

# Newsom’s legislative proposal to build low-income housing in California faces funding concerns

By Eric He

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Gov. [Gavin Newsom](#)’s legislative push to require California cities to plan more housing for people experiencing homelessness is moving quickly in Sacramento — but it still faces opposition from cities and counties, along with questions about funding.

[The proposal](#) — authored by Assembly Housing Chair [Chris Ward](#) (D-San Diego) — would add two lower-income categories to the Regional Housing Needs Allocation, the set of housing goals the state has established for cities and counties to promote housing affordability at various income levels. However, the measure has faced pushback from the League of California Cities, which argues that the state has not set aside enough funding to implement the proposal.

Ward agreed with the cities’ concern, but called it a “separate and related question” because the bill only calls for planning. He also acknowledged that the existing RHNA targets for low-income housing have already been difficult for localities to meet, and that there aren’t enough resources to go around.

“It is a work in progress, and we’ve got to do more,” Ward told POLITICO. “So I don’t disagree with that. These are sort of two parallel thoughts here: One is the planning side, one is actual development and the implementation side — and I want to work on both questions.”

## WHAT’S IN THE BILL?

*This Pro Bill Analysis is based on the [text of the bill](#) as amended on May 6.*

The bill would require jurisdictions to consider “acutely low income” and “extremely low income” categories in their housing elements — meaning the housing elements of a community’s general plan — and would add those definitions to [Section 65582 of the Government Code](#) (Sec. 1).

“Acutely low income,” as already defined in the [Health and Safety Code](#), would apply to people and families with incomes below 15 percent of the area median income (AMI) — or the median family income of a geographic area of the state, which is adjusted based on family size and revised annually.

People and families would be categorized as “extremely low income” if they have an income level above that of an acutely low income household, but that does not exceed the limit set by the federal Housing and Urban Development Department, as defined in the [Health and Safety Code](#). According to [federal code](#), that limit is generally 30 percent of the AMI, with exceptions as determined by HUD or [federal poverty guidelines](#).

Meanwhile, “very low income” households would have an income higher than that of extremely low income households, but — per the [Health and Safety Code](#) — lower than the limits established [Section 8 of the United States Housing Act of 1937](#). In the event that federal guidelines are discontinued, the state income limit would be set at 50 percent of AMI (Sec. 1).

The measure would also add definitions to the California Government Code for “above moderate income,” “lower income” and “moderate income.” These definitions would then be added to various sections of existing law pertaining to the housing element — a requirement for local jurisdictions to plan for a specific number of units for various income levels — and the new definitions would be included under “household income levels” (Sec. 5).

Acutely and extremely low income households would need to be included in a housing element’s analysis of special housing needs — along with the elderly, people with disabilities, large families, farmworkers, families with female heads of households and families in need of emergency shelter (Sec. 2).

Acutely low, extremely low and very low housing would have to be accommodated in the rezoning of areas that do not contain enough adequate sites to build housing for all income levels. The jurisdiction would be required to identify sites that can be developed within a certain planning period (Secs, 2-5).

In reviewing its housing element, a local jurisdiction must include and consult data on the housing needs of individuals and families experiencing homelessness when considering the assumptions and methodology used to determine the allocation (Sec. 6).

When considering whether to reduce a specific county's share of regional housing needs, the measure would require that low, very low, extremely low and acutely low income housing units are only reduced proportionally to the reduction of any moderate and above-moderate income housing (Sec. 7).

The measure would specify that acutely low income households be included in consideration of "units affordable to very low income households," when a developer is looking to meet certain objective standards to be eligible for ministerial, streamlined approval. In such cases, the definition would apply if the jurisdiction did not issue building permits for enough very low income or low income, as required under its own plan, subjecting the development to a minimum percentage of below market rate housing (Sec. 8).

The bill would not contain an appropriation and it would apply locally — to all cities, including charter cities — with the Legislature declaring that creating affordable housing to combat the housing crisis is a matter of statewide concern (Secs. 9, 10).

## WHO ARE THE POWER PLAYERS?

The proposal is in line with Gov. [Gavin Newsom](#)'s desire for accountability from cities to build and plan for more housing. The governor recently [said in a statement](#) that the approach will require locals to "better account for the needs of the lowest-income households and people experiencing homelessness in their long-term housing plans."

Assemblymember [Chris Ward](#) (D-San Diego), chair of the Assembly Housing Committee, is carrying the bill, with state Sen. [Catherine Blakespear](#) (D-Encinitas) — who [introduced a similar measure](#) last year — as the principal co-author. Blakespear said that while cities may not enthusiastically embrace the proposal, they will ultimately comply.

"It can be very hard for cities to find the energy, capacity and time to work on problems that aren't required," Blakespear told POLITICO. "It's important that we do have this as part of an obligation for cities."

The [proposal mirrors suggestions](#) by the **California Department of Housing and Community Development** in April calling for the local housing needs allocation process to include people experiencing homelessness.

The **League of California Cities** — which represents 476 cities in California — is taking a "concerned" position on the bill, [writing in a letter](#) to Ward that the measure would "require local governments to account for the housing needs of people experiencing homelessness in their housing elements without funding to develop the plan, implement strategies, or support the construction of affordable housing." The **Placer County Board of Supervisors** asked for the bill to only apply if localities are not reducing their population of homeless residents below a certain benchmark.

**Caroline Grinder**, legislative affairs lobbyist for community services for the League of California Cities, said during a May 14 hearing that "some of these additional obligations for our communities will be especially challenging" without the necessary funding.

## WHAT'S HAPPENED SO FAR?

The Assembly Housing Committee advanced the measure 7-1 on May 14, although lawmakers on both sides of the aisle questioned how cities would be able to subsidize such housing, given [Newsom's proposed cuts to](#) housing programs to address the state's deficit.

"Creating more categories is just showing that we are deeper behind on these issues, especially when during the administration's proposed budget, they are just slashing almost all the budgetary funds possible," said Assemblymember [Alex Lee](#) (D-San Jose), who ultimately voted in favor of the bill.

Ward acknowledged that addressing the state’s housing shortage will be difficult in a bad budget year. But he noted the proposal only seeks to improve the planning process for new housing and help cities set expectations for the next housing element cycle.

But there is a sense of urgency in passing the bill this year in order for it to take effect in 2025, Ward said, because that would give cities a few years to think about planning for the new income levels before 2028 — when localities begin reviewing their housing elements.

Blakespear’s bill last year was held in the Assembly for what she believes were issues with funding. Though she agrees cities can’t provide housing without money, planning is also part of the solution.

“There are many cities that didn’t want to plan for low-income housing, and didn’t have zoning that would accommodate any type of high-density housing, which is more affordable for low-income people,” Blakespear said. “So it is about money, but it’s also about other things. It’s about planning, land use, barriers and cutting red tape and creating a pathway for an actual project to be built.”

Additionally, the bill aims to clarify that interim shelters should not be counted as a housing unit, Ward said. The League of California Cities argued that the measure is duplicative, because local governments are already required to assess the need for shelters and transitional housing.

Ward told POLITICO he is trying to “tease out” counting interim shelters as housing units as part of the RHNA process. While he would not approve of a jurisdiction counting a temporary shelter as meeting their “acutely low income” requirements, he remains open to a conversation about whether that would help the state meet its housing goals.

“If you’re really trying to think about the totality of needs and interim shelter as just that — it’s interim,” Ward said. “It’s meant to be able to capture somebody and at least get them out of the elements. But it is not a forever home.”

The [current RHNA income levels](#) categorize people earning up to 50 percent of the AMI as “very low income,” which the bill’s backers contend is too broad and doesn’t account for the lowest-income households. The proposed new categories — “extremely low income” and “acutely low income” — would create ranges for people earning as little as 0 to 15 percent of area median income, and would require jurisdictions to plan housing for those particular income levels.

Newsom pushed back against the notion that there wasn’t enough money for housing when he proposed his budget revision on May 10, pointing to funding from [Proposition 1](#) and existing state programs such as [Project Homekey](#).

## **WHAT’S NEXT?**

The bill has moved quickly through the Legislature after its introduction in early May as an amendment to an unrelated bill, and now awaits a hearing on the Assembly floor. The deadline for bills to pass their house of origin is May 24. The support from both Newsom and the chair of the Assembly housing committee is expected to give the measure a boost.

Ward, [who recently spoke](#) at a League of California Cities event, said that he is open to negotiations with the group. But if the organization asks to add a funding component to the bill, that would likely not happen given the state’s budget deficit, according to Blakespear.

Blakespear said that if this measure is focused on building permanent housing, future legislation could turn to creating benchmarks for cities to hit around planning for interim or temporary housing.

## **WHAT ARE SOME STORIES ON THE BILL?**

[Read POLITICO news on AB 3093.](#)