposed, the jurisdiction commits to including a minimum percentage set-aside for ELI housing that is informed by their Housing Element and reduces their deficit of ELI housing. • Explicitly prioritize funding for ELI housing in their budgets, either through general fund appropriations or drawing upon funding sources specific to housing. 	Ongoing
Philanthropy	<ul style="list-style-type: none"> • In the interim period before passing the BAHFA measure, commit funds to interim housing and homelessness prevention. 	Short term (2022-2024)
Business community	<ul style="list-style-type: none"> • In the interim period before passing the BAHFA measure, commit funds to interim housing and homelessness prevention. 	Short term (2022-2024)
Everyone	<ul style="list-style-type: none"> • Advocate for an ELI set-aside in regional and local housing measures, as well as county and city budgets. • Support and campaign for the BAHFA bond and state constitutional amendment. • Advocate for and support state legislation to establish a permanent source of funding for the operation and maintenance of supportive housing. • Advocate for and support state legislation to extend the Homekey CEQA exemption. 	Ongoing Short term (2022-2024) Ongoing Short term (2022-2024)

Supporting Actions

Support efforts to reduce construction costs through technical innovations like factory-built housing, better utilization of public land, and additional reforms (such as consolidated funding applications), that create more certainty in the development process. Aside from land use regulations and funding needs, rising construction costs are a significant barrier to building more affordable housing in the region.

Support efforts to increase housing supply at other income levels. While more ELI housing is most important to stabilize households and prevent homelessness, California is facing an undersupply of housing for all income levels. Increased supply of middle income housing and above will, over the long term, reduce pressure on the region's housing stock, help to moderate prices, and provide greater flexibility for all residents, including people with extremely low incomes.