Housing California

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Expanding Opportunity: New Resources to Meet California's Housing Needs

A PolicyLink Report for Housing California

Winter 2005

PolicyLink is a national nonprofit research, communications, capacity building, and advocacy organization dedicated to advancing policies to achieve economic and social equity based on the wisdom, voice, and experience of local constituencies.

Housing California works to prevent homelessness and to increase the amount of decent, safe, permanently affordable and accessible housing available to homeless and low-income families and individuals in California.

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Preface

All Californians need an equal opportunity to succeed if California is to nurture strong communities and economic prosperity. Access to jobs, school quality, family health, and community security is rooted in where we live. But distressingly, buying a home or renting an apartment has become an unreachable goal for too many residents in our state. Elderly and disabled people, working families, students, and college graduates are among the California inhabitants who are struggling to pay for housing. The growing gap between housing costs and wages has created an unprecedented affordability crisis.

As a statewide coalition of over 1,000 nonprofit housing developers, homeless service providers, and other local and regional affordable housing advocates, Housing California (HCA) lobbies on policy and budget matters in an effort to increase housing opportunities for homeless and very low-income households. HCA addresses these issues at a statewide level, and in 2002 led the campaign for a ballot initiative that resulted in the passage of Proposition 46, the largest housing bond issue in the nation. Even then, advocates recognized the need for a permanent dedicated revenue source to stabilize and expand housing opportunity throughout the state. The need to identify such a source was the impetus for this report.

*Expanding Opportunity: New Resources to Meet California's Housing Need*s draws on interviews conducted by PolicyLink with more than 50 experts in housing policy, tax and budget issues, and key state industry groups who shared their perspectives about the effective creation of a state housing trust fund. A best practices analysis of housing trust funds in other states was also developed, and an extensive literature review was conducted. PolicyLink has produced over 20 public policy research publications; developed the highly acclaimed Equitable Development Toolkit, a website with 22 policy tools for building regional equity; is currently engaged in housing policy campaigns in California, Massachusetts, Michigan, New York City, and Washington, DC; and provides technical assistance to housing groups in Colorado, Georgia, Maryland, Ohio, Pennsylvania, and Rhode Island.

Since 1986, Bay Area Economics (BAE) has provided comprehensive real estate economic analysis and urban development services to public, private, nonprofit, and institutional clients throughout the United States and has conducted major economic impact and market analyses in the arena of housing. For this report, BAE conducted a revenue source analysis, economic impact projections, and helped screen more than 15 options for funding housing in California. BAE also produced in-depth estimates of the amount of funds that could be potentially generated by various sources.

Three policy advisors—Dr. John Landis, University of California, Berkeley; Dr. Dowell Myers, University of Southern California; and Dr. Manuel Pastor, University of California, Santa Cruz—provided their most recent research data on demographic change and housing needs in California and offered important feedback from their review of the draft document.

California leaders representing a broad spectrum of interests agree that addressing the housing crisis is among the state's highest priorities. The future of the California economy and its people depends on resolving this crisis. Dedicating a new, secure source of revenue can strengthen affordable housing development, stimulate the state's economy, ensure job growth, bolster family economic security, and ensure widely distributed housing for the state's diverse workforce.

We hope this document will stimulate the discussion and action necessary to help ease California's housing crisis. Housing California is launching a campaign to establish a permanent funding source as a means of addressing the crisis. We hope you will join us in the effort.

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Executive Summary

A Growing Need, A Growing Crisis

California is facing its greatest housing crisis ever. The rising cost of housing now greatly outpaces the earning power of many Californians. Thirty years ago, a family earning 70 percent of the state's median income could afford to buy a home at the prevailing median cost. Today, to purchase a home at the current median price of $469,170, a family must earn over $110,000—more than 175 percent of the state median income.

Housing costs constitute the single largest expense for most Californians, and the production of lower-priced housing has not kept pace with demand. The demand for the state's diverse range of homes and apartments is increasing faster than production, and the gap is growing. The state needs between 60,000 and 80,000 more housing units every year than it is currently producing. Over 1.7 million California households are overcrowded, and the state has the 4th lowest homeownership rate in the United States.

It is currently estimated that the state backlog of affordable home production is over 651,000 units and that the state needs to build 52,000 units of affordable housing annually to keep up with the growth of California households earning less than $41,000 per year.

Lower-priced housing tends to be located far from job centers, creating a severe jobs-housing imbalance that further inflates costs, stifles economic growth, swells commute times, and negatively impacts the environment and our quality of life. Those who bear the brunt of the housing cost burden—paying over a third of their income for housing—are families with children and people of color.

In the face of this housing crisis, the state's major source of funds to support affordable housing development—bonds authorized by Proposition 46—will soon be exhausted. In its absence, the state will suffer the dual loss of affordable housing production and tens of thousands of construction-related jobs. To secure housing opportunity and stability for its residents, California needs to take bold action. A new solution for financing affordable housing is needed, one that can provide the steady source of financing that is imperative for ongoing housing development and a continual stream of new affordable housing.

Housing Production is Good Economics

A consistent revenue stream for affordable housing serves a range of California interests. It leverages as much as 20 times its worth in private investments, federal resources, and other economic activity driven by myriad housing-related industries. The $2.1 billion in housing bonds approved by voters through Proposition 46 in 2002 will have supported as many as 276,000 jobs by the time it is expended in 2007.

If the state would extend the investments it has made through Proposition 46, by dedicating an ongoing revenue stream to affordable housing, it would make both rental housing and homeownership attainable for a broad array of California families.

The production of lower-cost housing choices requires predictable funding to encourage and finance their development. Providing continuity to such financial resources has not been realized to date in California, and the long periods without significant state housing funds have set the state further behind in meeting residents' needs.

When financing has been authorized, the impacts have been impressive. The 2002 passage of Proposition 46 delivered the largest housing bond in history, providing $2.1 billion to fund 21 types of housing programs—projected to assist over 40,000 families with homeownership, and to produce almost 40,000 new units of permanently affordable rental housing and 23,000 emergency housing beds. While this has been a critical investment, it needs to be an ongoing commitment to address the backlog and simply to keep up with household growth.

While federal programs have historically contributed to housing investment, they no longer come close to meeting California's current housing needs. These programs are being cut at the very time the need for affordable housing is increasing, necessitating new strategies.

California needs to join the 28 other states that dedicate specific sources of revenue to affordable housing investments. With such dedicated revenue, these states have responded to their housing crises by developing ongoing, effective programs to construct, rehabilitate, and preserve affordable homes. California should follow suit and dedicate revenue to address the critical housing challenges that threaten our economy and the stability and security of our communities.

Fulfilling the Promise of a Healthy Community

More than 350 local and statewide housing trust funds have been formed in the United States to receive revenues dedicated to affordable housing development. These trust funds allow jurisdictions to implement ongoing long-range housing plans and to leverage greater federal resources and private capital into housing development. Typically, the funds support housing production, rehabilitation, and preservation. They target specific housing types and include other programs such as rental and home mortgage assistance and supportive services. The trust funds are permanently established by statute, ordinance, or proposition.

Generally, statewide trust funds operate in one of four ways to allocate revenues: 1) money is distributed to jurisdictions on a per capita basis; 2) qualifying projects compete at the state level, usually under some geographic distribution requirements; 3) a hybrid of the per capita and competitive approach is utilized; or 4) localities can choose to opt into a statewide match of local revenues.

The real estate transfer tax (RETT) and document recording fee are the two most commonly chosen revenue sources for housing trust funds. The RETT, currently utilized by nine states, is advantageous, because it is tied to property values, thereby raising additional revenues as housing costs increase. Assessed only when property changes ownership, Florida's RETT allows it to generate the largest housing trust fund in the nation ($300 million in 2003). With a transfer tax of $1 per $1,000 of value, California could generate approximately $565 million annually. Enacting a statewide RETT in California, however, would require a constitutional amendment, because this type of tax currently is prohibited under Proposition 13.

California Housing Projections from Dedicated Revenue

Total Revenue Amount	**Annual Production Estimates ***			
	Total Emergency Shelter Beds**	Rental Units***	For-sale Units ****	**Total Housing Units**
$500,000,000	5,728	9,818	10,125	19,943
$1,000,000,000	11,456	19,636	20,249	39,885

Source: Bay Area Economics, PolicyLink, Department of Housing and Community Development

**Based on Proposition 46 allocation formulas. Dedicated revenue funds may not be allocated according to these formulas.*

*** Construction of emergency shelters for homeless and domestic violence populations, not operating dollars.*

****New construction.*

*****Subsidy for ownership housing, e.g., mortgage or down payment assistance.*

A document recording fee is utilized by seven states to generate revenue for their housing trust funds. Ohio uses its revenue to meet its lowest-income housing needs. Three-quarters of its trust fund serves households at less than 50 percent of the area median income, with about half of funds going to nonprofit developers and half to cities and counties. In California, a relatively minimal addition to current recording fees could provide a significant infusion of resources for affordable housing production. For instance, a $40 fee on real estate recordings could generate $513 million annually.

Massachusetts' Community Preservation Act combines a locally imposed property tax levy with a state match drawn from the document recording fee to fund housing, historic preservation, and open space. Sixty-one communities have opted into the program since 2000. The match provides a state-level incentive, yet allows for the flexibility that many communities need to win support for affordable housing.

Proponents of a California housing trust fund have identified other sources that could generate needed revenues and that have a strong nexus to housing. For example, if the state lowered the mortgage interest deduction that homeowners take from $1 million to $500,000, the state could generate between $340 million and $410 million annually. Alternatively, a statewide transient occupancy tax (hotel tax) of 3 percent would generate about $300 million annually.

Precedents for California

Several lessons emerge from the successful establishment of housing trusts in other states:

- A broad coalition that can ensure deep support will be essential to the passage of a dedicated revenue source for California's housing trust.
- Realtors, homebuilders, and financial institutions are key proponents of other states' housing trusts. These industries value the new markets and stable, secure source of revenue that a trust fund generates.
- A housing trust fund can meet environmental goals through smart growth criteria (with housing located near transit and in dense, multi-use developments); meet organized labor and business needs through support of workforce housing; and achieve civil rights goals by producing affordable housing in a range of communities.
- Housing trust funds can meet local and statewide needs through well-conceived revenue sharing plans, clear structures for local administration, and strong accountability measures.

California can benefit by drawing from these experiences as it develops its own strategy.

A Call for Action

Now is the time for diverse interests to work together to ensure Californians' access to affordable housing that meets the needs of the range of different households in our state. Only joint action can turn the tide and set us on track to support stable and healthy communities. Stable housing leads to stronger education outcomes for children. It fosters safe communities, with higher quality of life for families. Furthermore, it reduces the economic strains that paying too great a share of income for housing causes in reduced spending on other basic needs.

Housing California calls on diverse state interests—business, environmental groups, housing developers, labor, and public officials—to work together to guarantee housing security for everyone in the state. By agreeing on the most promising revenue source and building the political will to secure it, California can begin to meet its diverse affordable housing needs today and into the future.

The Need for Affordable Housing in California

California is facing its greatest housing crisis ever. The rising cost of housing greatly outpaces the earning power of many Californians. Thirty years ago, a family earning 70 percent of the state's median income could afford to buy a home at the prevailing median cost. Today, to purchase a home at the current median price of $469,170, a family must earn over $110,000—more than 175 percent of the state median income.[1] Housing costs constitute the single largest expense for most Californians and the production of lower-priced housing has not kept pace with demand.

The magnitude of the present housing crisis continues to threaten families and neighborhoods. It hampers California's economic recovery and growth as a world business and cultural center. The challenge of renting or owning a home in California today has caused one quarter of Californians to say the cost of housing in their area is forcing them to seriously consider moving.[2]

Secure, affordable housing opportunity is the basis of community-level wealth building. It is the keystone of a successful economy—not only is it an economic engine in its own right, but it makes it possible to attract and retain a diverse workforce in the state. To secure such housing opportunity in the state, California needs to take bold action. Investments in housing are critical to close the widening affordability gap that confronts California's working families.

Demand for housing is growing. California's housing crisis is now the most severe in the nation, relegating it to a ranking as the least affordable state.[3] As housing costs continue to rise, Californians are forced to take on multiple jobs, move farther away from the communities in which they work, reside in cramped and overcrowded dwellings, and struggle to obtain financial assistance.

Table 1. *Overcrowding in California Counties: Percentage of Dwellings with More Than 1 Person per Room**

County	Overcrowding Rate	County	Overcrowding Rate
Los Angeles	23.0%	San Bernardino	14.7%
Imperial	22.2%	Santa Clara	14.3%
Monterey	20.6%	San Joaquin	14.0%
Merced	20.1%	Santa Barbara	12.9%
Tulare	19.3%	Glenn	12.8%
Colusa	17.9%	San Francisco	12.4%
Fresno	17.1%	Ventura	12.4%
Orange	15.8%	San Mateo	12.3%
Kings	15.6%	Alameda	12.2%
Madera	15.3%	San Diego	11.8%
San Benito	14.8%		

**National overcrowding rate was 5.8% in 2000.*
Source: Fannie Mae Foundation, based on 2000 Census

Across the state's diverse range of homes and apartments, demand is increasing faster than production, and the gap is growing. The state needs between 60,000 and 80,000 more housing units every year than it is currently producing,[4] and needs more than 651,000 affordable units to meet the current estimated shortfall of units for low-income households just in its metropolitan areas.[5]

California households are increasingly overcrowded. Over 15 percent of California households—more than 1.7 million households—are overcrowded, the highest level ever recorded in the state and more than double any other state.[6] Southern California's five large urban counties (Los Angeles, Orange, San Diego, San Bernardino, and Riverside) together account for 1.1 million overcrowded households.[7] (See Table 1) Latino households are the most overcrowded, representing 62.3 percent of the overcrowded households in the state.[8] Thousands of families are now forced to double and triple up, and over 100,000 people in the Los Angeles region are living in garages.[9]

California's homeownership rate has dipped to 4th lowest in the country. At just 58 percent, California's 2002 homeownership rate was only behind Hawaii, New York, and Washington, DC.[10] In the San Francisco metropolitan area, homeownership rates are estimated as low as 35 to 46 percent.[11] By June, 2004, the median home price in California had increased to $469,170. The minimum household income needed to purchase a home at that price is $111,690. In contrast, the household income needed to purchase a home at the national median price of $191,800 is $45,660.[12] Since 1980, homeownership rates have increased only among whites in the state (from 60 to 65 percent), while they have declined for blacks (from 40 to 39 percent) and stayed stagnant for Latinos (48 percent) and Asian Americans (55 percent).[13]

Renters continue to face great affordability challenges. In the 1980s, 45 percent of the housing produced in California was multifamily housing. During the 1990s, that share fell to 25 percent of the housing produced.[14] Vacancy rates dropped and household size increased. Now, two million households—over half of all renters—pay more than 30 percent of their income for rent.[15]

Those who bear the brunt of the housing cost burden are families with children, and Latino, African American, and immigrant households. Forty percent of families with children are renters.[16] The majority of whites and Asian Americans own their homes, while the majority of Latinos and of African Americans are renters.[17] In Los Angeles, the fair market rent for a 2-bedroom apartment is affordable only to families with earnings equivalent to nearly three full-time minimum wage jobs. In San Francisco, such housing is affordable only to families earning more than the income from five full-time minimum wage jobs ($71,000 per year).[18]

Affordable housing exists far from jobs. Across California regions, there is an imbalance between where jobs are located and where affordable housing can be found. Job-rich areas typically have higher cost housing as workers seek to minimize the time and cost of their commutes. Areas that have limited access to jobs—and particularly to higher-paying positions—typically have more affordable housing.

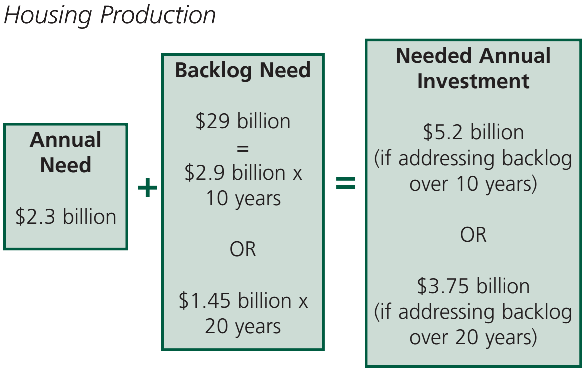
Employers in such job-rich and high housing cost regions cite continual barriers to productivity, recruitment, and retention as impediments to economic growth. The Association of Bay Area Governments projects that San Jose will add 141,000 new jobs by the year 2020, necessitating 63,000 new units of housing[19] in a county where the median cost of a home is currently $544,000.[20] The Silicon Valley Manufacturing Group has led area employers to increase local public-private revenue sources to help produce and subsidize affordable housing production in their region, but they cite the need for help from the state as well.[21]

Shifting trends favor compact residential preferences. Many trends in the state point to the need to invest in more multifamily development: mounting traffic congestion caused by long commutes; rising immigration and enhanced urban vitality; growth of California's 20 to 29-year-old population, which generally occupies multifamily housing; the aging baby boomer generation, which increasingly favors higher-density compact residential housing; and the decreasing residential land supply in job-rich urban environments.[22]

Affordable housing a growing priority. California faces two types of housing challenges. One challenge is producing enough housing to meet the needs of a growing state. This is largely a production and land use issue—requiring zoning and regulatory action that promote the kind of development that is needed, at the scale that is necessary, in the places that need it most. The second challenge is to make housing affordable to households earning less than 80 percent of median income[23] (less than $41,000 per year in California). With high land and construction costs, this challenge is largely defined by securing adequate public investment to make rents and purchase prices affordable.

How much capital do we need to solve the crisis? The California Department of Housing and Community Development (HCD) estimates that the state needs to produce about 250,000 units of housing a year, with 52,000 of these units affordable to lower-income households.[24] In 2004, HCD granted an average investment of $44,272 to produce a new multifamily rental unit affordable to a lower-income family.[25] To meet the annual need for lower-income families through multifamily housing production, $2.3 billion in public investment is required annually. To address the 651,000 unit backlog, an additional $29 billion of investment would be required. Providing adequate financial assistance to meet annual household growth and address the backlog of need, over a ten-year period, would require a $5.2 billion public investment annually.

Figure 1. *Capital Investment Needed for Affordable Housing Production*



Source: PolicyLink projections from California Department of Housing and Community Development data.

If the backlog was addressed over a 20-year period, a $3.75 billion a year investment would be needed annually.

Consensus is growing. Many levels of government and business identify the growing challenge of housing affordability as a key arena for policy attention. The Congressional report on affordable housing commissioned in 2002, *Meeting Our Nation's Housing Challenges*, identified affordable housing as a major issue and top national priority. California elected officials consistently identify affordable housing as among their constituencies' top three priorities.[26] Fifty-seven CEOs of the Silicon Valley Manufacturing Group identified housing costs as the greatest cost-of-living challenge in their region.[27]

Current federal, state, and local financial resources are simply not enough to turn these trends around. California needs an ongoing, dynamic program to address affordability in the construction of new homes, to create choices in the rental and ownership markets, and to help address critical financial challenges. To date, the state has been inconsistent in its attempts to supply revenue for such a program. This report identifies potential revenue sources and effective programs from other states that can help California meet this need.

California's Affordable Housing Legacy

California advocates and legislators have worked to address the state's affordable housing problem for decades. In 1985, California established a housing trust fund and dedicated funds to capitalize it from an Oil Lands Severance tax—but it was based on a tax formula that rapidly diminished, leaving the trust empty. Subsequently, in 1988, voters affirmed a commitment to affordable housing through passage of Propositions 77 and 84, resulting in housing bonds of $450 million to rehabilitate existing housing and to provide housing for homeless, senior, and disabled residents. In 1990, another $150 million housing bond was approved through Proposition 107.[28]

Over the next decade, several efforts to expand resources met with defeat. A 1993 ballot proposition to provide assistance to first-time homebuyers was defeated. In 1994, bills to provide $280 million for rental housing development failed to pass in the State Senate. In the late 1990s, Senator Tom Torlakson (D-Antioch) sponsored legislation that would have dedicated a portion of the bank and corporation tax to both local government and the state housing trust fund, but it also failed to pass.

The budget surplus of 2000 resulted in a one-time, general fund appropriation of nearly $500 million to affordable housing,[29] but officials report that less than half that amount was ultimately allocated[30] due to a reversal of budget solvency.

The largest housing bond. These defeats and their resulting unpredictable funding cycles inspired a new multi-year effort on the part of California housing advocates, builders, employers, and labor groups starting in 2000. Their efforts resulted in the 2002 passage of Proposition 46—the largest housing bond in history. The measure authorized the state to sell $2.1 billion in general obligation bonds to fund 21 diverse types of housing programs, including new multifamily rental housing; shelters for battered women and homeless families; housing with social services for homeless and mentally ill individuals; repairs and accessibility improvements to apartments for families and people with disabilities; homeownership assistance; and farm worker housing.

Once issued, general obligation bonds require the state to pay the principal and interest over many years. This creates an ongoing demand on state general fund revenues to pay these costs—estimated by the Legislative Analyst's Office to be about $4.7 billion in this case—over about 30 years. The housing bond, authored as legislation by State Senate President Pro Tem John Burton (D-San Francisco) was first approved by the required supermajority of the California Senate and Assembly, and then passed on the ballot, where the simple majority required for passage was exceeded with 57.6 percent of the vote. As of June 2004, approximately half of the Proposition 46 monies were allocated, with the remainder of the funds expected to be expended by early 2007.

While these monies will channel a crucial infusion of affordable housing investment in the state—adding or assisting approximately 100,000 affordable units over a four-year period—it constitutes a one-time influx. The state needs an ongoing, stable revenue source to address the serious housing production shortage and affordability gap that has become endemic across the state.

Proposition 46 Successes

Current estimates of the fully expended bond (based on the first two years of allocations) show:

- assistance to 42,523 families in homeownership,
- the construction of 41,236 new affordable rental units, and
- 24,058 emergency shelter beds.[31]

In addition, the infusion of construction and mortgage assistance dollars was estimated to add 276,000 jobs to the economy[32] and to leverage $10.6 billion of new private and federal investments to the state.[33]

Federal programs increasingly uncertain. The positive infusion of the 2002 bond funds arrived simultaneously with cutbacks in federal affordable housing allocations. The 2004 changes in the federal Section 8 program, which subsidizes 294,708 low-income renters in California, caused Los Angeles to suspend 1,500 vouchers and predict that as many as 10,000 more households would face cuts or suspension.[34] After the 2005 Bush administration budget proposed cuts to the Section 8 voucher program—which would have meant a $316 million funding reduction for California renters in 2005, increasing to a $843 million reduction by 2009[35]—local and state government officials pointed out that this reduction would drop 35,721 renter households from the program in 2005 and up to 85,730 households by 2009.[36] While the administration backed off the proposed cuts for the voucher program, other areas of the HUD budget currently show equivalent reductions (HOME, Community Development Block Grants, Hope VI).

A California Housing Trust Fund could extend the financing of "self-help housing" (housing built by owners, volunteers, and nonprofits) that Proposition 46 bonds currently support. Photo courtesy of East Bay Housing Organizations (EBHO)

With an estimated need of 1.95 million to 2.2 million new homes between 2000 and 2010,[37] California will need reliable resources to ensure that new housing production can serve the full range of income levels. Given the depth and breadth of the affordable housing crisis, California needs to join the ranks of 28 other states that have dedicated revenue sources for statewide affordable housing production.[38]

Now is an opportune time for California to dedicate a revenue source. The $2.1 billion Proposition 46 bond, allocated at approximately $500 million annually, has shown the capacity of the development community to utilize these resources to consistently produce affordable housing. The need for steady capital investment to extend and stabilize this capacity could be met by a dedicated revenue source that takes effect in 2007 when the current bond will be expended.

The current state budget deficit makes substantial new affordable housing allocations from the General Fund unlikely. Conversely, the creation of a new dedicated revenue source would relieve pressure on the General Fund from housing, while stabilizing the ongoing development of affordable housing. It would allow a consistent focus on housing production, rather than on the continuous process of trying to raise the money. And finally, a dedicated revenue source for affordable housing will allow bond funds to be focused on other pressing needs—school construction, roads, and mass transit.

How Dedicated Revenue Sources and Housing Trust Funds Can Ease the Crisis

Just as market rate housing is dependent upon capital markets that make construction and mortgage financing available on a predictable basis year after year, low- and moderate-income housing production and preservation require multi-year planning and predictable financing.[39]

Housing trust funds offer a predictable source of capital that can be used to meet the debt, equity, subsidy, and credit enhancement needs common to the provision of affordable housing. Trust funds are complementary to other affordable housing tools utilized by states such as: housing finance agencies' management of creative bond financing; employment of federal programs and resources (Section 8, Low Income Housing Tax Credits, Community Development Block Grants, HOME funds, etc.); other state and local programs (historic preservation tax credits, special needs housing programs, state smart growth capital investments, etc.), and state and local land use regulation (housing element laws, inclusionary zoning, density bonuses, etc.).

Housing Trust Fund Features

Ongoing revenue is earmarked for housing;
Production-oriented resources support housing production, rehabilitation, and preservation;
Targeted resources serve specific categories of low-income housing needs, including rental assistance, home mortgage assistance, and supportive services;
Permanently established by statute, ordinance, or proposition; and
Funded by non-federal revenue controlled at the state or local level.

A dedicated revenue source provides an assurance of financing that allows local housing developers to plan projects at an adequate and cost-efficient scale. It allows local governments to implement their housing elements,[40] and encourages them to commit resources to support the infrastructure, location, and technical assistance needs that the increased housing stock will require. Dedicated financing offers fiscal predictability and limits the budgetary impact of housing support programs by reducing funding needed from general funds. It provides the resources and predictability needed to leverage both federal and private financing commitments more efficiently than variable annual appropriations or periodic bond funds.

Trust Funds Proliferating

As homelessness and housing affordability have become an increasing problem across America, more than 350 housing trust funds have been formed in the United States. Housing trust funds, established by legislation, ordinance, or resolution, receive specific revenues dedicated to affordable housing development. Thirty-five states and hundreds of cities, counties, and combinations of jurisdictions have formed housing trust funds to provide stability and consistency to their approach to creating affordable housing.[41]

Twenty-eight of the 35 states that have established trust funds have legislated dedicated revenue sources. The others rely on annual or periodic allocations from their legislatures, continuing to limit their ability to do long-term planning and production of affordable housing. Table 2 describes the dedicated sources these states have chosen.

Table 2. *Dedicated Revenue Sources Used By Other States*

Revenue Source	States	Amount Raised Annually	Dollars Per Capita	How the Source Works
Real Estate Transfer Tax	Florida Hawaii Illinois Nebraska Nevada Maine New Jersey South Carolina Vermont District of Columbia	$340 m $3 m $22 m $6 m $7 m $9 m $8 m $8 m $13 m $20 m	$21.27 $2.48 $1.77 $3.50 $3.50 $7.06 $0.95 $1.99 $21.76 $34.96	A real estate transfer tax, also called a documentary stamp tax or a real estate excise tax, assesses a tax based on the value of the property at the time of sale or transfer. The tax rate for RETTs typically ranges from $.10/$100 to $.70/$100 of value. Generally, the tax is levied on the seller; some states split the tax between the buyer and the seller. The RETT is considered the most progressive of any revenue source, as it goes up or down in value as real estate values change.
Document Recording Fees	Delaware Massachusetts Missouri Ohio Pennsylvania Washington	$4 m $26 m $4 m $50 m ** $12 m	$5.10 $5.88* $0.71 $4.40 ** $9.00***	Document recording fees are typically assessed when real estate and other legal documents are recorded with the official body designated by individual states (typically county recorders, occasionally real estate boards).[42] Ohio law (2003) allowed a doubling of the per-page fee, while Washington law (2001) charged an additional $10 flat recording fee. Others charge a flat rate that ranges from $3 to $10 per document. While Missouri, Massachusetts, and Washington charge the fee on real estate documents alone, Delaware and Ohio apply the fee to all recorded documents. Pennsylvania law allows counties to double the fee to fund local housing trusts. Document recording fees in Massachusetts may be matched by a local property tax levy.
Title Insurance Trust Account Interest or Real Estate Escrow Accounts	Maryland Minnesota Washington Wisconsin New Hampshire	** $2 m $2 m ** $2 m	** $0.41 $9.00*** ** $1.35	Title insurers or title insurance agents place monies held in connection with real estate settlements, closings, escrows, and title indemnifications into an interest bearing account and remit interest payments to the housing trust fund annually. If the monies held earn $50 or less in interest, they are placed in a state fund.[43] Minnesota additionally collects interest accruing on revenue bond application fees, forfeited fees, and fees not returned.
Capital Bonds/ Infrastructure Bonds Percentage	Washington	$39 m	$9.00***	Washington state biannually issues infrastructure capital bonds, and dedicates 15 percent to its housing trust fund.[44] While not widely used, this innovative financing source ties development of infrastructure to the development of affordable housing.
Income Tax Check Off	Louisiana	$5 m	$1.12	Voluntary income tax check off for filers who receive returns: can elect to donate $10 or more, raises up to $5 million annually.
Unclaimed Property Deposits	Arizona	$10 m	$2.03	State dedicates 55 percent of unclaimed property deposits, interest on unexpended funds, and loan repayments.
Property Tax Levy	Massachusetts	$26 m	$5.88*	Massachusetts state law allows local jurisdictions to levy additional 3 percent property tax assessment; if jurisdiction and voters approve assessment, revenue raised is matched by state. Revenue allocated between affordable housing, open space, and historic preservation. State match raised through document recording fee (see above).

**$5.88 per capita analysis appears under multiple rows as it refers to all revenue sources for the Massachusetts housing trust fund: $20 million allocation from the general fund, $26 million in local property tax levies, and the $26 million state match in document recording fees.*

***Total revenue amount not available.*

****$9.00 per capita analysis appears in multiple rows as it includes all sources for state housing trust fund—revenues from document recording fee, real estate escrow accounts, and capital bonds.*

Source: PolicyLink survey data. (Due to fluctuating status of revenue in Iowa, Kansas, Kentucky, North Carolina, Oregon, and Utah, their revenues are not reported here.)

Establishing a Trust Fund

Establishing a trust fund requires legislation or voter approval to:
- establish the trust fund mechanism;
- designate a revenue source;
- assign an administrative agency to oversee implementation;
- structure eligible uses of funds;
- outline allocation formula to specific housing programs or to local government; and
- designate an advisory structure to help implement and monitor the fund.

Allocating State Housing Trust Fund Money

Typically, a statewide approach to allocating dedicated revenue happens in one of four ways:

1) Money is allocated to local jurisdictions, or to local housing trust funds, on a per capita basis;

2) Qualifying projects compete at the state level, usually under some geographic distribution criteria;

3) Funds are allocated to both local jurisdictions (on a per capita or some other basis) and to specific projects through a competitive process; or

4) Local jurisdictions can choose to opt in to a state matching of local revenues.

Key considerations in choosing an allocation strategy. Allocating monies on a per capita basis helps develop strong support across a state and reassures local governments that there is a balance between what they contribute and what they get back. It is a strategy that can garner support in environments where local jurisdictions fear the state will "raid" local revenues. On the other hand, allocating funds to jurisdictions uncommitted to the development of affordable housing can leave funds unused or expended slowly.

Matching fund allocations reward jurisdictions already dedicated to the production of affordable housing and can help ambivalent jurisdictions build political will for the effort. They have little effect, however, on jurisdictions uncommitted to the production of affordable housing.

Establishing two allocation streams—per capita funding to localities and project-specific funding—can balance political support with the high capital needs of projects such as multifamily rental housing construction. Allowing a voluntary match of local revenue generation with a state source has allowed some states to overcome the resistance of jurisdictions or legislators who are opposed to affordable housing mandates. This strategy has allowed jurisdictions with high housing needs or a commitment to affordable housing to generate the revenue to finance housing projects.

Key Revenue Considerations for California

This study investigated how California's legal environment might shape the pursuit of a dedicated revenue source for affordable housing in the state. While other states' relative revenue ranged hugely—from Minnesota's $.41 per capita to the District of Columbia's $35 per capita—states with housing needs, population dynamics, or economic conditions similar to California ranged from $9 per person in Washington State to over $21 per person in Florida and New Jersey. Given the high level of California's housing need and the state's current demonstrated capacity to utilize up to $500 million per year of housing capital, this study analyzed revenue sources that would generate between $300 million to over $1 billion annually.

Real Estate Transfer Tax

The real estate transfer tax (RETT), currently used by nine states, is the most utilized revenue source for housing trust funds. Also called a documentary stamp tax or a real estate excise tax, a RETT assesses the value of the property at the time of sale or transfer. The tax rate for RETTs typically ranges from $.10 to $.70 per $100 of value. Generally, the tax is levied on the seller, though some states split the tax between the buyer and the seller. Because it goes up or down in value as real estate values change, the RETT is considered the most progressive of any revenue source.

In California, real estate transfer taxes (RETTs) are presently allowed only at the local governmental level and only for general fund purposes. The tax code authorizes a maximum county transfer tax of $1.10 per $1,000 of value, and requires localities that levy a RETT to share their revenues up to this level with the county.[45] Proposition 13, passed in 1978, prohibits a statewide RETT, necessitating a constitutional amendment should California choose to pursue this source of revenue.[46] In several counties and charter cities across the state, voters have been willing to pass RETTs to support their jurisdiction's general fund budgets. Recent polling data from the Public Policy Institute of California (PPIC) showed that 60 percent of all adults were in favor of changing the limits of Proposition 13, perhaps making some changes more possible than in previous years.[47] The RETT's tie to property values allows it to generate increased revenues as housing costs rise—an effective attribute in a state with extremely high cost real estate markets.

Table 3. *Estimated Revenue from Statewide Real Estate Transfer Tax in California*

Additional Tax per $1,000 Transaction Value	Annual Revenue Generated
$0.75	$423,949,000
$1.00	$565,265,000
$1.50	$847,898,000
$2.00	$1,130,531,000

Source: Bay Area Economics

Document Recording Fee

Document recording fees are typically assessed when real estate and other legal documents are recorded with the official agency designated by individual states (typically county recorders, occasionally real estate boards). The seven states that use a document recording surcharge to capitalize their affordable housing trust funds take varying approaches. Ohio, Delaware, and Washington state, for example, apply a document recording fee to virtually all documents. Missouri, meanwhile, only applies the fee to real estate-related documents. Pennsylvania law allows counties to double the fee to fund local housing trusts. Massachusetts applies the fee to real estate documents and utilizes its fund to match a locality's property tax levy if it chooses to participate.

California counties have a Clerk/Recorder's Office responsible for filing and recording a wide variety of documents and instruments, as required by state and local law. Real property instruments comprise the bulk of these documents. In 2002, for example, the Contra Costa County Recorder recorded 583,456 documents pertaining to real property, constituting 97 percent of all documents filed.[48]

This report focuses exclusively on revenue that would be generated by a surcharge on real estate-related documents handled by county recorders. A fee on real estate-related recordings offers a strong nexus between the fee and its use to develop affordable housing.[49] Current average recording fees in California are $7 for the first page of a real estate document and $3 for each additional page. Based on the amount of fees collected and the number of documents recorded in Alameda, Los Angeles, Riverside, and San Mateo Counties over the last two fiscal years, the average recording fee is

Table 4. *Estimated Revenue from Increased Document Recording Fee in California*

Document Recording Surcharge	Annual Revenue Generated
$25	$320,816,000
$30	$384,980,000
$40	$513,306,000
$50	$641,632,000
$100	$1,283,264,000

Source: Bay Area Economics

A dedicated revenue stream can capitalize mortgage assistance programs for first time homebuyers. Photo courtesy of East Bay Housing Organizations (EBHO)

approximately $12.[50] A $25 to $100 surcharge on the cost of California real estate transactions could generate between $320 million and $1.2 billion annually.

Reduced Mortgage Interest Deduction Cap

Other sources were also identified as potential revenue that have a strong nexus to housing. For example, if the state lowered the mortgage interest deduction that homeowners take from $1 million to $500,000, the state could generate between $340 million and $410 million annually. Table 5 estimates revenue at different levels of mortgage debt.

Table 5. *Mortgage Interest Deduction Cap Revenue Estimates for California*

Mortgage Interest Deduction Cap	Revenue Impact (In Millions)		
	FY2005-06	FY2006-07	FY2007-08
Limit deduction to $500,000 mortgage	$410	$340	$370
Limit deduction to $600,000 mortgage	$240	$200	$220

Source: Bay Area Economics

Hotel Occupancy Tax

Alternatively, a statewide hotel tax, formally known as a transient occupancy tax (TOT), could generate significant revenue. Currently, California does not have a statewide TOT. Some local jurisdictions utilize this source with rates varying from 4 to 14 percent. Table 6 shows projections that applying such a statewide tax at 3 percent would generate about $300 million annually.

Table 6. *Estimated Revenue from California Statewide Transient Occupancy Tax*

Additional TOT	Annual Revenue Generated
3 %	$295,804,000
5 %	$493,006,000
6 %	$591,608,000

Source: Bay Area Economics

The Legal, Legislative, and Ballot Paths to a Dedicated Revenue Stream

A complicated web of rules and laws must be navigated to establish a dedicated revenue source in California. Some strategies will require a supermajority for passage. For instance, for a state bond measure to be put on the ballot, two-thirds of legislators must approve it. Then, a simple majority of voters must approve it on a statewide ballot.

The threshold is different, and arguably more difficult, for local bond measures. These can be placed on the ballot with support from a majority of local legislators, but must be approved by a two-thirds majority of voters to be enacted. A local affordable housing bond on the fall 2004 ballot in San Francisco failed despite extensive political backing and the support of 64 percent of the voters. The failure is an example of the difficulties of gaining supermajority support for local revenue measures.

New state fees only require a majority vote for legislative approval, but must connect the source of the revenue with its uses (the nexus test). New taxes require a two-thirds vote in the legislature while constitutional amendments (as would be required to establish a statewide RETT) require two-thirds support in the legislature to place a measure on the statewide ballot. The measure must then be approved by a majority of statewide voters for the constitutional amendment to take effect.

California laws can also be changed through the initiative process. The number of valid signatures required to independently place a measure on the statewide ballot is different for regular statutes and constitutional amendments. For the 2006 ballot, 373,816 valid signatures are required to place a statutory measure on the ballot, and 598,105 valid signatures for a constitutional amendment.

Southside Park Co-housing in Sacramento set aside five of its 25 units for low-income families, six for moderate-income, and 14 for market rate. Public financing helped capitalize the affordable units, and leveraged the investment of two private and one nonprofit lender.
Source: Good Neighbors*, James Kline*

The Economic Impacts of a Dedicated Revenue Stream

A dedicated revenue stream can:

- Create new rental and ownership housing affordable to low- and moderate-income working families.
- Support housing for extremely low-income households and special needs populations.
- Leverage significant private resources.
- Contribute tens of thousands of jobs to California's economy.
- Grow key industries, including construction, real estate, finance, and trade.

State resources can play a critical role in invigorating and cementing the public and private partnerships that must be put together, community by community, to build, maintain, and preserve affordable housing for families in the state.

Recent experience with California's Proposition 46 general obligation bond demonstrates the range of effective ways that state funds can be leveraged for maximum effect through partnerships between nonprofit groups, financial institutions, for-profit developers, equity investors, and local and state governments. Based on current allocations, the $2.1 billion dedicated by Proposition 46 will leverage five times itself for an additional $10.6 billion investment in the construction of and assistance to affordable housing in the state.[51] It will create as many as 276,000 jobs, and generate as much as $41 billion of economic activity.[52]

Dedicating revenue will sustain the economic stimulus of affordable housing production currently driven by bond financing. Just as funds from Proposition 46 both contribute much needed housing and leverage significant economic activity, a dedicated revenue source will create ongoing jobs, provide diverse economic benefits, and stimulate the state economy.

To assess the benefits from a dedicated revenue source, this study investigated the total economic activity and employment that would be generated for California with an ongoing revenue source in the $500 million per year to $1 billion per year range.

Dedicated revenue can bolster affordable housing production. Table 7 shows that a dedicated affordable housing revenue source in California ranging between $500 million and $1 billion annually would create between 19,943 and 39,885 affordable rental and ownership housing units and as many as 11,456 emergency shelter beds a year.[53] At this level, a dedicated revenue source would boost annual production from approximately 190,000 housing units to between 210,000 and 230,000 units. This would ensure that up to 20 percent of the housing units developed annually in the state would be made affordable to low-income and moderate-income families, and that the household growth and production gap would be substantially closed.

Table 7. *California Housing Projections* from Dedicated Revenue Source*

Total Revenue Amount	**Annual Production Estimates** *			
	Total Emergency Shelter Beds**	Rental Units ***	For-sale Units ****	Total Housing Units
$500,000,000	5,728	9,818	10,125	19,943
$1,000,000,000	11,456	19,636	20,249	39,885

Source: Bay Area Economics, PolicyLink, Department of Housing and Community Development
Based on Proposition 46 allocation formulas. Dedicated revenue funds may not be allocated according to these formulas.
*** Construction of emergency shelters for homeless and domestic violence populations, not operating dollars.*
****New construction.*
*****Subsidy for ownership housing, e.g., mortgage or down payment assistance.*

Funds will leverage additional housing investment. The dedicated source funds would leverage increased private and federal funds for affordable housing construction. Every $1 of dedicated source funds would leverage $5.62 of additional resources for affordable housing. Therefore, $500 million of dedicated source funds would in turn leverage $2.81 billion additional housing investment in the state.[54] Table 8 shows the additional housing investment a dedicated revenue source could generate in future years.

Table 8. *Additional Funds Leveraged for Affordable Housing from Housing Trust Fund*

Funding Level	**Private and Federal Housing Investment Funds Leveraged**
$500,000,000	$2,810,000,000
$1,000,000,000	$5,620,000,000

Source: Bay Area Economics and PolicyLink

Investment grows various economic sectors. This analysis further estimated the direct impact on the economic sectors associated with various types of production programs, including housing construction and homeownership assistance programs; and the indirect impact as the original dollars are re-spent in other sectors, and the workers in all these sectors earn more and make additional purchases. The analysis follows the revenue from the cost to produce the housing (e.g., construction equipment, materials, labor, landscaping materials, fuel, etc.) to the interest, profits, and business taxes that result. Table 9 shows that this revenue would act as a significant economic engine, generating between $9.9 billion and $19.9 billion of economic activity.[55] Table 10 shows that this increased economic activity would support 40,797 to 81,594 jobs in California.[56]

Table 9. *Gross Economic Impact from Permanent Revenue Source*

Permanent Source Funding Level	**Total Economic Impact**
$500,000,000	$9,939,833,333
$1,000,000,000	$19,879,667,666

Source: Department of Housing and Community Development

Table 10. *Jobs Created from Permanent Revenue Source*

Funding Level	**Number of Jobs Created**
$500,000,000	40,797
$1,000,000,000	81,594

Source: PolicyLink and Department of Housing and Community Development

Addressing Affordable Housing: Snapshots of Other Trust Funds

Local California programs and those in other states offer roadmaps for addressing affordable housing needs in a consistent fashion through dedicated revenue streams.

Local California Housing Trusts

California has over a dozen local housing trust funds that have dedicated revenue sources. The majority rely primarily on commercial linkage fees (Alameda County, Cupertino, Menlo Park, Napa County, Oakland, Palo Alto, San Diego, San Francisco, Santa Monica, and West Hollywood). Santa Clara County relies on periodic allocations from public bond issues, general fund allocations, and private contributions. Napa uses its in lieu fees from inclusionary zoning regulations to finance more housing development. (These are fees that developers choose to pay to the county instead of including affordable housing in their developments.) San Francisco relies on its hotel occupancy tax.

Due to Proposition 13 restrictions, cities generally cannot directly allocate real estate transfer taxes to their trust funds, instead allocating them to their general funds. Despite the existence of local housing trust funds, local trust fund managers, as well as other local officials, see a great need for the formation of a state fund. In general, interviews revealed that local administrators have a strong proclivity for locally controlled revenues, and a desire to see an incentive system included in state allocations to encourage local jurisdictions to do more to meet their local affordable housing needs.[57]

Florida Dedicates Transfer Tax to Housing Trust Fund

The 1992 passage of the William E. Sadowski Affordable Housing Act dedicated a portion of Florida's Documentary Stamp Tax (Real Estate Transfer Tax) to fund the largest state housing trust fund in the United States. In 2004, this revenue generated approximately $300 million for affordable housing. Florida's Housing Trust Funds, now 13 years old, have generated more than 150,000 units of housing and currently produce 15,000 units annually.

The coalition that originally supported the legislation was convened in 1991 by a statewide growth-management nonprofit organization, 1000 Friends of Florida. The Florida Bar Foundation set up the affordable housing program as a two-year project of 1000 Friends to oversee the implementation and enforcement of the housing element of local comprehensive plans. The comprehensive housing elements, which outlined both growth boundaries and affordability provisions, were not being implemented on either front. The staff person hired to pursue implementation, Jaimie Ross, soon learned that local governments did not implement housing elements because they had no financing for affordable housing. Ross thought that a joint legislative strategy might be more effective than litigation to advance the implementation of the plans. Ross organized—and after 13 years continues to lead—a coalition that includes the Florida Home Builders Association, Florida Association of Realtors, Florida Department of Community Affairs, Florida Housing Finance Agency, the Florida Association of

Counties, the Florida League of Cities, Florida Impact, Florida Catholic Conference, Florida Legal Services, Florida Housing Coalition, and 1000 Friends of Florida. Together they considered how to fund housing affordability.

In the early 1990s, Florida was in a recession. Some legislators proposed jumpstarting the economy through housing construction investment, citing its multiplier effect in sectors across the economy. Environmental groups, already using the documentary stamp tax for conservation purchases of approximately $300 million per year, were willing to support an increase in the tax to force compliance with the housing element requirements. The realtors supported financing affordable housing with a similar fund. As the campaign for a dedicated revenue source evolved, its success was dependent on engaging everyone: the realtors, local and state elected officials, builders, and the faith community. Leadership from each of these interests negotiated to push for successful passage of the Sadowski Act.

While the coalition promoted passage of the documentary stamp tax under a Democratic governor and legislature in 1992—marking it as the last tax increase enacted in the state—it has been preserved for over a decade despite a complete shift to Republican control of the political landscape. The act has endured because of its successful track record, and the broad, diverse coalition that supports it.

Under the Sadowski Act, the document stamp tax was raised $0.10 to reach $0.70 per $100 of real estate value. While the increase of $0.10 was matched by $0.10 from the existing levy—meaning $0.20 cents goes to Florida's Housing Trust Funds—the remainder continues to go to environmental purchase purposes.

The allocation formula was crucial to winning the support of such a diverse coalition and ultimately the legislature. Thirty percent of the funds stay with the state housing trust fund (placed in the Florida Housing Finance Agency) and are allocated for multifamily projects; seventy percent of the funds go to local government trust funds ($350,000 to entitlement cities and to counties, with a per capita allocation on top of that). The Florida Housing Coalition receives $350,000 per year to provide technical assistance to help local jurisdictions and nonprofit developers target housing for the lowest income levels eligible for both rental and homeownership programs. The Florida Housing Finance Corporation receives $200,000 to monitor local government's administration of local housing trust funds to assure compliance with affordability provisions. And, another $200,000 funds the University of Florida's Shimberg Center to track the investments and account for the housing produced and income levels served. This accountability mechanism has been key to ongoing education of the public and policymakers about the funds' effectiveness and value across the state for different communities and constituencies.

Florida Interests Hammer Out Critical Compromise

- 30% to Florida HFA for multifamily rental housing serving 30-40% AMI
- 70% to local government:
  - 65% to homeownership
  - 75% to construction-related activity
  - 30% to very low income: <50% AMI
  - 30% to low income: <80% AMI
  - Balance can go from 0-120% AMI

  (Numbers do not add up to 100% because categories overlap)

Upon passage of the Sadowski Act, each jurisdiction had to form a local advisory committee whose membership mirrored the state legislative coalition: a banker, a developer, a realtor, a housing service provider, and a conservation group. Each local group was responsible for developing expedited permitting systems, regulatory review reform, and establishing homeownership programs best suited to local needs.

A positive outcome of the program is the new opportunities for homeownership and for quality rental housing for people of color. In the last seven years, the proportion of money going to households of color has risen an average of 1 percent per year, to total over 60 percent of the funds from 2000 to 2001 (see Table 11).

Table 11. *Allocation of Florida's State Housing Initiatives Partnership Program (SHIP) by Race**

Year	White	Black	Hispanic	Asian	Native American	Other	Total non-white
Total state population, 2000	65.44%	14.17%	16.79%	1.64%	0.27%	2.10%	34.90%
% of SHIP funds, 1996-97	43.28%	43.15%	12.29%	0.56%	0.12%	0.60%	56.72%
% of SHIP funds, 1997-98	44.25%	41.52%	12.63%	0.61%	0.16%	0.83%	55.75%
% of SHIP funds, 1998-99	42.58%	40.43%	15.32%	0.63%	0.17%	0.87%	57.42%
% of SHIP funds, 1999-00	41.43%	40.68%	16.27%	0.39%	0.21%	1.02%	58.57%
% of SHIP funds, 2000-01	39.19%	41.12%	18.24%	0.62%	0.06%	0.78%	60.81%

Homeownership Changes in Florida Over Decade of Sadowski Act**

Year	White	Black	Hispanic	Asian	Native American	Other
% ownership, 1990	72.13%	47.33%	50.17%	58.08%	53.63%	48.40%
% ownership, 2000	84.80%	51.69%	55.80%	61.53%	69.80%	49.39%

**From 1996-2001, there was a 4,665-unit increase in housing production through the State Housing Initiatives Partnership (SHIP). 3,342 units, or 72% of that increase, were occupied by a non-white household head.*
***By head of household.*
Source: Shimberg Center, University of Florida, 2004

Ohio Trust Fund Utilizes Document Recording Fee

The Ohio Housing Trust Fund was statutorily created in October 1991 (House Bill 339) and required a voter-approved constitutional amendment designating the provision of housing as a valid public purpose. Until 2003, it did not have a dedicated source of revenue, but relied on various sources: unclaimed funds, interest payments, and general revenue funds.

Advocates, led by the Coalition on Housing and Homelessness in Ohio (COHHIO), failed in 1993, 1995, and 1997 to secure a dedicated source. By 2003, however, they found the conditions for success: a Republican-controlled legislature and administration and a significant state budget deficit. The coalition proposed relinquishing the general fund allocations, which amounted to approximately $16 million annually, in exchange for doubling the document recording fee and dedicating the increased revenue to the housing trust fund. The legislature and administration agreed to the fee hike and the housing advocates got their dedicated source with a $50 million per year cap.

COHHIO identified a $300 million annual need, but knew they could not win that amount given economic and political considerations. They projected that a third of the burden could be covered by federal programs, a third by local sources, and determined to raise $100 million from the state. They built a campaign on a "housing burden" argument, highlighting the number of rejected Community Development Block Grant applications for low-income housing developments that were denied due to a lack of funds. They convinced over 800 organizations and businesses from across the state to sign on to support the campaign.

Ohio Fund Serves Deep Affordability

- 45% to nonprofit grants and loans
- 55% to counties, cities, and public housing authorities through application program
- 40% of funds to <35% AMI
- 75% of funds to <50% AMI

COHHIO sold their proposal in a budget deficit year by focusing lawmakers on the fund's potential to serve as a powerful economic development tool. They used construction industry figures to show how each $10 million added to the trust fund would create more than 1,000 jobs. While some Ohio legislators resisted the proposed fee, they were ultimately persuaded by economic development arguments—made in a high deficit, unemployment period—and the possibility of recapturing general fund revenues to help close the state's budget deficit. In its first full year of collection, fiscal year 2003, the doubled fees generated $90 million. Since the housing trust fund was capped at $50 million, the state benefitted from additional dollars flowing into its general fund.

Washington State: Drawing from Multiple Revenue Sources

Washington, like California, is an economically diverse state with equally diverse challenges to housing affordability and supply. The disparity between the state's wealthiest and poorest residents is among the most severe in the nation,[58] and the economic gap between its urban and rural areas is nearly as wide.[59] Hundreds of new high-wage technology jobs have greatly increased the cost of living in Seattle, while Washington's large population of farm workers struggles to afford rural housing. The state's unemployment rate is the third highest in the United States.[60]

Washington splits its affordable housing funds between state-based programs and local jurisdictions. In Washington, as in Florida, the passage and continued success of dedicated funding legislation for affordable housing has been dependent on the state/local allocation formula. Washington's state housing trust fund has been in place for 16 years, and the 2001 passage of its dedicated revenue source legislation was the result of 10 years of effort. In addition to its state housing trust fund, Washington has multiple city-based Housing Assistance Funds in Seattle, a local Housing Trust Fund on Bainbridge Island, a county Housing Opportunity Fund in King County, the multi-jurisdictional regional A Regional Coalition for Housing (ARCH) Eastside Housing Trust Funds of King County, and the recently established statewide Rural and Farmworker Housing Trust.[61]

In 1988, the Washington state legislature established the Washington Trust Account, allocated $2 million dollars from the real estate escrow accounts held by the state, and ascribed penalties from the failure to pay real estate transfer taxes to the fund. In the early 1990s, the legislature made an appropriation from the capital budget, funded through the sale of 15 percent of general capital operating bonds. Since the original capital bond allocation, the state legislature has biannually recommitted $73 million to $78 million from this source, under the rationale that housing is a key part of the state's infrastructure, that investment in infrastructure creates jobs, and that workers need housing. This money is allocated to various programs for construction of rental and ownership housing.

While capital budget bonds remain the larger funding source for the state's trust fund, the state also dedicates about $12 million annually from document recording fees. In Washington, these are flat fees assessed on documents recorded by county auditors' offices.[62] In 2002, efforts by housing advocates led to the passage of legislation authorizing counties to increase document recording fees by $10. Sixty percent of the funds stay with local government for locally identified low-income housing needs, while forty percent goes to the state to assist extremely low-income people across the state, regardless of whether the county where the project is located has increased its recording fee. To date, 13 of the state's 39 counties have adopted the fee, generating about $12.5 million annually. Fourteen other counties are in the process of adopting a fee increase.[63]

Massachusetts' Community Preservation Act Provides Local Incentive

Massachusetts is on par with California in terms of its astronomically high housing costs and low homeownership rates.[64] With its traditionally industrial and services-based economy and predominantly urban population, Massachusetts is one of the most densely settled states in the nation.[65] In the 1990s, new jobs and higher wages attracted more workers to the Boston metropolitan area and beyond. Home prices and rents hit record highs, burdening a majority of low-to-moderate income renters, mainly minority families.[66] While the total number of households in the Boston metropolitan area increased by 129,265 over the decade, only 91,567 new units of housing were produced.[67] This discrepancy of nearly 40,000 units made it extremely difficult for middle-income and low-income wage earners to stay in the area.

Advocates moved on two fronts to address the growing housing crises. They passed the Affordable Housing Trust Fund (AHTF) that originally allocated the first $20 million of income tax revenue in the general fund. In 2003, the legislature took back the income tax stream and instead authorized bond issues totaling $70 million to capitalize the fund until 2008.

This fund has mainly served as a multifamily rental housing production fund. Legislators also passed a multi-issue fund, the Community Preservation Act, to provide incentives to local governments to address affordable housing, open space, and historic preservation needs.

The Community Preservation Act (CPA) is statewide enabling legislation that allows cities and towns to finance local planning decisions through local property tax levies matched by statewide document recording fee collections. The CPA allows cities and towns to raise and dedicate up to 3 percent of the real estate tax on property to acquire or preserve affordable housing, open space, and historic sites. At least 10 percent of their allocations must be used for each of these three community concern areas, while the remaining 70 percent may be allocated to any of the three uses. A municipality approves the property tax surcharge through their city council and a simple majority of local voters in an election, thus creating a local Community Preservation Fund.[68]

The CPA legislation also created a Community Preservation Trust Fund at the state level that receives revenue through a $20 document recording fee on deed and land filings and provides matching grants to localities that have created a local fund. The state matching funds have totaled approximately $25 million annually and serve as an incentive to communities to pass the legislation. Since its passage in 2000, 61 cities and towns have adopted it.

As of July 2004, approximately $115 million in CPA projects had been approved by Massachusetts' cities and towns. CPA communities have already funded projects creating 618 units of affordable housing, conserving approximately 4,020 acres of open space, and preserving more than 150 historic sites. Approximately 41 percent of the funds have gone to affordable housing uses.

Massachusetts' state Affordable Housing Trust Fund (AHTF) targets people at or below 110 percent of the area median income (AMI), but gives preference to housing that is affordable to those at lower AMIs and projects that ensure 30 or more years of affordability.

Matsusaka Townhomes were captialized by a loan from the State of Washington Housing Trust Fund. The community-design process resulted in 26 two-, three-, and four-bedroom apartments, with communal space focused on children.
Source: Good Neighbors*, John McLaren*

Lessons Learned

Efforts to establish, implement, and maintain state housing trust funds reveal key lessons for California as it considers the establishment of a dedicated revenue source for affordable housing. They can be divided into lessons related to partnerships and lessons about allocation and accountability.

Partnerships

Broad coalitions are key to success. A broad working alliance of interests—developers, environmentalists, bankers, nonprofits, builders, business interests, community groups, rural interests, faith-based organizations, and others—was central to securing the establishment of a housing trust fund in most states and local jurisdictions. Coalition members engaged their constituencies to ensure that support was broad and deep. Rapport between these varied interests allowed negotiations to occur over key provisions, champions to be engaged in needed arenas, and opposition to be quelled by unified leaders.

Realtors and homebuilders can be strong allies. New construction and homeownership programs received support from realtors and homebuilders, because these programs led to new revenue streams and new markets. This support continues and has been important in maintaining trust funds over time. In Florida, for instance, the realtors have become some of the strongest proponents of the Florida Act. They cite the new business it has created as well as how its implementation has created many new homeowners among those who would not otherwise be able to make the purchase. The Florida realtors and homebuilders have fought several efforts to decrease or eliminate the state's housing trust fund revenues.

Building industry support requires looking beyond revenue needs. For instance, in Florida, market-rate builders focused on two provisions that were important to their support of the state housing trust fund. They wanted local government to help with tight margins on affordable housing by providing expedited permitting and regulatory waivers on infill housing (e.g., waiving parking requirements). They also pushed for provisions that require an analysis of the fiscal effects on housing production of any impact fee or land use regulation change.

Financial institutions are beneficiaries and potential supporters of trust funds. Housing trust funds allow financial institutions to enjoy the added security of state investments in mortgages and programs for affordable housing. In addition, trust funds help banks meet the requirements of the federal Community Reinvestment Act.[69] In most states, banks were not a part of the coalition pushing for the state's housing trust fund. Rather, they joined the coalition after implementation and became strong proponents for the continuation of the trust fund. COHHIO, however, successfully recruited large banks to help move the trust fund legislation in their state. CRA divisions of banks in Ohio thought the trust fund would encourage the state to join them in affordable investments, thus increasing the soundness of the bank's investments.

Including environmental needs can generate additional support. In both Massachusetts and Florida, environmentalists were key supporters since trust fund provisions included open space and environmental conservation purchase programs. Florida's housing trust fund was established as part of an existing environmental program; Massachusetts included environmental considerations in a new program. Embedding smart growth criteria in allocation formulas will be crucial to spreading housing to opportunity centers, and curbing sprawl and traffic congestion.

Racial equity impacts of funds can engage civil rights constituencies. Data from Florida show that there were new opportunities for homeownership for people of color as a result of the state housing trust fund. The proportion of money going to people of color has risen to over 60 percent of funds since 2001 and has raised homeownership rates of historically underrepresented communities.

Allocation and Accountability

Revenue sharing is important. The most well-funded state housing trust funds were able to leverage significant revenue streams by aligning varied interests and by negotiating revenue formulas among these constituents. Types of mandated programs (e.g., homeownership, rental housing, supportive services, senior housing) and local versus state allocations were carefully crafted to win passage.

Meeting local and statewide needs. In Florida, local jurisdictions receive all the revenues allocated for homeownership, while the state is responsible for multifamily rental housing construction. The state was given this responsibility since it was seen as being more effective at putting together the necessary components for organizing and financing larger projects. Localities are allowed to structure their homeownership efforts, which provides them with coveted flexibility.

Local participation is key in structuring local programs. Several states required local advisory boards to develop local implementation guidelines within the mandated eligible uses of trust fund revenues. These boards typically included, among other members, institutional investors, developers, habitat conservation advocates, housing service providers, faith institutions, and realtors. The boards provided a structure for diverse interests to come together to develop local housing trust fund programs as well as accountability mechanisms. The engagement of varied representatives has helped generate ongoing support for housing trust fund programs.

Accountability provisions can help to protect the trust fund over time. Ongoing review provides needed information about the effectiveness and impact of state housing trust funds. The Shimberg Center for Affordable Housing at the University of Florida receives designated support from the state housing trust fund to gather data, track affordability, and report to the legislature on production numbers. The Washington Housing Trust has run a public education program, publicizing their accomplishments annually. And the Massachusetts Community Preservation Coalition prepares an annual report to the state legislature to maintain support.

Adeline Lofts hosts 38 one- to three-bedroom live/work lofts for low-income families. The Affordable Housing Association development is as diverse as Oakland itself, housing dancers, musicians, poets, designers, and 43 children. Photo courtesy of East Bay Housing Organizations (EBHO)

Dedicated revenue sources can prioritize smart growth development like this Redwood City Center that locates affordable housing near transit and commercial amenities. Source: Local Government Commission

Reflections from California Leaders

PolicyLink interviewed over 50 experts in California to gauge interest and expertise about pursuing a dedicated revenue source for affordable housing. Some of the key themes that emerged from these interviews are:

Housing is at the top of the priorities list in most California localities. This is true for a wide variety of interests in most areas across the state. Increased affordable housing is seen as important for local and regional economic health as well as for individual and family success.

A secured funding source is needed. Given state and local fiscal constraints, a dedicated revenue source needs to be legally secured to prevent raiding for other purposes and should be targeted solely for affordable housing to avoid a dilution of the purpose and impact of the fund.

Local control is desired. In California, local government leaders and their representative associations expressed the desire to have as much local control as possible over funds and to draw on revenue sources not available to localities.

Local incentives are very appealing. Incentives for local participation, local decision-making, and leveraging local funds were enthusiastically supported by local officials. They are seen as sparking local action and innovation to meet local needs.

Principles of smart growth, improved land use, and jobs-housing balance should be taken into account. Many counties and some regional associations and some environmental leaders expressed interest in allocation formulas that promote smart growth and improved land use. Some expressed interest in the allocation formula addressing population, need, source of revenue, cost of housing markets, and other growth and development goals. Others thought incentives for jobs-housing balance was a key component. One thought a state fund should capitalize regional housing trusts and build regional capacity for affordable housing development.

Conclusion

The experts and key leaders interviewed for this study agreed that a dedicated source of revenue for affordable housing is crucial for California's future. They also expressed cautions—about the challenges caused by the continuing state budget deficit, the work required to build consensus among Californians over the financing of affordable housing, and the need to structure a program that can meet the state's diverse housing needs.

Securing sustainable, predictable financing for affordable housing in California is crucial. Federal housing investments continue to decline. Housing cost burdens on low-income and moderate-income households continue to increase at a fast pace across the state. Homeownership rates are near the lowest in the nation. Employers cite unaffordable housing as a key reason they cannot attract the workers they need in their industries. Commute times are increasing in all the metropolitan regions of the state as workers seek housing they can afford. California has the greatest concentration of households with people living in overcrowded conditions. And homelessness continues to grow.

The research for this study uncovered many forces that were seen as positive indicators of what can be accomplished in California. Such indicators include the success of many other states in establishing a dedicated revenue source; the recognized need for new affordable housing resources by many constituencies and interests in California; the willingness of California interest groups to explore potential revenue sources; the evidence of economic expansion generated by the dedication of revenue to the construction industry; and the potential of crafting new working partnerships for affordable housing.

Recent California ballot results also offer hope. They suggest that the state's voters, even in times of general fund budget deficits, are willing to vote for dedicated revenue sources. This willingness is demonstrated by the needed majorities of yes votes cast for Proposition 55, a $12 billion school bond, and Proposition 63, a mental health services dedicated revenue stream.

The research and interview responses reveal the potential interest of many key constituencies: real estate and homebuilder industries in other states, for example, have experienced growth and benefit from dedicated housing funding streams; the environmental community has allied itself with housing advocates to advance better land use and smart growth practices along with housing affordability; civil rights groups have seen the homeownership and quality housing status of their constituencies improve with well-financed, sustained housing trust funds; labor unions whose members are affected by high housing costs—most specifically service sector workers and public sector workers like teachers—see trust funds as key to improving their members' quality of life; and county supervisors and local agencies see affordable housing in the top tier of critical needs in their jurisdictions.

This report is meant to encourage the discussion among diverse interests about developing a solution for affordable housing in California. Together, leaders of these interest groups and their constituents can successfully craft a strategy that will pave the way to housing opportunity for tens of thousands of state residents, meet the needs of the business community for employees, and return economic vitality to California.

Notes

[1] See California Association of Realtors, "California's Housing Affordability Index falls nine points in June to lowest level since November 1989" (press release, August 2004), retrieved from http://www.car.org/index.php?id=MzM5NDE=.
[2] See Public Policy Institute of California, *Special Survey on Californians and Their Housing*, November, 2004, retrieved from http://www.ppic.org/content/pubs/S_1104MBS.pdf.
[3] See National Low Income Housing Coalition, "Least Affordable States," *Out of Reach 2004*, retrieved from http://www.nlihc.org/oor2004/table1.htm.
[4] See California Association of Realtors, *Housing Market Forecast for 2004*, p.1, retrieved from http://www.car.org/index/php?id= MzI1NTc=&print_page=true; and California Department of Housing and Community Development, *Raising the Roof*, Ch.2, p.2, March 2000, retrieved from http://www.hcd.ca.gov. Production has not kept pace with demand in the state. California typically gains nearly 250,000 new households annually, yet builds only 190,000 new housing units.
[5] See California Budget Project, *Locked Out 2002: California's Affordable Housing Crisis Continues*, Sacramento, October 2002, p.8-9.
[6] See Fannie Mae Foundation, "Patterns and Trends in Overcrowded Housing: Early Results from Census 2000," *Fannie Mae Foundation Census Note 09,* p.1, 8-9, retrieved from http://www.fanniemaefoundation.org/programs/pdf/census/census_note9.pdf. Overcrowding was defined as greater than one person per room.
[7] Ibid., p.13.
[8] See 2000 Census, Summary File 3, retrieved from http://www.census.gov/Press-Release/www/2002/sumfile3.html, and unpublished reanalysis provided to the authors by Manuel Pastor, Ph.D, University of California, Santa Cruz.
[9] See Kim Saito and Jerry White, "Democratic convention highlights social divide in Los Angeles and America," *International Committee of the Fourth International*, 16 August 2000, retrieved from http://www.wsws.org/articles/2000/aug2000/la-a16.shtml.
[10] See California Budget Project, *Locked Out 2004: California's Affordable Housing Crisis*, p.10, retrieved from http://www.cbo.org/2004/lockedout2004.pdf.
[11] See Katia Hetter, "Newsom puts housing policy on his agenda," *San Francisco Chronicle*, 8 March 2004.
[12] See California Association of Realtors, "September 2004 Median Home Prices," retrieved from http://www.car.org/index.php?id=MzQyNTc=.
[13] See Dowell Myers, "Housing California's Population," University of Southern California School of Policy, Planning, and Development, PowerPoint Presentation, 2004, http://www.usc.edu/schools/sppd/futures/.
[14] Ibid.
[15] Fair Market Rent is a standard set by the U.S. Department of Housing and Urban Development, estimated at the 40th percentile rent of standard-quality rental housing units in a particular metropolitan or non-metropolitan area.
[16] See California Budget Project*, Locked Out 2004: California's Affordable Housing Crisis,* p.6 retrieved from http://www.cbp.org/2004/lockedout2004.pdf.
[17] Ibid., p.12.
[18] Ibid., p.6.
[19] See Rodney Foo, "San Jose: Housing or Industry? City Debates Best Use of Large Parcels," *San Jose Mercury News*, 14 March 2004.
[20] See California Association of Realtors, "August 2004 Median Home Prices," retrieved from http://www.car.org/index.php?id=MzQxNTg=#= .
[21] Carl Guardino, Silicon Valley Manufacturing Group, San Jose, CA. Interviewed by PolicyLink, January 2004.
[22] See Dowell Myers and Elizabeth Gearin, "Current Preferences and Future Demand for Denser Residential Environments," *Housing Policy Debate,* Fall 2001.
[23] See John D. Landis, *Looking Back, Planning Forward: Coming to Grips with California's Future Growth,* Department of City and Regional Planning, U.C. Berkeley, PowerPoint Presentation, November 2004.
[24] See letter from Matthew Franklin, Director, California Department of Housing and Community Development, to Clay Haswell, Bureau Chief, San Francisco Office for the Associated Press, 28 January 2004, *Responding to inaccuracies in story by Jim Wasserman: "Fourteen Months Later, Housing Bond Barely Dents Housing Crisis."*
[25] See California Department of Housing and Community Development, *Cumulative Proposition 46 Bond Awards Through June 30, 2004,* General Multi-family Housing Program line item, Excel Spreadsheet, p.1.
[26] See Steve Szalay, California State Association of Counties, and Chris McKenzie, League of California Cities, Sacramento, CA. Interviewed separately by PolicyLink and Housing California, January 2004.
[27] See Larry N. Gerston, *Assessing the Vitality of California's Business Climate: Silicon Valley CEOs Speak Out* (San Jose, CA: Silicon Valley Manufacturing Group, February 4, 2004).
[28] See Ernest L. Aglipay, California Initiative Review, Proposition 46: The Housing and Emergency Shelter Trust Fund Act of 2002, (Sacramento, CA: University of the Pacific McGeorge School of Law, 2002) Ch.2.
[29] See Dianne Spaulding, *History of Housing Advocacy Efforts in California,* handout (San Francisco, CA: nonprofit Housing Association of Northern California, 2004).
[30] See memorandum from Judy Nevis, California Department of Housing and Community Development, to Regan Douglass, PolicyLink, November 10, 2004, *State general fund allocation*.

[31] PolicyLink analysis drawn from Simon Alejandrino et al., *Revenue, Production, and Economic Impact Estimates,* (Berkeley, CA: Bay Area Economics, April 2004), Appendix A: Proposition 46 Allocation; and *Cumulative Proposition 46 Bond Awards*, Department of Housing and Community Development, Sacramento, June 30, 2004.
[32] See *Economic Worksheet, $2.1 billon Housing Bond*, Department of Housing and Community Development, Sacramento, July 19, 2002.
[33] See Simon Alejandrino, Table 12: "Gross Economic Impact Analysis" p.23. This $10.6 billion estimation is based on gross economic output and value added that projects 5 to 6 times the value to the initial investment being leveraged.
[34] See Jocelyn Y. Stewart, "Tenants Protest Suspension of Section 8 Aid," *Los Angeles Times*, 9 April 2004.
[35] See Barbara Sard et al., *Sources and Methods Used to Estimate Impact of Housing Voucher Proposals in Administration's Fiscal Year 2005 Budget* (Washington, DC: Center on Budget and Policy Priorities, 2004).
[36] See Center on Budget and Policy Priorities, *Local Effects of Proposed Cuts in Federal Housing Assistance Detailed: California* (Washington, DC: Center on Budget and Policy Priorities, 2004).
[37] See Dowell Myers et al.,"Estimation of Housing Needs amid Population Growth and Change," *Housing Policy Debate* (Washington, DC: Fannie Mae Foundation, 2002), Vol.13, Issue 3 (citing a John Landis study (2000) in *Housing Planning and Policy*, and a Stephen Levy study (2001) for the Center for the Continuing Study of the California Economy, that employed different methodologies to project housing growth).
[38] While 35 states have housing trust funds, only 28 have dedicated revenue sources. The others receive periodic allocations.
[39] See PolicyLink, "Housing Trust Funds," *Equitable Development Toolkit*, retrieved from http://www.policylink.org/EDTK/HTF/.
[40] California law requires the housing element to contain a detailed analysis of the locality's housing needs, resources, and constraints to housing development, as well as a 5-year program of actions to address those needs, resources, and constraints.
[41] See "The National Housing Trust Fund Campaign," *State and Local Housing Trust Funds in the United States*, *March 2002,* retrieved from http://www.nhtf.org/; and Mary Brooks, Center for Community Change, Frazier Park, CA. Interviewed by PolicyLink, June 2004.
[42] Washington's $10 per filing fee results in $12.5 million annually. Delaware charges $5 per filing, resulting in $1.2 million in revenue. Missouri's $3 per filing charge generates $4 million in revenues.
[43] See Maryland Department of Housing and Community Development, *Helpful Hints from MAHT*, retrieved from http://www.dhcd.state.md.us/maht/hints.asp
[44] See The Washington Association for Community Economic Development, *Financing the Washington State Housing Trust Fund* (Spokane, WA: The Washington Association for Community Economic Development, 1988).
[45] See California Revenue and Taxation Code Section 11911(a).
[46] A constitutional amendment must be approved through an initiative appearing on the statewide ballot. The measure can be placed on the ballot either by a 2/3 vote of the legislature or by gathering an elevated number of voters' signatures on initiative petitions. Passage on the ballot requires a simple majority.
[47] See Public Policy Institute of California, *Special Survey on California's Fiscal System,* January 2004, retrieved from http://www.ppic.org/content/pubs/S_104MBS.pdf. Sixty percent of all adults surveyed were in favor of splitting the property tax roles, and taxing commercial property at market value.
[48] See Simon Alejandrino et al., *Revenue, Production, and Economic Impact Estimates* (Berkeley, CA: Bay Area Economics, April 2004), Appendix A: Proposition 46 Allocation.
[49] Many state precedents exist for this type of fee: divorce paper filing fees fund domestic abuse services; a fee of 1⁄4 of 1 percent of value on building permits funds seismic testing; statewide fees on birth certificates fund the Children's Trust Fund; and the fee on pesticides supports integrated pest management studies.
[50] Calls to county recorder offices confirmed that, while documents can vary widely in length, the average document recorded ranges from three to five pages.
[51] See Simon Alejandrino et al., *Revenue, Production, and Economic Impact Estimates* (Berkeley, CA: Bay Area Economics, April 2004), Appendix A: Proposition 46 Allocation.
[52] See *Housing Bond Proposal Summary (SB 1227 as amended February 26, 2002), Housing Assistance Estimates (in thousands)*, California Department of Housing and Community Development, March 15, 2002.
[53] Proposition 46 supports numerous programs which assist homebuyers in purchasing new and existing market rate homes, thereby making the units "affordable." These newly affordable units are included in these totals.
[54] See Simon Alejandrino et al., *Revenue, Production, and Economic Impact Estimates* (Berkeley, CA: Bay Area Economics, April 2004), Appendix A. PolicyLink extrapolated from BAE analysis of Proposition 46 leverage to leverage of differing revenue amounts.
[55] See *Housing Bond Proposal Summary*, PolicyLink extrapolated from HCD economic impact to varying revenue levels.
[56] The figures expressed here are net of the economic activity that would be generated by increase in housing investment. Note that because Proposition 46 programs are currently

active and supporting economic activities and jobs, all the jobs projected here are not necessarily new to the state. If a revenue source is not passed, however, this amount of activity and jobs would be lost to the California economy.

[57] PolicyLink interviewed six local housing trust fund administrators in California to inform this analysis.

[58] See Corporation for Enterprise Development, *The Development Report Card for the States*, retrieved from http://drc.cfed.org/. Washington and California were among the top five states in the nation with the largest wealth gap between the wealthiest 20% and the poorest 20% of residents.

[59] Ibid.

[60] Ibid. Washington ranked first in the U.S. for number of new companies entering the market in 2003. Its 7.3% unemployment rate was higher than California's.

[61] In 2001, Senator Murray secured $1.75 million in federal funds to address the state's shortage of farm worker housing, and $180,000 was awarded from HUD to establish the Rural and Farmworker Housing Trust Fund.

[62] Washington's $10 per filing fee results in $12.5 million annually.

[63] See Mary Brooks, *Model State Housing Trust Fund Legislation*, PowerPoint Presentation to Bay Area Housing Trust Fund Cluster, 30 January 2004.

[64] See Corporation for Enterprise Development, *CFED's 2003 Development Report Card for the States*, retrieved from http://drc.cfed.org/. Massachusetts has the second highest median home prices and the 46th lowest home ownership rates in the country.

[65] See allrefer.com, "Massachusetts, Political Geography," retrieved from http://reference.allrefer.com/encyclopedia/M/Massach-economy.html. Ninety-one percent of the Massachusetts population is concentrated in urban areas—317 persons per sq km (821 per sq mi) in 2003.

[66] See Brookings Institution, "Boston in Focus: A Profile from Census 2000," November 2003, retrieved from http://www.brookings.edu/metro/livingcities/boston.htm.

[67] See Bonnie Huedorfer et al., *The Greater Boston Housing Report Card 2003: An Assessment of Progress on Housing in the Greater Boston Area* (Boston, MA: Northeastern University for The Boston Foundation and Citizens' Housing and Planning Association, April 2004).

[68] The Trust for Public Land, "Community Preservation Act (MA)," retrieved from http://www.tpl.org/tier3_cdl.cfm?content_item_id=1780 &folder_id=1045.

[69] The Community Reinvestment Act (CRA) requires banks to meet the broad needs of the communities in which they provide services. Federal regulators oversee banks' consumer, affordable housing, economic development, and other activities to ensure compliance with the CRA. The CRA has resulted in financial institutions making billions of dollars of new investments in communities of color across the country.

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Appendix 1
List of Interviewees

Gene Adams, Vice President for Governmental Affairs
Florida Association of Realtors

Darren Bobrowsky, Development Services Director
Sacramento Housing and Redevelopment Agency

Hugh Bower, Chief Consultant
California Assembly Housing and Community Development Committee

Don Brake, Policy and Planning Associate
Kansas Housing Resources Corporation / State Housing Trust Fund

Mary Brooks, Project Director
Housing Trust Fund Project, Center for Community Change

Doug Buck, Director of Governmental Affairs
Florida Home Builders Association

Janet Byrd, Director
Oregon Complete Community Coalition & Oregon Housing Now

Cindy Cavanaugh, City Community Development Program Manager
Sacramento Housing and Redevelopment Agency

Tim Coyle, Senior Vice President
California Building Industry Association

Greg deGiere, Consultant
California Senate Office of Research

Peter Detwiler, Consultant
California Senate Local Government Committee

Peter Dreier, Dr. EP Clapp Distinguished Professor of Politics and Director of Urban & Environmental Policy Program
Occidental College

John Eller, Head Organizer
California ACORN

Bill Faith, Executive Director
Coalition on Homelessness and Housing in Ohio

Janet Falk, Vice President of Real Estate Development
Mercy Housing California

Megan Farley, Associate Director
Washington Low Income Housing Network

Nick Federici, Lobbyist
Washington Low Income Housing Network

Cissy Fisher, Director of Housing Finance and Development
San Diego Housing Commission

Beverly Fretz-Brown, Director of Development Services
Sacramento Housing and Redevelopment Agency

Mike Garcia, President
SEIU Local 1877, California

Judy Garlow, Director, Legal Services Trust Fund Program
California State Bar

Lenny Goldberg, Executive Director
California Tax Reform Association

Mark Gomez, State Campaign Director
California ACORN

Aaron Gornstein, Executive Director
Citizens' Housing and Planning Association

Carl Guardino, President and CEO
Silicon Valley Manufacturing Group

Martin Helmke, Tax Consultant
California Senate Revenue and Taxation Committee

Mike Herald, Legislative Advocate
Western Center on Law and Poverty

Bob Hertzberg, Speaker Emeritus and Board Member
California State Assembly and Century Housing

Maureen Higgins, Managing Partner
Sloat Higgins Jensen & Associates

John Kefalas, former Public Policy Advocate
Catholic Charities of Colorado

Corine Knudsen, Managing Director
Washington Deptartment of Community, Trade, and Economic Development

Joe LaTorre, Deputy Director
San Francisco Mayor's Office of Housing

Margaret McCahan, Principal Budget Analyst
City Manager's Budget Office, City of San Jose

Chris McKenzie, Executive Director
League of California Cities

Christine Minnehan, Managing Advocate
Western Center on Law and Poverty

Betsy Morris, CEO
San Diego Housing Commission

Chuck Nicol, Consultant
California Assembly Appropriations Committee

Faye O'Dell, Housing Trust Fund Director
Kentucky Housing Corporation

John Pavalasky, Legislative Specialist
California Franchise Tax Board

Dorrie Pizzella, Executive Director
(Massachusetts) Community Preservation Coalition, Trust for Public Land

Michael Pooley, Program and Project Coordinator
Ohio Housing Finance Agency

Eileen Roush, Consultant
California Assembly Revenue and Taxation Committee

David Rosen, Principal
David Paul Rosen & Associates

Larry Rosenthal, Executive Director
Berkeley Program on Housing and Urban Policy

Jaimie Ross, Affordable Housing Director
1000 Friends of Florida

Jean Ross, Executive Director
California Budget Project

Fred Silva, Senior Advisor, Governmental Relations
Public Policy Institute of California

Dan Simpson, Director
Maine Housing Authority

Mark Stivers, Consultant
California Senate Housing Committee

Steve Szalay, Executive Director
California State Association of Counties

Sean Thomas, Assistant Director
Office of Planning, Preservation, and Development
Ohio Housing Finance Agency

Susan Tinsky, Chief Policy Advisor
San Diego Housing Commission

Rob Wiener, Executive Director
California Coalition for Rural Housing

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