

The Case for Prioritizing Affordable Housing for Extremely Low Income (ELI) Households

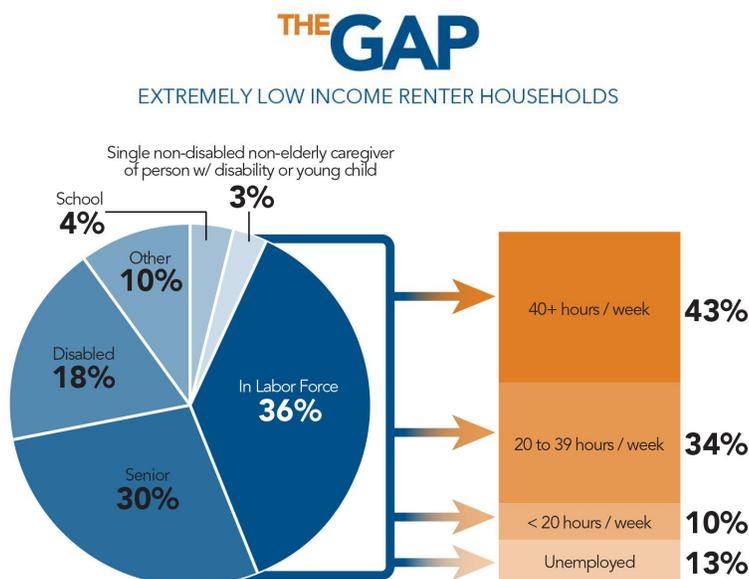
While California’s historic housing crisis grows deeper every day, its impacts are not felt equally. In fact, it is **extremely low income (ELI) households** who are disproportionately impacted by the lack of affordable housing in our region - creating not only tragic results for these vulnerable residents, but serious impacts for our entire community. As we forge strategies to solve our crisis, we must take steps to prioritize the production of more affordable housing for ELI households.

THE PROFILE OF AN ELI HOUSEHOLD

Extremely low income (ELI) households represent the lowest-earning households in our community and are defined as those who make less than 30% of the area’s median income.¹

In Santa Clara County, a one-person household making less than \$33,150 or a four-person household making less than \$47,350 would fall in the ELI category.² With such low incomes in an extremely expensive region, ELI households struggle daily to cover the cost of housing and other basic needs.

ELI households also share many of the same characteristics of the most marginalized members of our community, and a report by the National Low Income Housing Coalition, titled *The Gap*, details the profile of ELI households in the U.S.³



Note: Mutually exclusive categories applied in the following order: senior, disabled, in labor force, enrolled in school, single adult caregiver of a child under 7 or of a household member with a disability, and other. Senior means householder or householder’s spouse (if applicable) is at least 62 years of age. Disabled means householder and householder’s spouse (if applicable) are younger than 62 and at least one of them has a disability. Working hours is usual number of hours worked by householder and householder’s spouse (if applicable). School means householder and householder’s spouse (if applicable) are enrolled in school. Fourteen percent of extremely low-income renter households include a single adult caregiver, 55% of whom usually work more than 20 hours per week. More than ten percent of extremely low-income renter householders are enrolled in school, 48% of whom usually work more than 20 hours per week. Source: 2019 ACS PUMS.

- A large portion of ELI households have exited the workforce or are living on fixed incomes. In fact, 48% of ELI households include seniors and/or individuals with a disability.
- In addition, many ELI households are employed, but at extremely low wages. 36% of ELI households are in the labor force - 43% of whom work 40+ hours per week.
- Finally, minority households are far more likely to fall in the ELI category than white households: 20% of black households, 18% of American Indian or Alaska Native households, 14% of Latino households, and 10% of Asian households are ELI renters - compared to only 6% of white non-Latino households.

¹ In comparison, very low income (VLI) households make between 30% and 50% of the area’s median income, and low income (LI) households make between 50% and 80% of the area’s median income.

² U.S. Department of Housing and Urban Development income limits for Santa Clara County as of December 2020:

https://www.huduser.gov/portal/datasets/il.html#2020_query

³ National Low Income Housing Coalition, *The Gap* (2021). https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf

ELI HOUSEHOLDS ARE DISPROPORTIONATELY AFFECTED BY THE REGION'S LACK OF AFFORDABLE HOUSING

The region's affordable housing crisis touches residents of all means. However, the data reveals that our housing deficit and the resulting impacts are most severe at the ELI level.

A 2007 San Jose State University study evaluated the affordable housing need and planned production in Santa Clara County for the next 20 years. The study found the greatest affordable housing deficit, by far, at the ELI level. In fact, the researchers projected **an unmet need of 34,364 ELI housing units - 10x greater than the unmet need at any other income level.**⁴

Housing Need and Funding, 2005–2024

	ELI (0–30% AMI)	VLI (31–50% AMI)	LI (51–80% AMI)	MOD (81–120% AMI)	Total
Gross/Total Need	42,483	12,978	13,260	22,187	90,908
Planned Production	8,119	10,148	16,237	19,089	50,616
Unmet Need	34,364	2,830	-	3,098	40,292
Funding Gap*	\$3,780,040,000	\$198,100,000	\$0	\$154,900,000	\$4,133,040,000

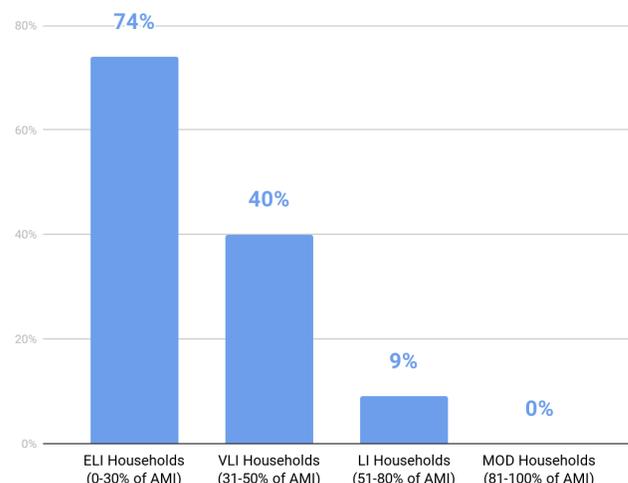
*The funding gap is the additional local subsidy required over the next 20 years to develop a sufficient number of affordable units to meet the unmet need.
Sources: San Jose State University, The Institute for Metropolitan Studies, 2005; US Census, 2004.

Unfortunately, the situation has not improved since that study was released. The National Low Income Housing Coalition's 2021 report, *The Gap*, looks at the number of affordable and available rental units (both deed-restricted units and those available in the private market) at different income levels. They found that there were only 16,825 affordable and available rental units for the 57,375 ELI renter households in the San Jose metro area. This translates to only **29 affordable and available units for every 100 ELI renter households.**⁵

The lack of affordable housing also impacts ELI households far more severely than households in higher income brackets.

The Gap report found that **74% of ELI renter households in the San Jose metro area are severely cost-burdened** and spend more than 1/2 of their income on rent and utilities. These severe rent burdens place ELI households at a much greater risk for not only housing instability, but a variety of other impacts, including: poor health, reduced economic mobility, and lower cognitive development and academic achievement among children.⁶

Percent of Households Severely Rent Burdened



⁴ Shishir Mathur and Alicia Parker, *Housing Silicon Valley: A 20 Year Plan to End the Affordable Housing Crisis* (2007). http://scholarworks.sjsu.edu/cgi/viewcontent.cgi?article=1016&context=urban_plan_pub

⁵ National Low Income Housing Coalition, *The Gap* (2021). https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf

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THE LACK OF ELI HOUSING & OUR HOMELESSNESS CRISIS

There is broad consensus among experts that the lack of affordable housing for our lowest-income households serves as a major cause of our homelessness crisis.

As the Bay Area Council Economic Institute noted in its 2019 report, *Bay Area Homelessness*: “For extremely low-income (ELI) households - those earning less than 30 percent of the area median income - the Bay Area’s expensive housing market dramatically narrows the margin between housing insecurity and homelessness.”⁷

In fact, data from the Homelessness Prevention System in Santa Clara County shows that **ELI households comprised 85% of all those assessed as being at high-risk of falling into homelessness.**⁸

In contrast, higher income households have significantly more discretionary income and savings - and even those who are severely rent-burdened are less likely than similarly rent-burdened ELI households to fall behind on rent or be threatened with eviction.⁹

Furthermore, the lack of ELI housing constrains our ability to connect more homeless individuals with permanent housing, as **most households experiencing or exiting homelessness can only afford housing targeted for ELI residents.**

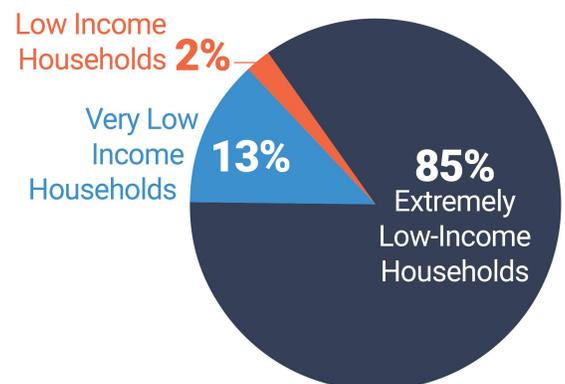
It’s important to remember that the impacts are not limited to those who find themselves without a home. The truth is that we all suffer the consequences of the lack of ELI housing and its resulting contribution to homelessness. And nowhere is this cost more apparent than the \$520 million in public safety, health care, criminal justice and other public services attributed to homelessness each year in Santa Clara County.¹⁰

WHY DOESN’T MORE ELI HOUSING GET BUILT?

There are several barriers to producing housing for ELI households, both in the private market and when subsidized by the government.

First, the current economic climate has made it financially undesirable - and infeasible - for most private, market-rate developers to construct housing that’s affordable for ELI households. The rent an ELI household can afford to pay is not only far short of what a new apartment can demand on the open market, it is typically insufficient to cover the cost of constructing, operating and maintaining the unit. A “market solution” simply does not exist for ELI households in our region.

Households Receiving a High Risk Assessment by the Homelessness Prevention System (by Income Level)



⁷ Bay Area Council Economic Institute, *Bay Area Homelessness: A Regional View of a Regional Crisis* (2019). http://www.bayareaeconomy.org/files/pdf/Homelessness_Report_2019_web.pdf

⁸ HMIS data for the Santa Clara County Homelessness Prevention System, through June 30, 2020.

⁹ *The 2015 Annual Homeless Assessment Report to Congress, Additional Forms of Homelessness and Housing Instability*. <https://www.hudexchange.info/onecpd/assets/File/2015-AHAR-Part-2-Additional-Forms-of-Homelessness-and-Housing-Instability.pdf>

¹⁰ Daniel Flaming, Halil Toros and Patrick Burns, Economic Roundtable, *Home Not Found: Cost of Homelessness in Silicon Valley* (2015). https://destinationhomesv.org/wp-content/uploads/2015/05/er_homenotfound_report_6.pdf

Even worse, these same economic forces are pushing more of the *existing* housing stock out of reach for ELI households here in Santa Clara County. Between 2011 and 2017, the least expensive quartile of housing units saw rents increase 36% while incomes for ELI households grew only 15 percent.¹¹

Sadly, the production of publicly-financed affordable housing for ELI households faces challenges as well. Compared to affordable housing at higher income levels, ELI housing requires a greater public investment because it generates less ongoing rent revenue. In addition, stigmas associated with “low-income housing” often translate to neighborhood opposition that slows or deters new ELI housing development.

These challenges have meant that ELI housing is often passed over in favor of affordable housing for higher income households. According to the Bay Area Council Economic Institute, in 2018, only 12% of the units funded using Low Income Housing Tax Credits (the country’s signature source of financing for affordable housing) were for ELI households.¹²

PRIORITIZING AFFORDABLE HOUSING FOR ELI HOUSEHOLDS

We must take immediate action to address the enormous deficit of ELI housing in our community and the myriad of serious impacts it has caused.

In order to significantly accelerate ELI housing production, we will have to shift our policymaking lens from treating all types of affordable housing equally to properly prioritizing and incentivizing the type of housing our community most desperately needs.

Here in Santa Clara County, we’ve seen a few local jurisdictions take this important step:

- The County of Santa Clara’s Measure A bond (approved by voters in 2016) allocated about 3/4 of its \$950 million in revenues towards ELI housing, and its subsequent NOFA guidelines require that developments include a minimum percentage of ELI housing (and/or a minimum percentage of supportive housing) in order to qualify for funding.¹³
- In April 2019, the City of San Jose adopted a first-of-its-kind affordable housing investment policy that allocates 45% of its total affordable housing funds towards ELI housing production. At the time of its adoption, the new investment policy was projected to generate an additional \$80 million in funding for ELI housing over the next five years.¹⁴

Thanks to the leadership of these jurisdictions, more than one thousand new ELI housing units are now moving their way through the local development pipeline.

But the data clearly demonstrates that we have far more work to do.

¹¹ Bay Area Council Economic Institute, *Bay Area Homelessness: A Regional View of a Regional Crisis* (2019). http://www.bayareaeconomy.org/files/pdf/Homelessness_Report_2019_web.pdf

¹² Bay Area Council Economic Institute, *Bay Area Homelessness: A Regional View of a Regional Crisis* (2019). http://www.bayareaeconomy.org/files/pdf/Homelessness_Report_2019_web.pdf

¹³ Santa Clara County Office of Supportive Housing website (updated July 23, 2019). <https://www.sccgov.org/sites/osh/HousingandCommunityDevelopment/AffordableHousingBond/Pages/home.aspx>

¹⁴ Emily DeRuy, The Mercury News, *San Jose boosts affordable housing funding for poorest residents* (April 10, 2019). <https://www.mercurynews.com/2019/04/09/san-jose-council-approves-converting-market-rate-housing-to-affordable-housing/>



We need more local jurisdictions in Santa Clara County - as well as elected leaders at the State and Federal level - to similarly adopt affordable housing policies that prioritize housing for ELI households:

	Policy Actions to Accelerate ELI Housing Production
LOCAL Policymakers	<p>Local jurisdictions should dedicate a significant portion of their affordable housing funding streams towards ELI housing.</p> <p>When issuing affordable housing NOFAs or RFPs to develop housing on public land, priority should be given to developments that include ELI housing units.</p> <p>When upzoning sites or taking other value-enhancing land use actions, local jurisdictions should impose a higher affordable housing requirement that includes a minimum percentage of ELI units.</p>
STATE Policymakers	<p>To incentivize ELI housing production at the local level, the State of California should:</p> <ol style="list-style-type: none"> 1. Dedicate a portion of its Low Income Housing Tax Credits to ELI units. 2. Consider a pilot program that provides matching funds to local jurisdictions that invest their own local resources into ELI housing. <p>Any legislation designed to speed up the development process for affordable housing projects should require or incentivize the inclusion of ELI units in order to qualify.</p>
FEDERAL Policymakers	<p>Congress should increase funding to affordable housing grant programs that specifically target our lowest-income households (like the Housing Trust Fund) and set minimum ELI housing targets for existing affordable housing grant programs (like CDBG & HOME).</p> <p>The Federal government should provide local Housing Authorities with:</p> <ol style="list-style-type: none"> 1. Additional housing voucher allocations to meet the growing need. 2. Flexibility to expand the use of Project Based Vouchers (PBVs), which serve as a key ongoing funding mechanism for ELI housing developments.

As we work to build more affordable housing for ELI households, we should also consider actions that would increase the assistance and/or incomes of ELI households. This includes:

- Increasing the minimum wage and expanding opportunities for extremely low-income households to earn a living wage.
- Helping vulnerable families by increasing funding for Child Welfare programs, the Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF).
- Ensuring that disabled persons can meet their basic needs by increasing Supplemental Security Income (SSI) payments, the State Supplementary Payment (SSP) program, the Social Security Disability Insurance (SSDI) program, and expanding Medi-Cal Assisted Living Waiver programs.

Now's the time to take concrete steps to address the devastating impacts that our housing crisis is causing on ELI households and build the type of affordable housing that our community most desperately needs.