

- 2) *California's Housing Crisis.* California is in the midst of a severe housing crisis. Over two-thirds of low-income renters are paying more than 30% of their income toward housing, a “rent burden” that means they have to sacrifice other essentials such as food, transportation, and health care.¹ In 2023, over 181,000 Californians experienced homelessness on a given night, with a sharp increase in the number of people who became homeless for the first time.² The crisis is driven in large part by the lack of affordable rental housing for lower income people. According to the California Housing Partnership's (CHP) Housing Need Dashboard, in the current market, nearly 2 million extremely low-income and very low-income renter households are competing for roughly 687,000 available and affordable rental units in the state. Over three-quarters of the state's extremely low-income households and over half of the state's very low-income households are severely rent burdened, paying more than 50% of their income toward rent each month. CHP estimates that the state needs an additional 1.2 million housing units affordable to very low-income Californians to eliminate the shortfall.³ By contrast, production in the past decade has been under 100,000 housing units per year – including less than 10,000 units of affordable housing per year.⁴
- 3) *Background for Federal Housing Programs.* HUD's Continuum of Care Program is the core federal funding stream to aid communities in addressing homelessness through a coordinated community-based process of identifying needs and building a system of housing and services to address those needs. Section 427 of the federal McKinney-Vento Homeless Assistance Act, as amended by the HEARTH Act of 2009, directs the Secretary of HUD to establish a funding formula based upon specified factors that are appropriate to allocate funds to meet the goals and objectives of the program.

Since 2012, the CoC funding formula has been based on the higher of a pro rata need formula for awarding Emergency Solutions Grants and Community Development Block Grants (CDBG), or a performance baseline Annual Renewal Demand amount, to ensure that no community receives less funding than in the prior year. The CDBG formula, last updated in 1977, utilizes urban blight, as reflected in the age of housing stock, and population growth lag factors to allocate funds, which may measure community development needs generally, but are not specifically tailored to measure homelessness in communities.

¹ <https://chpc.net/housingneeds/>

² <https://www.huduser.gov/portal/datasets/ahar/2023-ahar-part-1-pit-estimates-of-homelessness-in-the-us.html>

³ <https://chpc.net/housingneeds/>

⁴ <https://www.hcd.ca.gov/policy-research/housing-challenges.shtml>

Though most communities now receive their Annual Renewal Demand amount as it is higher than their pro rata need formula amount, this original imbalance has led, over time, to a mismatch between the amount of people experiencing homelessness in California communities and the amount of funding awarded via the CoC formula.

The Obama Administration reopened public comment on the CoC funding formula in 2016 and proposed for comment several alternative formulas with better attention to factors that have a clearer empirical link to rates of homelessness in communities than the existing formula. The Obama Administration did not finalize a rule before departing office.

Modifications to the funding formula could be helpful if coupled with significant increases to funding for the program, in particular given significant increases in costs due to inflation and the growing recognition of the importance of increasing pay and job quality for workers in the homelessness services sector. In addition, the 2023 Point-in-Time Count showed an increase in homelessness nationwide, and a 6% increase in homelessness counts in California.

This resolution urges the Biden Administration to consider reopening the CoC funding formula rulemaking to address the needs of communities on the front lines of the homelessness crisis, as was recently proposed by HUD in the fall of 2023, with the goal of providing more funding to jurisdictions with higher homeless rates. This resolution also urges Congress to significantly increase funding for the program, given the continued growth in homelessness across California and across the nation.

RELATED LEGISLATION:

AJR 9 (McKinnor, 2023) — requests the Congress of the United States to pass, and the President to sign, the Housing Crisis Response Act of 2023 (H.R. 4233), the Ending Homelessness Act of 2023 (H.R. 4232), and the Downpayment Toward Equity Act of 2023 (H.R. 4231). *This resolution is being heard at this same hearing in the Senate Housing Committee.*

FISCAL EFFECT: Appropriation: Fiscal Com.: No Local:

POSITIONS: (Communicated to the committee before noon on Wednesday, May 29, 2024.)

SUPPORT:

None received.

OPPOSITION:

None received.

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