

Date of Hearing: March 29, 2023

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Buffy Wicks, Chair

AB 426 (Jackson) – As Amended March 20, 2023

SUBJECT: Department of Housing and Community Development: California Statewide Housing Plan

SUMMARY: Requires the California Statewide Housing Plan to include a strategy for the state to keep pace with building housing units and affiliated infrastructure during an economic downturn. Specifically, **this bill:**

- 1) Requires that the strategy include:
 - a) The number of housing units needed to be built during an economic downturn for all income levels;
 - b) Recommendations for facilitating production at all income levels during and coming out an economic downturn;
 - c) The implications to the housing industry of not facilitating countercyclical housing construction; and
 - d) The process and administration, funding models, forecasts, and legal framework for the plan to be feasible with state and local governments.
- 2) Defines, for the purposes of this section, “economic downturn,” to mean two consecutive quarters of negative gross domestic product growth within the state.

EXISTING LAW: Requires the Department of Housing and Community Development (HCD) to develop the Statewide Housing Plan, including that:

- 1) The plan serves as a state housing plan for all relevant purposes.
- 2) It must be developed in cooperation with the private housing industry, regional and local housing and planning agencies, and other agencies of the state.
- 3) It must be updated every four years.
- 4) The plan must incorporate:
 - a) A statement of housing goals, policies, and objective;
 - b) An evaluation and summary of housing conditions throughout the state;
 - c) A determination of the statewide need for housing development for the plan period;
 - d) Goals for the provision of housing assistance for the plan period;

- e) An identification of governmental and nongovernmental constraints and obstacles and specific recommendations for their removal;
- f) An analysis of state and local housing and building codes and their enforcement;
- g) Recommendations for actions by federal, state, and local governments and the private sector;
- h) A housing strategy that coordinates the housing assistance and activities of state and local agencies;
- i) A review of housing assistance policies, goals, and objectives affecting the homeless;
- j) An inventory of the number of affordable units needed to meet the state's affordable housing needs for the plan period; and
- k) A housing data strategy (Health and Safety Code Sections 50420-50426).

FISCAL EFFECT: Unknown

COMMENTS:

Author's Statement: According to the author, "California cannot afford to stop building homes during an economic downturn or it will fail to build enough homes to keep pace with current housing demands. Currently, California law fails to mandate or account for a statewide plan to continuously build housing during an economic downturn. In fact, California has not been able to build more than 120,000 units of housing (annually) since the Great Recession. In 2007, California issued 207,000 housing permits, the highest total of the past two decades. This data clearly shows evidence of a clear correlation (if not causation) that during an economic downturn, the state's homebuilding permitting process will slow and could experience another slow recovery."

Statewide Housing Plan: Every four years, HCD is required to produce a Statewide Housing Plan, in coordination with the private sector and state, regional, and local housing and planning agencies. The most recent plan was released in March of 2022.¹ According to the most recent version, "The Statewide Housing Plan lays out a vision to ensure every Californian has a safe, stable, and affordable home. The state is working towards three objectives to achieve this vision:

- Keep Californians in their homes;
- Produce more affordable and climate-smart housing; and
- Continue to act with urgency to address homelessness and housing need.

The plan describes why we need to act now to address the state's housing affordability crisis, what we know about California's housing crisis, including how we got here and growing challenges, what the housing needs in California are, what our state and local governments are currently doing to address the problem, where we are going in the future, and how we will track our progress."

¹ <https://storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136>

Housing During and Economic Downturn: Market-rate housing production is feasible when the revenues from developing housing (the rents or sales price) exceeds the costs (design, process, materials and labor). During an economic downturn, revenues typically decline more quickly than costs, as households are able to pay less for housing. The result is that market-rate housing production can decline precipitously during an economic downturn. For example, in the three years prior to the recession of 1990, there were over 240,000 units built per year in California. By contrast, from 1991-1993, less than 100,000 units were built annually.²

The production of publicly-subsidized affordable housing may also be affected by economic downturns. Economic downturns typically cause budget deficits, which creates pressure to reduce discretionary funding for housing. For example, the previous two state budgets included over \$5 billion per year for affordable housing. This year's budget proposed less than \$3 billion.³

Economic downturns often have an effect on the housing market that last far longer than the downturn itself. When housing production declines, it leads to a decrease in construction jobs. These workers then seek work in other professions, or move out of state to pursue their line of work. When the economy recovers, it has proven difficult to replenish the construction workforce, making it difficult to produce same amount of housing as was constructed before the downturn. For example, the number of residential construction workers in California dropped steeply during the Great Recession that began in 2008, from about 160,000 in 2006 to about 80,000 in 2011.⁴ Even with strong economic upturn and demand for housing that lasted throughout the subsequent decade, the number of residential construction workers never exceeded 110,000.⁵ The number of units built was reduced commensurately – from a cyclical peak of over 200,000 units in 2005 to 130,000 units in 2017.⁶

AB 426 would require the state to develop a strategy to facilitate housing construction and commensurate infrastructure during an economic downturn and include it in the next Statewide Housing Plan due on January 1, 2025. The strategy would determine the state's housing needs during a downturn at all income levels, and include recommendations for facilitating production at all income levels during and coming out of an economic downturn. The strategy would also include the implications to the housing industry of not facilitating countercyclical housing construction to better prepare the state to facilitate housing production and worker retention during an economic downturn.

Arguments in Support: The supporter of the bill, the California Commission on Aging, argue that this bill “would provide the needed foresight and planning in order to avoid furthering the state's housing crisis.”

Arguments in Opposition: None on file.

² Ibid

³ <https://ebudget.ca.gov/2023-24/pdf/BudgetSummary/HousingandHomelessness.pdf>

⁴ See Figure 5: <https://norcalapa.org/2019/03/taking-the-high-road-to-fix-californias-broken-housing-production-system/>

⁵ Ibid

⁶ HCD's Statewide Housing Plan, March 2022. See figure entitled “New Permitted Units in California by Year and Structure Type”: <https://storymaps.arcgis.com/stories/94729ab1648d43b1811c1698a748c136>

Related Legislation:

AB 1474 (Reyes, 2023): Requires subsequent Statewide Housing Plans to factor in the needs of veterans. This bill is currently pending a hearing in this committee.

AB 1508 (Ramos, 2023): Requires subsequent Statewide Housing Plans to include a goal to increase home ownership among first-time home buyers in the state by at least 20 percent above the average of home ownership rates among first-time home buyers over the prior 4-year period. This bill is currently pending a hearing in this committee.

AB 68 (Salas, Chapter 341, Statutes of 2021): This bill updates the contents of the quadrennial Statewide Housing Plan and expands the requirements of the annual report produced by HCD.

REGISTERED SUPPORT / OPPOSITION:

Support

California Commission on Aging

Opposition

None on file.

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