

Date of Hearing: April 19, 2023

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

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

Policy Committee: Housing and Community Development                      Vote: 8 - 0

Urgency: No                      State Mandated Local Program: No                      Reimbursable: No

**SUMMARY:**

This bill requires the California Department of Housing and Community Development (HCD) to include a strategy for the state to “keep pace with building housing units and affiliated infrastructure during an economic downturn,” in each update to the California Statewide Housing Plan occurring on or after January 1, 2023.

Specifically, this bill:

- 1) Requires the strategy to 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 of an economic downturn.
  - c) The implications to the housing industry of not facilitating countercyclical housing construction.
  - 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.

**FISCAL EFFECT:**

- 1) HCD estimates one-time General Fund (GF) costs of \$1.2 million in budget year (BY) 2025-26, for consultant and staffing costs for the initial study, and \$924,000 in BY 2029-30, and every four years thereafter, for consultant and staffing costs for each subsequent plan update. These costs include the following:
  - a) One-time General Fund (GF) consulting costs of \$800,000 in BY 2025-26 for the initial study and strategy, and ongoing GF consulting costs of \$500,000 for each subsequent update of the Statewide Housing Plan, beginning in BY 2029-30, and every four years thereafter. HCD indicates these estimated consultant costs are consistent with estimates for a University of California research contract.

- b) Ongoing staffing costs (GF) of \$424,013 in BY 2023-24, and \$423,941 in BY 2024-25 and ongoing, for two additional staff to oversee the consulting work, develop the strategy, and incorporate the strategy into each update of the Statewide Housing Plan. In years when a plan update is not released only these staffing costs would be incurred.

**COMMENTS:**

- 1) **Purpose.** This bill seeks to better prepare the state to avoid exacerbating the current housing crisis during the next economic downturn by requiring HCD to add a strategy to the Statewide Housing Plan for continuously building housing during an economic downturn. According to California Commission on Aging, in support of the bill:

Since 2017, the number of Californians over the age of 55 seeking homelessness services grew by 84%, far outpacing the total population. This has occurred even as California has been experiencing relatively robust economic growth. The current housing crisis is exacerbated by the uncertainty of a potential economic recession in the years to come. As California's older adult population continues to grow, the state will need to approach housing from a perspective that acknowledges the disparities thrust upon older Californians. Planning for the next recession is an important step in avoiding expanding the current housing crisis.

- 2) **Statewide Housing Plan.** The California Statewide Housing Plan serves as the state housing plan for all relevant purposes. The plan was developed by HCD in cooperation with the private housing industry, as well as regional and local housing and planning agencies, and other agencies of the state. The plan incorporates a statement of housing goals, policies, and objectives, as well as eight specified segments.

Existing law requires HCD to update and revise the plan every four years. The revised plan must contain specified comparisons, revisions, updated recommendations for action and, beginning January 1, 2020, a 10-year housing data strategy. In addition, each update and revision occurring on or after January 1, 2023, must include an inventory of the number of affordable housing units needed to meet the state's affordable housing needs for the plan period.

This bill would require each update to the Statewide Housing Plan occurring on or after January 1, 2023, to also incorporate a strategy for the state to keep pace with building housing units and affiliated infrastructure during an economic downturn.

- 3) **Related Legislation.** AB 1474 (Reyes) requires subsequent Statewide Housing Plans to factor in the needs of veterans. AB 1474 is pending in this committee.

AB 1508 (Ramos) 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% above the average of home ownership rates among first-time home buyers over the prior four-year period. AB 1508 is pending in the Assembly Housing and Community Development Committee.