

Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

AB 1165 (Gipson) – As Amended March 24, 2025

SUBJECT: California Housing Justice Act of 2025

SUMMARY: Establishes the California Housing Justice Act of 2025. Specifically, **this bill:**

- 1) Establishes the California Housing Justice Fund in the General Fund (Fund) and requires the Legislature to invest an ongoing annual allocation in the Fund in an amount needed to solve homelessness and housing unaffordability.
- 2) Requires moneys in the Fund to be provided to the Department of Housing and Community Development (HCD) and expended to fund the following:
 - a) Evidence-based practices for solving homelessness, including, but not limited to, rental subsidies for permanent housing, homeless services, and flexible housing subsidy pools;
 - b) The development, acquisition, rehabilitation, and preservation of affordable and supportive housing that is affordable to acutely low, extremely low, very low, and lower income households, including necessary operating subsidies;
 - c) Social housing and other alternative models to traditional affordable housing development;
 - d) Tenant stability programs; and
 - e) Other uses the finance plan identifies as necessary to solve homelessness and housing unaffordability.
- 3) Requires HCD in coordination with the California Interagency Council on Homelessness (CA-ICH) and other stakeholders to create the following no later than January 1, 2027:
 - a) A finance plan to solve homelessness. This finance plan shall determine the funding necessary to create enough housing to meet the unmet housing needs of people experiencing homelessness, and the unmet housing needs of people expected to fall into homelessness based on the most recent statistics of rates of Californians falling into homelessness;
 - b) A finance plan to solve the housing unaffordability crisis. This finance plan shall identify funding necessary to meet the affordable housing needs the department identified in the most recent regional housing needs assessment; and
 - c) Statewide annual performance metrics through all of the following:
 - d) Updating annually the “Statewide Action Plan for Preventing and Ending Homelessness in California,” to include annual metrics to achieve goals established in the finance plan to solve homelessness, as specified; and

- e) Identifying and regularly updating annual metrics to achieve goals established in the finance plan to solve the housing unaffordability crisis, as specified.
- 4) Requires the Business, Consumer Services, and Housing Agency to report to the Legislature, on or before October 1 of each year, beginning in 2027, on its progress in meeting the performance measures and benchmarks contained in the finance plans and annual performance metrics. The agency shall publish goals on its website and update progress toward the goals at least annually.

EXISTING LAW:

- 1) Article XVI of the California Constitution sets forth rules for calculating a minimum annual funding level for K–14 education.
- 2) Article XVI Section 20 of the California Constitution establishes the Budget Stabilization Account (BSA) and requires the following:
 - a) Annual transfer of 1.5% of general fund revenues to the state BSA;
 - b) Additional transfer of personal capital gains tax revenues exceeding 8% of general fund revenues to the BSA and, under certain conditions, a dedicated K–14 school reserve fund;
 - c) Half of the BSA revenues must be used to repay state debts and unfunded liabilities;
 - d) Allows limited use of funds in case of emergency or if there is a state budget deficit;
 - e) Caps the BSA at 10% of general fund revenues, and directs remainder to infrastructure.

FISCAL EFFECT: Unknown.

COMMENTS:

Author’s Statement: According to the author,” California voters want to end homelessness and housing unaffordability and identify it as the top issue facing the state in survey after survey. So why, unlike public education, healthcare, behavioral health and transportation, do we fail to provide ongoing funding at scale to address the crisis? We would never expect our schools to educate our kids if they had to go up to Sacramento every year to make sure they had the money to keep their doors open—yet that’s what we ask of our housing sector, leaving it instead to a private market that has failed to provide housing security for millions of Californians.

We must commit to ongoing funding at the level needed to meet this crisis. One-time, temporary investments will not deliver the infrastructure and sustainability to end homelessness or housing unaffordability. We cannot afford to keep staring down a cliff that gets bigger and bigger each year, or run harder every day to stay in place, especially as federal investments in housing face greater uncertainty than ever before. It’s time to create ongoing funding at scale to allow California to mount a comprehensive response to homelessness that’s grounded in evidence-based solutions.

More Californians are falling into homelessness than ever before, and we must act with urgency to pass measures that will create more housing affordable to people with the greatest need. AB 1165, the Housing Justice Act, gives us a strategic roadmap to end homelessness and California's housing affordability crisis. The Act also gives direction on ongoing funding and calls for accountability. And it calls for California to invest in what it takes to solve our homelessness and housing crisis. Simply put, it calls on our state to lead on housing the way we've led on climate and the environment, on technology, on medical research. We can no longer wait for the federal government to do the right thing or continue to expect local governments to carry all of the burden. AB 1165 is the right way to tackle this crisis in an upfront, accountable, and ongoing way."

Homelessness in California: Based on the 2024 point in time count, 187,000 people experiencing homelessness on any given night California. Many of those people – 78% or 143,900 – are unsheltered, meaning they are living outdoors and not in temporary shelters. Nearly half of all unsheltered people in the country were in California during the 2024 count. Fifty-seven percent of people experiencing homelessness in California spent most nights outdoors, 21% in a vehicle. Homelessness grew at a higher rate in the nation (18%) than in California (3%) from 2023 to 2024, driven by a 25% jump in sheltered homeless in the US compared to 9% in California. The homelessness crisis is driven by the lack of affordable rental housing for lower income people. In the current market, 2.2 million extremely low-income and very low-income renter households are competing for 664,000 affordable rental units. Of the six million renter households in the state, 1.7 million are paying more than 50% of their income toward rent. The National Low Income Housing Coalition estimates that the state needs an additional 1.5 million housing units affordable to very low-income Californians.

According to the Statewide Housing Plan released in 2022 by the Department of Housing and Community Development (HCD), the state needs 2.5 million new housing units to meet the demand. Specifically, for lower-income households, the state needs 1.2 million units for households who make 80% of the area median income or less. According to HCD, the state needs 180,000 units of housing built a year to keep up with demand – including about 80,000 units of housing affordable to lower-income households.

The High Cost of Housing: The high cost of housing is the cause of homelessness in California. A study by the National Low Income Housing Coalition found that West Virginia has 50 affordable and available rental homes for every 100 extremely-low-income households, more than double the number that California has. A family in West Virginia can afford a two-bedroom rental on less than \$17 an hour – the second-lowest figure in the nation. In California a family would need more than \$40 per hour to be able to afford an average two-bedroom rental.

The Legislature has passed major legislation in recent years to allow affordable housing to be built on almost any site in the state. However, the lack of housing overall and in particular the continued lack of sufficient affordable housing is a problem that is decades in the making. Millions of Californians, who are disproportionately lower income and people of color, must make hard decisions about paying for housing at the expense of food, health care, child care, and transportation—one in three households in the state doesn't earn enough money to meet their basic needs. Currently, according to state homelessness data, for every five individuals who access homelessness services in California, only one is housed each year, leaving four unhoused.

According to the California Housing Partnership, although the state has doubled production of new affordable rental homes in the past five years, the state only funded 15% of what is needed to meet its goals. Californian voters have ranked housing affordability and homelessness as the two most important issues for the state to address. Yet, affordable housing funding at both the state and federal has never been consistently or adequately funded to meet the need.

Federal Funding: In the 1930s, the federal government began funding affordable housing construction in response to the Great Depression. In 1934, Congress created the Federal Housing Administration to make homeownership more accessible for more households through low down payments and long-term mortgage products. In 1937, the U.S. Housing Act began to fund the construction of public housing for lower income households. The housing stock at this time was very low quality and public housing was a significant improvement for lower-income households; however, over time, the revenues brought in from resident rents could not sustain the cost of operating and maintaining public housing, and the housing deteriorated.

In 1965, Congress created the Department of Housing and Urban Development (HUD), the first cabinet level housing entity. In the 1960s, HUD began providing subsidies to public housing agencies (PHAs) that would help make up the difference between revenue from rents and the cost of adequately maintaining the housing. In the 1950s and 1960s, HUD also began providing low interest rates and subsidies to private entities to purchase and rehabilitate rental housing and offer it at affordable rates. In 1973, President Nixon imposed a moratorium on all HUD programs to fund the new construction of homeownership and rental housing. In 1974, the Housing and Community Development Act of 1974 significantly overhauled HUD housing programs and moved toward block grants that granted local jurisdictions more authority, creating the Section 8 rental assistance program and the Community Development Block Grant program.

In the 1980s, the deinstitutionalization of persons with mental illness and the decline in supports for lower income households led to a sharp increase in homelessness. In response, Congress passed the McKinney-Vento Act of 1987 to provide social service programs at HUD to address homelessness.

In the 1980s and 1990s, private landlords began to opt-out of the Section 8 Housing Choice Voucher program, leading to a push to create more permanent affordable housing units. As a result, the Tax Reform Act of 1986 created the Low Income Housing Tax Credit, which provides tax credits to those investing in the development of affordable rental housing. That same Act codified the use of private activity bonds for housing finance, authorizing the use of such bonds for the development of housing for homeownership, as well as the development of multifamily rental housing.

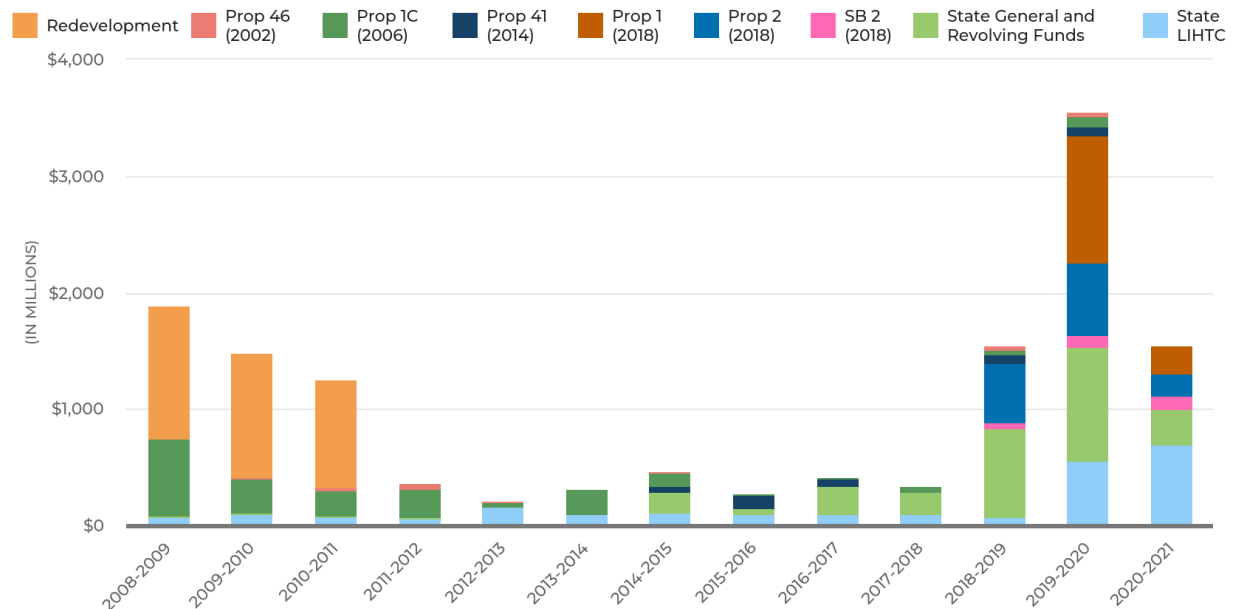
Although the American Rescue Plan from 2021-22 provided one-time funding for emergency shelters and rental assistance in response to COVID, no significant federal investment has occurred in addressing the housing needs of lower income households in the last 30 years. The largest federal ongoing funding programs at this time are the Housing Choice Voucher Program (\$3 billion a year) and the low-income housing tax credit program. Continued funding for the Housing Choice Voucher Program is in jeopardy based on the Trump Administration's early efforts to cut federal programs.

State Funding: Historically, the largest state investment in housing has been in homeownership. The state provides approximately \$5 billion in subsidy each year to homeowners through the

mortgage interest deduction. The investment in affordable rental housing is far less and much less consistent. The chart below shows the investment the state has made from 2008-2021 and highlights the lack of consistent funding and the complexity of funding sources.

STATE FUNDING

| State housing investments from FY 2008-09 to FY 2020-21.



California Housing Partnership | chpc.net/housingneeds

Voter-Approved Bonds: Over the past twenty years, the state has largely relied upon voter-approved bonds to fund the construction or rehabilitation of affordable rental housing, homeownership units and down payment assistance, and housing for special populations including veterans and special needs groups. The past several voter-approved bonds included:

- **Proposition 1 of 2024:** Authorized \$6.4 billion in bonds to finance behavioral health treatment beds, supportive housing, community sites, and funding for housing veterans with behavioral health needs. The Department of Health Care Services (DHCS) will administer \$4.4 billion of these funds for grants to public and private entities for behavioral health treatment and residential settings. \$1.5 billion of the \$4.4 billion will be awarded only to counties, cities, and tribal entities, with \$30 million set aside for tribes. HCD will administer \$1.972 billion for permanent supportive housing for individuals at risk of or experiencing homelessness and behavioral health challenges. Of that amount, \$1.065 billion will be for veterans. The initiative also revised how counties use money collected by Proposition 63: the Mental Health Services Act of 2004, shifting 30% of funds to housing supports to help people experiencing homelessness find and maintain permanent housing. These funds are ongoing and if used correctly could provide an ongoing fund sources to support rental assistance and services for permanent supportive housing.
- **Proposition 1 of 2018:** The Veterans and Affordable Housing Act of 2018 authorized \$4 billion in voter-approved bonds. One billion were revenue bonds to fund the CalVet homeownership program and \$3 billion were to fund existing affordable housing programs

that fund the construction of affordable rental housing for farmworkers, special needs populations, and lower-income households and programs to create new homeownership options for lower-income households.

- Proposition 41: Veterans Housing and Homeless Prevention Bond Act of 2014 authorized \$600 million in general obligation bonds to fund the acquisition, construction, rehabilitation, and preservation of multifamily supportive housing, affordable transitional housing, affordable rental housing, and related facilities for veterans and their families.
- Proposition 1C: Housing and Emergency Shelter Act of 2006 authorized \$2.85 billion in voter-approved bonds to fund existing affordable housing programs that fund the construction of affordable rental housing for farmworkers, special needs populations, and lower-income households and programs to create new homeownership options for lower-income households.
- Proposition 46: Housing and Emergency Shelter Crisis Act of 2002 authorized \$2.1 billion for existing affordable housing programs that fund the construction of affordable rental housing for farmworkers, special needs populations, and lower-income households and programs to create new homeownership options for lower-income households.

AB 736 (Wicks) which recently passed out of this committee on a vote of 10-1 would place a \$10 billion bond on the spring 2026 ballot to fund various affordable housing programs.

Permanent Funding: The state has a small number of ongoing funding sources for affordable housing, including the Building Homes and Jobs Act of 2017 and the state low-income housing tax credit.

The Building Homes and Jobs Act: In 2017, SB 2 (Atkins) established the Building Homes and Jobs Act, which for the first time, created an ongoing, dedicated revenue source for affordable housing. The Act imposes a \$75 fee on real estate transaction documents, excluding commercial and residential real estate sales, to provide funding for affordable housing. The Act required that in the first year, funds collected from the recording fee be split between homelessness programs and to localities to update planning documents and zoning ordinances. In year two and beyond, 70% of the funds are distributed directly to locals and 30% to the state to be spent for the following purposes: farmworker housing, state incentive programs, and mixed income multifamily residential housing affordable to lower and moderate income housing. Revenues generated by SB 2 are heavily dependent on the number of homeowners that refinance their home loans. Historically the revenues collected from SB 2 have ranged from \$250 million to \$520 million a year.

State Low-Income Housing Tax Credits (LIHTC): The state LIHTC was statutorily created in 1987 and requires that approximately \$70 million per year be available for the program. In 2019, AB 101 (Committee on Budget), Chapter 159 provided an additional \$500 million in state LIHTCs. The \$500 million is not statutorily required but has been included in each budget since 2019 as part of the base budget – meaning the Governor has included it in his January budget. The additional \$500 million LIHTCs were coupled with tax-exempt bonds and the 4% federal credits, in part, to encourage developers to fully utilize any remaining federal tax-exempt bonds that were being left on the table. The Governor did not include \$500 million for the LIHTC in his January 2025 proposed budget.

Affordable Housing and Sustainable Communities Program (AHSC): AHSC is funded through cap-and-trade revenues and is used for the infrastructure costs of affordable housing developments. It aims to promote dense, transit-oriented development and lower housing-related carbon emissions by funding developments that have a measurable reduction in greenhouse gas emissions because of proximity to transit. In January of 2022, the Strategic Growth Council announced \$808 million in funding awards for 37 affordable housing projects across the state. Since the AHSC program launched it has invested over \$2.4 billion across the state through 164 sustainable projects, creating over 15,000 affordable units and reducing almost 4.4 million tons of GHG emissions over the projects' operating lives.

One-time General Funding: Although historically the General Fund has not been a significant source of funding for affordable housing, beginning in 2019, Governor Newsom and the Legislature have included significant one-time resources for affordable housing.

In 2019-20 through 2023-24, the Budget provided a total of about \$12 billion for various one-time, discretionary housing initiatives. In Budget year 2021-22, the amount invested is significantly higher because of federal funds the state received through the American Rescue Plan in response to COVID. These totals may not reflect funding provided through other programs that serve people who are homeless or at risk of homelessness found in the human services programs.

The lack of permanent ongoing funding to construct affordable housing has contributed to the severe affordability crisis particularly for lower-income households and a growing number of people experiencing homelessness.

Purpose of This Bill: This bill would require HCD in consultation with CA-ICH to develop a finance plan to solve homelessness. This finance plan would determine the funding necessary to create enough housing to meet the unmet housing needs of people experiencing homelessness, and the unmet housing needs of people expected to fall into homelessness based on the most recent statistics of rates of Californians falling into homelessness. The plan would have metrics tied to outcomes to determine success. This bill establishes the California Housing Justice Fund (Fund) in the General Fund and requires the Legislature to invest an ongoing annual allocation in the Fund in an amount needed to solve homelessness and housing unaffordability. Since this bill does not include an appropriation, future action would need to be taken by the Legislature to appropriate money into the Fund.

Arguments in Support: According to a coalition of supporters "AB 1165 addresses this challenge by requiring the state to create the California Housing Justice Fund and make the investments needed at scale to solve this crisis. The bill would require the state to create financing plans for ongoing investments at the scale necessary to solve homelessness and the housing affordability crisis, an essential step in ensuring that funding to address housing insecurity and homelessness is reliable and sufficient. Taken together, these actions would ensure the state is finally tackling this challenge with appropriate urgency to provide security and stability to all of its residents. We hope you will join us in supporting this legislation."

Arguments in Opposition: The California Association of Realtors are opposed to this bill unless it is amended to prohibit the conversion of entry level market rate homeownership housing units (i.e., single family homes with ADUs, jr. ADUs, duplexes, triplexes and fourplexes) to rental housing.

Related Legislation:

AB 71 (L. Rivas) of 2021 would have conformed state law to the federal Global Intangible Low-Taxed Income (GILTI) provisions and taxed repatriated income to finance the Bring California Home Fund. Held on the Assembly Floor.

AB 1905 (Chiu) of 2020 would have eliminated the mortgage interest deduction on second homes and used the General Fund savings to finance immediate and long-term solutions to homelessness by moving homeless individuals and families into permanent housing. Estimated possible revenues of \$300 million each year. Held by the author in this committee.

SB 2 (Atkins), Chapter 364, Statutes of 2017: Established a permanent funding source for affordable housing that ranges from \$300 - \$500 million a year and is dependent upon homeowners refinancing a home or making other changes to the ownership.

AB 71 (Chiu) of 2017 would have eliminated the mortgage interest deduction on second homes and used the general fund savings to increase the low income housing tax credit. Estimated possible revenues of \$300 million each year. Held on the Assembly Floor.

REGISTERED SUPPORT / OPPOSITION:**Support**

ACLU California Action (Co-Sponsor)
Abode Services
All Home
Alliance of Californians for Community Empowerment (ACCE)
Bring California Home
Buccola Family Homeless Advocacy Clinic
California Center for Movement Legal Services
California Housing Partnership
CalPACE
Compass Family Services
Congregations Organized for Prophetic Engagement (COPE)
Corporation for Supportive Housing
Destination: Home
Disability Rights California
Disability Rights Education & Defense Fund
Downtown Women's Center
East Bay Housing Organizations
Episcopal Community Services
Eviction Defense Collaborative
Evolve California
Homeless United for Friendship and Freedom
Housing and Economic Rights Advocates
Housing California
Housing Is a Human Right OC
Housing Now!

Human Impact Partners
Imperial Valley Equity and Justice Coalition
Inner City Law Center
John Burton Advocates for Youth
Justice in Aging
LA Progressive
Lawyers Committee for Civil Rights of the San Francisco Bay Area
Little Tokyo Service Center
My Friend's Place
National Alliance to End Homelessness
National Homelessness Law Center
NoHo Home Alliance
PATH
PolicyLink
PowerCA Action
Public Advocates
Reclaim Our Power Utility Justice Campaign
Resources for Community Development
Sacramento Homeless Union
Safe Place for Youth
San Diego Organizing Project
San Francisco Community Land Trust
South Tower Community Land Trust
SSG-HOPICS
Strategic Actions for a Just Economy
Supportive Housing Alliance
Sycamores
Tenants Together
The Bride's Chamber
The Center in Hollywood
Western Center on Law and Poverty
Western Regional Advocacy Project

Opposition

California Association of Realtors (oppose unless amended)

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