



Targeted Community Lending Plan 2020

Table of Contents

Executive Summary	4
National Housing and Economic Development Needs	6
Housing Affordability	6
Economic Conditions	6
Homelessness.....	7
The 11 th District Needs & Opportunities.....	8
Rental Affordability	8
Homeownership Affordability	8
Housing Supply	9
Homelessness.....	9
Small Business.....	9
Housing & Economic Needs Survey	10
Arizona	12
Rental Affordability	12
Homeownership Affordability	12
Housing Supply	12
Homelessness.....	12
Small Business.....	12
California	13
Rental Affordability	13
Homeownership Affordability	13
Housing Supply	13
Homelessness.....	14
Small Business.....	14
Nevada	15
Rental Affordability	15
Homeownership Affordability	15
Homelessness.....	15
Small Business.....	15
Addressing Needs & Opportunities: The Bank's Community Investment Programs	16
Affordable Housing Program (AHP).....	16
Access to Housing and Economic Assistance for Development (AHEAD)	16
Quality Jobs Fund (QJF).....	16
Community Investment Cash Advances (CICA) & Letters of Credit (LOC).....	16
Disaster Recovery.....	17
Sponsorships	17
AHP competitive program	17
AHP set-aside programs (WISH & IDEA)	18

AHEAD	18
QJF	18
Conclusion and Performance Goals for 2020	18
Quantitative Goals	20
Bibliography	22
Appendix – 11 th District Survey	24

Executive Summary

Section 1290.6 of the Federal Housing Finance Agency (FHFA) Community Support regulation states that each Federal Home Loan Bank's community support program shall include "an annual Targeted Community Lending Plan ("Plan") approved by the Bank's board of directors...which shall require the Bank to-

- (i) Conduct market research in the Bank's district;
- (ii) Describe how the Bank will address identified credit needs and market opportunities in the Bank's district for targeted community lending;
- (iii) Consult with its Advisory Council and with members, housing associates, and public and private economic development organizations in the Bank's district in developing and implementing its Targeted Community Lending Plan; and
- (iv) Establish quantitative targeted community lending performance goals."

An amendment to Section 1290.6 requiring the FHLBanks to identify and assess significant affordable housing needs in their district, and how they will be addressed through the FHLBanks' Affordable Housing Program, is not required to be implemented until January 1, 2021, and FHLBank San Francisco will comply with that date. However, this Plan contains a preliminary attempt to identify affordable housing needs in the Bank's district utilizing primary and secondary research sources.

In addition, the Bank conducted market research to identify housing and economic development needs, community lending credit needs, and market opportunities in the Bank's district of Arizona, California, and Nevada. To accomplish this, the Bank consulted its Affordable Housing Advisory Council (AHAC), members, a housing associate, and economic development organizations in the district to conduct research, develop and implement the Targeted Community Lending Plan (TCLP), and establish performance goals. This research and consultation included:

- Meetings with AHAC, and a special AHAC TCLP committee comprising organizations from each district state, to review the research methodology and TCLP
- A survey of members, a housing associate, and nonprofit organizations on the housing and economic development needs in the district
- Review of established national, state, and local reports on housing and economic development needs
- Participation in key housing and economic development conferences in the district

As a result, the Bank identified the following key information related to housing and economic needs and opportunities:

- Needs and opportunities are linked in areas such as income, housing supply and demand, and the role of small business, in creating opportunities
- Supportive services are an essential part of housing and economic needs both nationally and in the district
- The district's needs are similar to or greater than those of the U.S. overall, especially in the areas of income and homelessness
- While the district has less inequality than the rest of the U.S. in certain areas, there is significant racial and gender disparity in income, housing cost burden, homeownership, and small business ownership

- The Bank's district survey identified family and senior housing, rental housing, homeless and supportive housing, non-supportive housing, permanent housing, new construction, extremely low-income housing, and home loans as priorities
- A critical economic development need in the district is financing for small businesses

Over the past couple of decades, the Bank's community investment programs have achieved substantial milestones in addressing district needs and opportunities. The Bank has created TCLP goals for 2020 to strengthen the impact of the programs and build on these milestones. Next year's TCLP will consider potential changes to the Bank's programs to further address district priorities.

National Housing and Economic Development Needs

Housing Affordability

National data on housing affordability demonstrates the connection between housing and economic needs in the areas of household income, racial and gender inequality, and housing supply. The National Low Income Housing Coalition's (NLIHC) 2019 *Out of Reach* report states that "In only 10% of U.S. counties can a full-time worker earning the average renter's wage afford a modest two-bedroom rental home at fair market rent, working a standard 40-hour work week."

Further, the report notes that "Only four million rental homes are affordable and available to the nation's eleven million extremely low-income renter households whose incomes are less than the poverty rate or 30% of their area median income (AMI)." The report emphasizes that housing affordability is a greater challenge for people of color and women due to wage disparity. It states that "The median black worker, for example, earns 26.7% less than the median white worker, while the median Hispanic worker earns 27% less" and "At all wage levels, females earn less than males."

Consistent with rental housing, there is a growing lack of affordability for homeownership. An April 2019 FHFA news release notes that U.S. house prices increased by 4.9% from February 2018 to February 2019. The Joint Center for Housing Studies of Harvard University reports in the 2019 *State of the Nation's Housing* study that "The ratio of median home price to median household income is a common yardstick for measuring affordability, indicating how difficult it is for would-be buyers to qualify for a mortgage and save for a downpayment. Nationwide, this ratio rose sharply from a low of 3.3 in 2011 to 4.1 in 2018, just shy of the 4.7 peak in 2005." The report notes that the "credit environment for potential homebuyers in 2018 was mixed, with borrower credit scores and loan-to-value ratios pointing to some easing." According to the *Out of Reach* report, like rental housing, wage inequality is a barrier to homeownership.

Economic Conditions

The number of low wage jobs, which drive the demand for affordable housing, are expected to increase. The *Out of Reach* report states that seven of the ten occupations projected to experience the greatest growth over the next decade, which are primarily in the service sector, provide median hourly wages lower than what is needed to afford one-bedroom and two-bedroom rental units. Because of low wages, "71% of extremely low-income renters are severely housing cost-burdened, spending more than half of their limited incomes on housing costs, which forces them to cut-back on other basic necessities like adequate food, healthcare and transportation." This demonstrates that it is crucial to include supportive services such as food assistance and healthcare with affordable housing so that households can meet basic needs.

A U.S. Bureau of Labor Statistics 2019 report *A Profile of the Working Poor* provides additional information on the population of low wage earners. It states that in 2017 6.9 million out of 39.7 million people living below the poverty level were "working poor", meaning that they spent at least 27 weeks in the labor force. The report highlights that the "likelihood of being classified as working poor diminishes as workers attain higher levels of education." This indicates that the low wages and cost burdens which drive the demand for affordable housing are linked to education needs.

As with education, small businesses play a key role in determining the job opportunities available to workers and therefore the housing they can afford. The U.S. Small Business Administration *Strategic Plan Fiscal Years 2018-2022* states that "small businesses account for about 65 percent of private-sector net job creation." The report explains that these businesses face greater challenges meeting their capital needs than larger companies. This is because lenders and investors are less likely to provide capital to small businesses since they tend to be younger and have less credit history. Small businesses are also more likely to have innovative products, making it difficult for lenders to estimate the credit risk and provide financing. The result is shown in the Federal Reserve Banks' 2019 *Small Business Credit Survey*, which found that 31% of firms with less than 500 employees experienced challenges related to credit availability. Thus, the challenges workers face obtaining jobs to afford housing are connected to challenges small businesses face obtaining financing.

In addition, there is racial and gender disparity in the ability of small businesses to obtaining financing. The 2018 U.S. Small Business Administration (SBA) report *Financing Patterns and Credit Market Experiences: A Comparison by Race and Ethnicity for U.S. Employer Firms* states that “Blacks and Hispanics were more likely to be undercapitalized when launching their businesses”, and the 2013 SBA report *Access to Capital among Young Firms, Minority-owned Firms, Women-owned Firms, and High-tech Firms* states that “women-owned businesses faced greater credit constraints than did similar startups owned by men.” AHAC member Opportunity Fund’s 2016 report *Unaffordable and Unsustainable: The New Business Lending on Main Street* demonstrates how, due to a lack of affordable financing, “small businesses are accruing debt they can never repay” from “alternative” lenders charging high interest rates.

In parallel to the impact the economy has on housing demand, economic conditions, especially land and construction costs, also drive housing supply. The *State of the Nation’s Housing* notes that from 2012 to 2017 residential land values climbed in 80% of U.S. counties, with the largest increases in the West. RSMears data shows that residential construction costs in the lower 48 states increased by 5.4% in 2018. The *State of the Nation’s Housing* suggests that labor shortages are contributing to these costs. It states that “The residential construction sector has struggled for years to fill job openings, given that its traditional labor pool-younger men without college educations-is shrinking.”

Just as these employment issues drive housing supply, housing supply drives employment. Harvard University’s 2016 study *Housing and Employment Insecurity among the Working Poor* found that working renters who lose their home, often as a result of eviction, are more likely to lose their job. Housing and economic conditions are interdependent and affect each other in multiple ways.

Homelessness

Lastly, a critical need related to housing and economic conditions is housing for people experiencing homelessness. The U.S. Department of Housing and Urban Development’s 2018 *Annual Homeless Assessment Report (AHAR) to Congress* includes the following key findings:

- On a single night in 2018, roughly 553,000 people were experiencing homelessness in the United States. About two-thirds (65%) were staying in sheltered locations-emergency shelters or transitional housing programs-and about one-third (35%) were in unsheltered locations.
- The number of homeless people on a single night increased by 0.3 percent between 2017 and 2018. The increase reflects declines in the number of people staying in emergency shelters and transitional housing programs being offset by increases in the number of people staying in unsheltered locations. Between 2017 and 2018, the unsheltered population increased by two percent (or 4,300 people).
- African Americans are considerably overrepresented among the homeless population compared to the overall U.S. population. While accounting for 13 percent of the U.S. population, African Americans account for 40 percent of all people experiencing homelessness and 51 percent of people experiencing homelessness as members of families with children. In contrast, nearly 6 in 10 people experiencing unsheltered homelessness (most of whom do so as individuals) are white.
- In January 2018, 3,900 people were staying in sheltered locations specifically for people displaced by presidentially declared national disasters. People in these locations were displaced from areas struck by Hurricanes Harvey, Irma, Maria, and Nate; western wildfires; and other storms and events.

A comparison of the key national data on housing and economic needs to the Bank’s district is provided in the following sections.

The 11th District Needs & Opportunities

Overall, the Bank's district of Arizona, California, and Nevada varied in how each state experienced housing and economic needs compared to the rest of the U.S. The sections below provide detailed comparisons between national and state data in the key need areas of housing affordability and supply, income, health coverage, education, homelessness, and small business. These needs represent market opportunities, which are being addressed by the Bank as described in the following section on community investment programs.

Rental Affordability

The table below shows how rental housing affordability, income, health coverage, and education vary within the Bank's district compared with the U.S. average.¹ California is ranked the second most expensive housing market while Arizona and Nevada are ranked in the middle. In terms of income and employment, the poverty rate is similar among the district states and the U.S. while the unemployment rates in the district states are higher than the U.S. average. Even though California has the highest housing cost burden, it has the lowest percent of households without health insurance. Housing affordability is lower for people of color and women than white households and men within the district and the gender wage gap is lower in the district than the rest of the country. California has the highest college educated population in the district, with Arizona in second place and Nevada in third place.

U.S. Compared to District (Rental)		U.S.	Arizona	California	Nevada
1	Hourly wage needed to afford fair market rent for a 2-bedroom unit	\$22.96	\$19.52	\$34.69	\$18.85
2	Average renter wage	\$17.57	\$17.06	\$22.79	\$17.14
3	State rank - most expensive to least expensive rental housing	N/A	23	2 ²	25
4	Unemployment rate	3.7%	4.9%	4.2%	4.0%
5	Poverty rate	12.3%	13.6%	12.5%	12.2%
6	Households without health insurance	10.2%	12.0%	8.1%	13.0%
7	Households that pay 30% or more of income on rent and utilities (housing cost burdened)	49.5%	48.3%	55.2%	47.9%
8	Housing cost burdened – household of color / white household	— ³	50.8% / 46.5%	58.1% / 51.8%	50% / 45.9%
9	Hourly wage gap between men and women per dollar	\$0.20	\$0.15	\$0.11	\$0.17
10	Percent 25 and older who have at least a 4-year college degree	32.0%	29.4%	33.6%	24.9%

Homeownership Affordability

The table below shows how homeownership affordability and credit needs vary within the Bank's district compared with the U.S. average.⁴ The Mountain Census Division, which includes Arizona and Nevada⁵, had a higher increase in home prices from 2018 to 2019 than the national average while the Pacific Division, which includes California⁶, had a lower increase in prices. Arizona and Nevada also have a lower percent of consumers with prime credit than California. However, the homeownership rate in Arizona and Nevada was higher than California, and Arizona and Nevada had a lower homeowner cost burden than California. Like rental housing, the cost burden varied by race. Overall, the homeowner cost burden was lower than the renter cost burden.

¹ Source: items 1-3 - NLIHC (2019), item 4 – U.S. Bureau of Labor Statistics (2019), items 5-10 – U.S. Census Bureau (2017)

² Hawaii is ranked 1

³ Data not available

⁴ Source: item 1 - FHFA (2019), items 2-6 – U.S. Census Bureau (2017)

⁵ Other states in division are Colorado, Idaho, Montana, New Mexico, Utah, and Wyoming

⁶ Other states in division are Alaska, Hawaii, Oregon, and Washington

U.S. Compared to District (Homeownership)		U.S.	Arizona	California	Nevada
1	Increase in housing prices from February 2018 through February 2019	4.9%	6.5%	3.7%	6.5%
2	Homeownership rate	63.9%	64.7%	54.8%	56.6%
3	Homeownership rate – household of color / white household	³ —	52.6% / 71.2%	45.5% / 63.5%	44.5% / 64.6%
4	Households that pay 30% or more of income on mortgage, property taxes, utilities, and other owner costs (housing cost burdened)	27.5%	28.2%	38.4%	30.0%
5	Housing cost burdened – household of color / white	³ —	30.3% / 28.4%	41.7% / 36.1%	33.4% / 29.4%
6	Consumers with prime credit	51.9%	50.5%	54.9%	44.9%

Housing Supply

Over the past several years, AHAC has emphasized that increasing development costs have limited housing supply in the district. Land costs contribute significantly to this issue. The *State of the Nation's Housing* reports that “of the 46 states where land values per acre rose [from 2012 to 2017], the largest increases were in Nevada (158 percent), Colorado (96 percent), California (88 percent), Arizona (81 percent), and Utah (81 percent).” In addition, construction costs have increased and there are substantial labor shortages as shown in the table below.⁷ The cost increases in Arizona and California were slightly lower than the national average while Nevada was higher. Labor shortages were consistently high in the U.S. and across the district.

U.S. Compared to District		U.S.	Arizona	California	Nevada
1	Increase in residential construction costs in 2018	5.4%	5.0%	4.8%	5.5%
2	Percent of contractors having difficulty filling positions in 2018	80%	82%	78%	79%

Homelessness

Overall, homelessness in the Bank's district was exceptionally high compared to the rest of the U.S. According to the *Annual Homeless Assessment Report*, in 2018 California had the highest rate of people experiencing homelessness who were unsheltered at 68.9% (89,543 unsheltered out of 129,972 homeless) with Nevada in third place at 56.2% (4,239 unsheltered out of 7,544 homeless).⁸ The report states that Arizona had the 5th largest increase in homelessness from 2017 to 2018 at 10.3% (an increase from 8,947 to 9,865 people experiencing homelessness). In addition, the report found that in 2018 California and Nevada had a higher percentage of people experiencing homelessness than the national average while Arizona had a lower percentage.

U.S. Compared to District		U.S.	Arizona	California	Nevada
Number of homeless in every 10,000 people		17	14	33	25

Small Business

According to the *Small Business Credit Survey*, while 31% of firms with less than 500 employees experienced challenges related to credit availability, 32% of firms in the San Francisco Federal Reserve district, which includes the Bank's district⁹, experienced these challenges. Consistent with housing and income data, the table below demonstrates that there has been racial and gender disparity in business ownership and value in the Bank's district as of the latest available U.S. Census Bureau data from 2012.

⁷ Source: item 1 - RS Means (2019), item 2 - Associated General Contractors of America (2018)

⁸ Oregon was in second place at 61.7% (8,925 unsheltered out of 14,476 homeless)

⁹ Other states in Federal Reserve district are Alaska, Hawaii, Idaho, Oregon, Utah, and Washington; data not available at state level

Small Business Ownership and Value by Race and Gender	Arizona	California	Nevada
Business ownership – owner of color / white owner	11.7% / 18.6%	15.7% / 24.0%	12.3% / 21.4%
Business average value – owner of color / white owner	\$134,817 / \$502,444	\$236,821 / \$709,657	\$171,649 / \$654,000
Ratio of male to female business owners	1.04 : 1	1.1 : 1	1.12 : 1
Ratio of male to female business value	2.78 : 1	2.68 : 1	2.85 : 1

Housing & Economic Needs Survey

In July 2019, the Bank sent a housing and economic needs survey to AHAC, community investment program members and sponsor participants, a housing associate, and other community organizations in the district. The survey included the following items:¹⁰

- What geographic area does your organization serve?
- Rank the following affordable housing needs
- What income level has the greatest affordable housing need?
- Rank the following supportive service needs
- Rank the following community lending credit needs and market opportunities

The Bank received 181 responses from organizations serving every county in the district.¹¹ Overall, the responses were consistent with the report data on housing and economic needs in the U.S. while highlighting top priorities in the district.

Respondents ranked these affordable housing needs as a high priority, listed in order of priority. Consistent with the national reports, rental and homeless housing, as well as new construction, are key priorities. These housing types are not mutually exclusive.

1. Family housing
2. Rental housing
3. Homeless / supportive housing
4. Permanent housing
5. Senior housing
6. New construction
7. Non-supportive housing for households at or below 40% of HUD AMI

For housing needs by income level, 42% of respondents selected income at or below 30% AMI (extremely low-income) as having the greatest affordable housing need, 35% selected 50% AMI (very low-income), 20% selected 80% AMI (low-income), and 3% selected “Other” (mainly defined by respondents as 120% AMI or moderate-income). This is consistent with the *Out of Reach* report data on the lack of affordable housing for extremely low-income households across the U.S.

¹⁰ Complete survey and results are attached in the appendix

¹¹ Data is reported at district level and not by state given sample size and some organizations are active in multiple states

Respondents emphasized the importance of supportive service needs, ranking health services (including mental health and drug treatment) and food assistance as a high priority in that order. This ties with the national and district reports on how housing cost burdens are making it more difficult for households to afford these basic needs. Another important service that stood out in the “Other” category selected by respondents was training people on basic life skills such as grocery shopping, budgeting, and job skills.

Lastly, in the area of community lending, respondents ranked home loans to low-income housing households as a high priority, which is consistent with the national data on homeownership affordability.

The following sections highlight key information on housing and economic development needs and opportunities for each state in the district.

Arizona

Rental Affordability

Out of Reach ranks Arizona the 23rd most expensive state for rental housing, with an hourly wage of \$19.52 needed to afford the fair market rent for a 2-bedroom unit, and an average wage of \$17.06. The Arizona Department of Housing (ADOH) *2018 Housing At-a-glance* report states that “With homeownership becoming less attainable and state in-migration rates increasing, the demand for rental units has expanded”. It highlights that Arizona had a shortage of 159,599 affordable rentals for extremely low-income households, and that “Cost burdened households may struggle to afford other necessities such as food, clothing, transportation, and medical expenses, as too much of their income is being used to pay for housing.” U.S. Census data in 2017 was consistent with these findings. It showed that 48.3% of Arizona rental households were cost burdened and that 12% of all households were without health insurance. Consistent with national data, this shows that supportive services are a key part of housing to help households meet basic needs.

Lastly, housing affordability in Arizona was a greater challenge for people of color and women due to income inequality. U.S. Census Bureau data in 2017 shows that 50.8% of households of color were housing cost burdened compared to 46.5% of white households, and there was a wage gap between men and women of 15 cents per dollar.

Homeownership Affordability

The April 2019 FHFA news release states that house prices in the Mountain Census Division, which includes Arizona, increased by 6.5% from February 2018 to February 2019, higher than the national increase of 4.9% during that period. The *2018 Housing At-a-glance* report, referencing FHFA and HUD data, states that in 2016 the Arizona average home price was about \$350,000 while the median family income of about \$60,000. It notes that the Arizona homeownership rate of households in 2017 was 64.4%, below the peak of 71.6% in 2006 before the recession. According to the U.S. Census Bureau, there was racial disparity in the 2017 homeownership rate, which was 52.6% for households of color and 71.2% for white households.

Housing Supply

The *2018 Housing At-a-glance* report states that “New home construction permits, while on the upswing, still fall significantly behind the demand for new units.” The report also notes that “housing price appreciation, which has outpaced wage growth and new construction, has left potential buyers in an increasingly difficult position when trying to find a home they can afford, and the buying power of investor groups purchasing existing affordable single-family homes has made it increasingly difficult for potential buyers to obtain a sales contract on a home.”

Homelessness

The *Annual Homeless Assessment Report* states that 14 in every 10,000 people in Arizona were homeless in 2018. Arizona had the 5th largest increase in homelessness in the U.S. from 2017 to 2018 at 10.3% (an increase from 8,947 to 9,865 people experiencing homelessness).

Small Business

There was racial and gender inequality in Arizona’s small business sector, with an ownership rate of 11.7% for people of color and 18.6% for white people, and a male to female ownership ratio of 1.04 to 1.

California

Rental Affordability

The *Out of Reach* report ranks California the 2nd most expensive state for rental housing, with an hourly wage of \$34.69 needed to afford the fair market rent for a 2-bedroom unit, and an average wage of \$22.79. The increase in California's population over the past several years had a significant impact on housing demand. The *State of the Nation's Housing* notes that from 2010-2017 "California had the third-highest level of household growth in the nation, with an average increase of 85,500 households per year."

The 2018 California Department of Housing and Community Development report *California's Housing Future* states that between "2014 and 2015 approximately 25 percent of population growth came from migration from other states and countries; and 75 percent of population growth was attributable to births within California." The *State of the Nation's Housing* highlights that "strong inflows of international migrants" were more of a factor in California's population growth than other states except for New York.

Various studies show the impact of inequality on housing affordability in California. The 2019 California Housing Partnership report *California's Housing Emergency Update* notes that the lowest income households are severely cost burdened and that households can't meet basic needs such as food, child care, healthcare, and transportation due to housing costs. More specifically, U.S. Census data in 2017 showed that 55.2% of California rental households were cost burdened and that 8.1% of all households were without health insurance. This reinforces the importance of combining supportive services with housing to help households meet basic needs.

Consistent with national data, housing affordability in California is a greater challenge for people of color and women due to income inequality. U.S. Census Bureau data in 2017 shows that 58.1% of households of color were housing cost burdened compared to 51.8% of white households, and there was a wage gap between men and women of 11 cents per dollar. In addition, *California's Housing Future* lists people experiencing homelessness, seniors, and persons with disabilities as populations who are especially vulnerable to housing costs. The report emphasizes that supportive services are crucial for these populations obtaining adequate affordable housing.

Lastly, the United Way report *Struggling to Stay Afloat: The Real Cost Measure in California 2019* highlights relevant data on cost burdened households, education, and gender disparity. It states that while the "rate of struggling households drops quickly as education increases," "at every level of education, female householders earn less than male householders."

Homeownership Affordability

The April 2019 FHFA news release states that house prices in the Pacific Census Division, which includes California, increased by 3.7% from February 2018 to February 2019, lower than the national increase of 4.9% during that period. *California's Housing Future* states that "Overall homeownership rates are at their lowest since the 1940s" and that "the California Association of Realtors estimates that only 31 percent of households in California can afford to purchase the median priced home in the state." According to the U.S. Census Bureau, there was racial disparity in the 2017 homeownership rate, which was 45.5% for households of color and 63.5% for white households.

Housing Supply

California's Housing Future report states that "the majority of housing in California was built before 1980" and, in "the last 10 years, California has built an average of 80,000 homes a year, far below the 180,000 needed each year" to keep up with population growth. *California's Housing Emergency Update* notes that Low Income Housing Tax Credit (LIHTC) housing production in California declined by 23% overall from 2016 due to federal tax reform and that "production of affordable homes has stagnated." The report estimates that "California needs 1.4 million more affordable rental homes."

Homelessness

Homelessness in California was exceptionally high compared to the rest of the U.S. According to the *Annual Homeless Assessment Report*, in 2018 33 in every 10,000 people were homeless compared to the national average of 17 in every 10,000 people. In addition, the report states that California had the highest rate of people experiencing homelessness who were unsheltered at 68.9% (89,543 unsheltered out of 129,972 homeless), reflecting an increase of 25% in the unsheltered population from 2014 through 2018 per the *State of the Nation's Housing*. The *Annual Homeless Assessment Report* highlights that “on a single night in January 2018 California accounted for 30 percent of all people experiencing homelessness as individuals in the United States and 49 percent of all unsheltered individuals”. It also states that California had the highest rate of homelessness among all individuals, with 59 out of every 10,000 individuals (not with families) experiencing homelessness. These conditions were exacerbated by the 2018 wildfires which destroyed over 18,800 structures in Paradise and another 1,600 in Malibu.

California's Housing Future notes that, consistent with national data, there is inequality in the population experiencing homelessness. It states that “African-Americans make up 6.5 percent of the state's population, but represent 27 percent of persons experiencing homelessness”, and that other households at higher risk of homelessness include single parent female headed households with young children, and people with disabilities.

Small Business

As with housing affordability, there was racial and gender inequality in California's small business sector, with an ownership rate of 15.7% for people of color and 24.0% for white people, and a male to female ownership ratio of 1.1 to 1.

Nevada

Rental Affordability

The *Out of Reach* report ranks Nevada the 25th most expensive state for rental housing, with an hourly wage of \$18.85 needed to afford the fair market rent for a 2-bedroom unit, and an average wage of \$17.14. U.S. Census data in 2017 showed that 47.9% of Nevada rental households were cost burdened and that 13.0% of all households were without health insurance. Consistent with national data, housing affordability in Nevada is a greater challenge for people of color and women due to income inequality. U.S. Census Bureau data in 2017 shows that 50.0% of households of color were housing cost burdened compared to 45.9% of white households, and there was a wage gap between men and women of 17 cents per dollar.

Homeownership Affordability

The April 2019 FHFA news release states that house prices in the Mountain Census Division, which includes Nevada, increased by 6.5% from February 2018 to February 2019, higher than the national increase of 4.9% during that period. According to the U.S. Census Bureau, there was racial disparity in the 2017 homeownership rate, which was 44.5% for households of color and 64.6% for white households

Homelessness

Homelessness in Nevada was exceptionally high compared to the rest of the U.S. According to the *Annual Homeless Assessment Report*, 25 in every 10,000 people in Nevada were homeless in 2018 compared to the national average of 17 in every 10,000 people. Nevada had the third highest rate of people experiencing homelessness who were unsheltered at 56.2% (4,239 unsheltered out of 7,544 homeless).

Small Business

As with housing affordability, there was racial and gender inequality in Nevada's small business sector, with an ownership rate of 12.3% for people of color and 21.4% for white people, and a male to female ownership ratio of 1.12 to 1.

Addressing Needs & Opportunities: The Bank's Community Investment Programs

The Bank's Community Investment (CI) programs address the housing and economic needs and opportunities in the district. Following is a brief description of the Bank's CI programs accomplishments:

Affordable Housing Program (AHP)

- From 1990 through 2018, the Bank awarded over \$1 billion for affordable rental and homeownership housing to over 128,000 low-income households¹² in the district through the AHP competitive and set-aside programs
- During this period, the Bank's competitive program awarded over \$945 million to affordable rental and homeownership housing, in the form of new construction and rehabilitation funding, to over 121,000 low-income households in the district
- From 2000 through 2018, the Bank's set-aside programs (WISH & IDEA) disbursed over \$99 million for affordable homeownership, in the form of downpayment and closing cost assistance, to over 7,000 low-income households in the district
- The Bank's 2017 *Beyond Housing* report found that from 1990 through 2016, the Bank's AHP competitive grants within and outside of the district contributed to the creation of:
 - Over 500,000 full-time equivalent (FTE) jobs
 - Over \$26.6 billion in labor income
 - Over \$76.5 billion in economic activity
 - Over \$3.2 billion in local and state taxes and fee revenue

Access to Housing and Economic Assistance for Development (AHEAD)

- From 2004 through 2018, the Bank awarded over \$13 million to 460 economic development projects in the district through this discretionary program

Quality Jobs Fund (QJF)

- From 2017 through 2018, the Bank recommended over \$23 million in funds contributed to program administrator New World Foundation to be awarded to five economic development projects for creating approximately 8,000 quality jobs¹³ in the district through this discretionary program

Community Investment Cash Advances (CICA) & Letters of Credit (LOC)

- From 2001 through 2018, the Bank provided member advances of over \$9 billion and LOCs of almost \$3 billion for affordable housing and economic development in the district through the CICA programs
- The Bank's CICA Advances for Community Enterprise (ACE) program, used to finance economic development, provided advances of over \$3.7 billion and LOCs of over \$500 million to create over 35,000 jobs for low- and moderate-income households in the district

¹² Includes very low- and extremely low-income households

¹³"Quality Job" is defined as a job that pays a living wage, provides a safe workplace, and includes benefits such as healthcare, retirement savings, and paid time off

- The Bank’s CICA Community Investment Program (CIP), primarily used to finance the purchase, construction, and rehabilitation of affordable housing, provided advances of over \$5.6 billion and LOCs of over \$2.3 billion to create over 70,000 housing units for low- and moderate-income households in the district

Disaster Recovery

- From 2017 through 2018, the Bank donated \$276,500 to nonprofit community organizations for disaster recovery in the district, leveraging another \$572,000 from members for this critical need through matching donations

Sponsorships

- From 2009 through 2018, CI sponsored donations of over \$600,000 to nonprofit community organizations to serve affordable housing and economic development needs in the district

The data below demonstrates how the Bank addressed district needs and opportunities in 2018:

AHP competitive program

The Bank awarded almost \$54 million for 4,832 affordable rental and homeownership units in the district. There is a higher proportion of funds awarded in California¹⁴, which reflects the higher development costs in the state. In addition, discussions with AHAC on the different state housing programs in the district suggest that another important factor is the larger amount of LIHTC funding available for housing in California. For example, per the state LIHTC agencies, California awarded 70 projects in their 9% LIHTC program in 2018 while Arizona awarded 14.

Regarding the housing priorities identified in state reports and the Bank’s survey, the table below highlights how funding was awarded to these priorities. For the district overall, the projects awarded address the housing needs identified. Certain areas such as housing for people with disabilities and households below 30% AMI, health services, and training make up a low percentage of projects in some locations and may warrant further research to determine how the Bank can best address those needs. In addition to the housing types listed below, a substantial portion of AHP units are permanent housing and serve families.¹⁵

Award Data (2018)	Arizona	California	Nevada	Total
Number of housing units	311	4,249	272	4,832
Rental units	100%	99.8%	100%	99.8%
Homeless units	31%	33%	4%	31%
Senior units	33%	28%	77%	31%
People with disabilities units	5%	11%	0%	10%
0-30% AMI units	0%	23%	1%	20%
31-50% AMI units	78%	59%	85%	62%
51-80% AMI units	22%	17%	14%	17%
Number of housing projects	5	52	4	61
New construction projects	100%	87%	50%	85%
Projects with health services	0%	6%	0%	5%
Projects with job training	0%	17%	0%	15%
Projects with financial training	0%	19%	50%	20%
Projects with service coordinator	100%	79%	50%	79%
Amount awarded	\$3,255,802	\$47,890,979	\$2,710,000	\$53,856,781
Amount per capita in state	\$0.45	\$1.21	\$0.89	N/A

¹⁴ State population statistics source for amount per capita: U.S. Census Bureau (2018)

¹⁵ While the Bank does not collect data on these specific housing types, an estimate that there is a substantial portion of this housing may be determined from the fact that 36% of the projects awarded in 2018 had unit sizes of three bedrooms or more.

AHP set-aside programs (WISH & IDEA)

Per the table below, the Bank disbursed almost \$10 million in homebuyer assistance to provide affordable homeownership to 659 low-income households in the district. In contrast to the AHP competitive program, there is a higher proportion of funds awarded to Arizona and Nevada than California. This reflects a combination of the affordable homeownership opportunities and Bank member participation in each state. When adding the per capita competitive and set-aside amounts, the figures for each state are similar or the same with Arizona at \$1.16, and California and Nevada at \$1.29. Lastly, in 2019, the Bank early adopted a provision the FHFA AHP regulation published in 2018 to increase the maximum downpayment assistance grant from \$15,000 to \$22,000 per household.

Disbursement Data (2018)	Arizona	California	Nevada	Total
Number of households assisted	352	222	85	659
Average household AMI	63%	66%	65%	N/A
Amount disbursed	\$5,078,783	\$3,275,279	\$1,218,194	\$9,572,256
Amount per capita in state	\$0.71	\$0.08	\$0.40	N/A

AHEAD

The Bank disbursed \$1.5 million through the AHEAD program to 54 economic development projects serving low- and moderate-income communities in the district. The funding was approximately even among the district states on a per capita basis. Job training projects received \$280,000 or 19% of this funding, and small business assistance projects received \$385,000 or 26%. In addition, as a response to the growing number of natural disasters in the district, including the California wildfires, the Bank started an AHEAD disaster recovery program in 2019, and committed up to \$1 million to the grant program. The program received five applications requesting \$781,250 in grants to support communities in FEMA-declared disaster areas in Northern California.

Award Data (2018)	Arizona	California	Nevada	Total
Number of projects	6	44	4	54
Amount awarded	\$190,000	\$1,200,000	\$110,000	\$1,500,000
Amount per capita in state	\$0.03	\$0.03	\$0.04	N/A

QJF

The Bank awarded approximately \$15 million through the QJF program to three economic development projects in 2018 to create over 2,000 quality jobs across the district. Two of these projects provide financing for small businesses to create quality jobs. The third project includes job training to assist formerly incarcerated individuals to obtain construction trade jobs. Thus, in addition to addressing housing and economic needs by improving the end-user's income and their ability to afford housing, the program is expanding the construction labor force which is key to increasing the supply of housing in the district overall.

Conclusion and Performance Goals for 2020

In 2020, the Bank will continue to administer and manage the AHP competitive and set-aside programs, the discretionary programs AHEAD and Quality Jobs Fund, and the Community Investment advances and letters of credit, CIP, and ACE. The Bank will consider the needs and opportunities shown in the research when policy decisions regarding any of the programs need to be made.

In addition, and to comply with the amended AHP Regulation, the Bank will be making changes to the AHP competitive scoring taking into consideration the needs and opportunities identified in the Bank district. The Bank will also look at its set-aside program and determine if any changes need to be made to meet district needs.

The Bank will continue to perform ongoing outreach by developing and maintaining relationships with members and community organizations, creating opportunities to support and participate in conferences and workshops sponsored by community organizations, promoting relationships among the Bank, its members, housing associates and community-based organizations, providing technical assistance to community and economic development organizations on the Bank's community programs, and providing support to community organizations to link them with experienced partners in community development.

Such outreach efforts provide the Bank with additional, and current information on existing and emerging housing and economic development needs and initiatives and are a very valuable research resource. In addition, the Bank provides regular updates to the Board and the AHAC. The Board and the AHAC review progress and help identify new areas of opportunity to promote the Bank's community programs.

Quantitative Goals

The Bank has established three quantitative performance goals to measure performance against the TCLP. By setting standards to support the implementation of the Bank's CI programs, these goals strengthen the Bank's focus on addressing needs and opportunities in the district.

CIP and ACE advances and letters of credit and AHEAD grants:

Transact Community Investment Program (CIP) and Advances for Community Enterprise (ACE) advances and letters of credit and award AHEAD grants.

2020 Goal	Meets	Exceeds	Far Exceeds
CIP and ACE advances and letters of credit and AHEAD awards (# of members) ¹⁶	47	50	55

Management has maintained the first quantitative goal at the 2019 level based on the available resources to promote CIP and ACE advances and the AHEAD program.

Actively participate in and/or convene conferences, meetings, workshops, and other project-related events:

Promote understanding of the Bank's mission and CI programs and learn about district housing and economic needs through these events.

2020 Goal	
Actively participate in and/or convene conferences, meetings, workshops, and other related events	68

Management has increased the second quantitative goal given historical and 2019 year-to-date achievement, and a continued focus to increase event participation by Bank team members.

Member participation in AHP workshops and technical assistance:

Promote member participation in Bank-sponsored AHP (competitive and set-aside programs) workshops and provide technical assistance to members on the use of the Bank's CI programs.

2020 Goal	Meets	Exceeds	Far Exceeds
Member participation in AHP workshops and technical assistance (# of unique members)	80	82	87

This goal is increased given the year-to-date achievement.

The tables below summarize the 2020 goals and 2019 goals achievement as of 8/31/19:

2020 Goals Summary		Meets	Exceeds	Far Exceeds
1	CIP and ACE advances and letters of credit and AHEAD awards (# of members)	47	50	55
2	Actively participate in and/or convene conferences, meetings, workshops, and other project-related events	68		
3	Member participation in AHP workshops and technical assistance (# of unique members)	80	82	87

¹⁶ Members that sponsor a successful AHEAD grant application are counted separately from participation in CIP and ACE advances and letters of credit. This goal was revised January 31, 2020 to reflect the corporate goal targets approved at the Bank's December 2019 Board of Directors meeting.

2019 Goals Summary		Meets	Exceeds	Far Exceeds	As of 8/31/19
1	CIP and ACE advances and letters of credit and AHEAD awards (# of members)	47	50	55	61
2	Actively participate in and/or convene conferences, meetings, and workshops	64			39
3	Member participation in AHP workshops and technical assistance (# of unique members)	78	80	85	87

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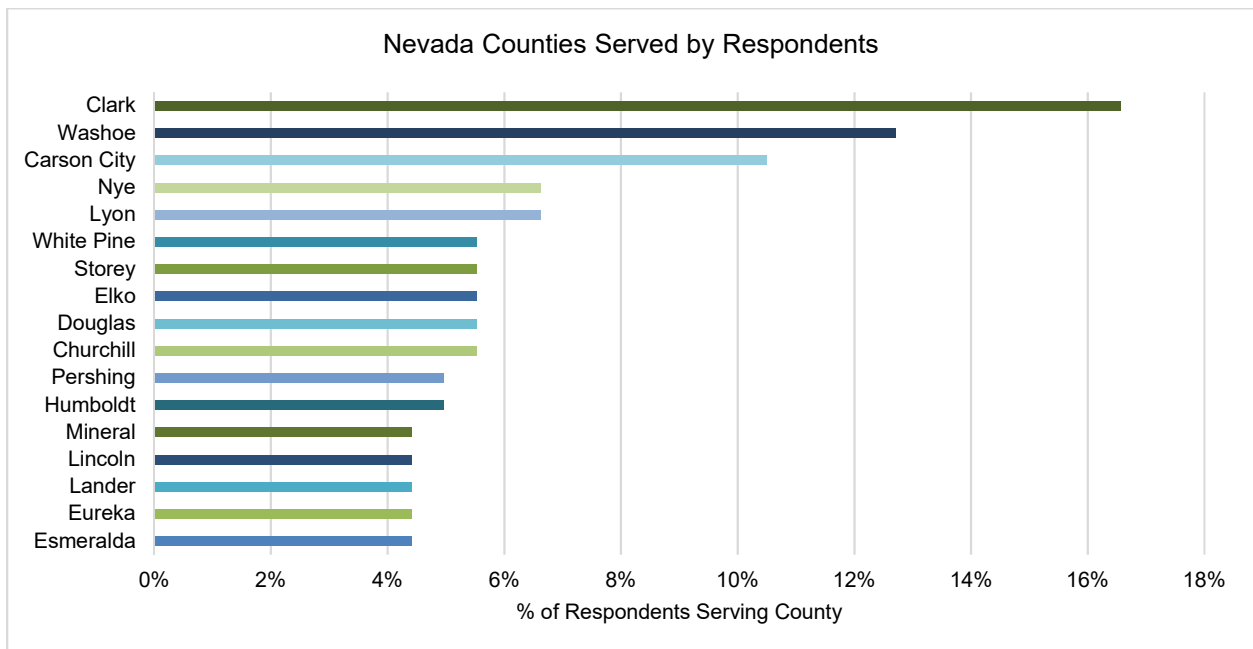
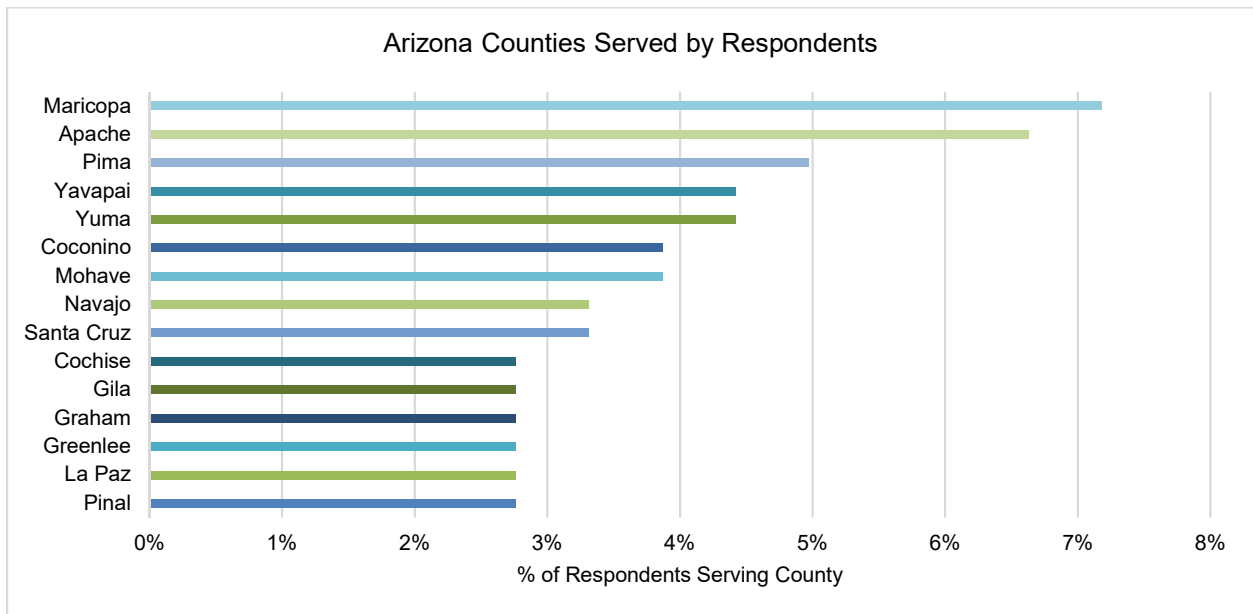
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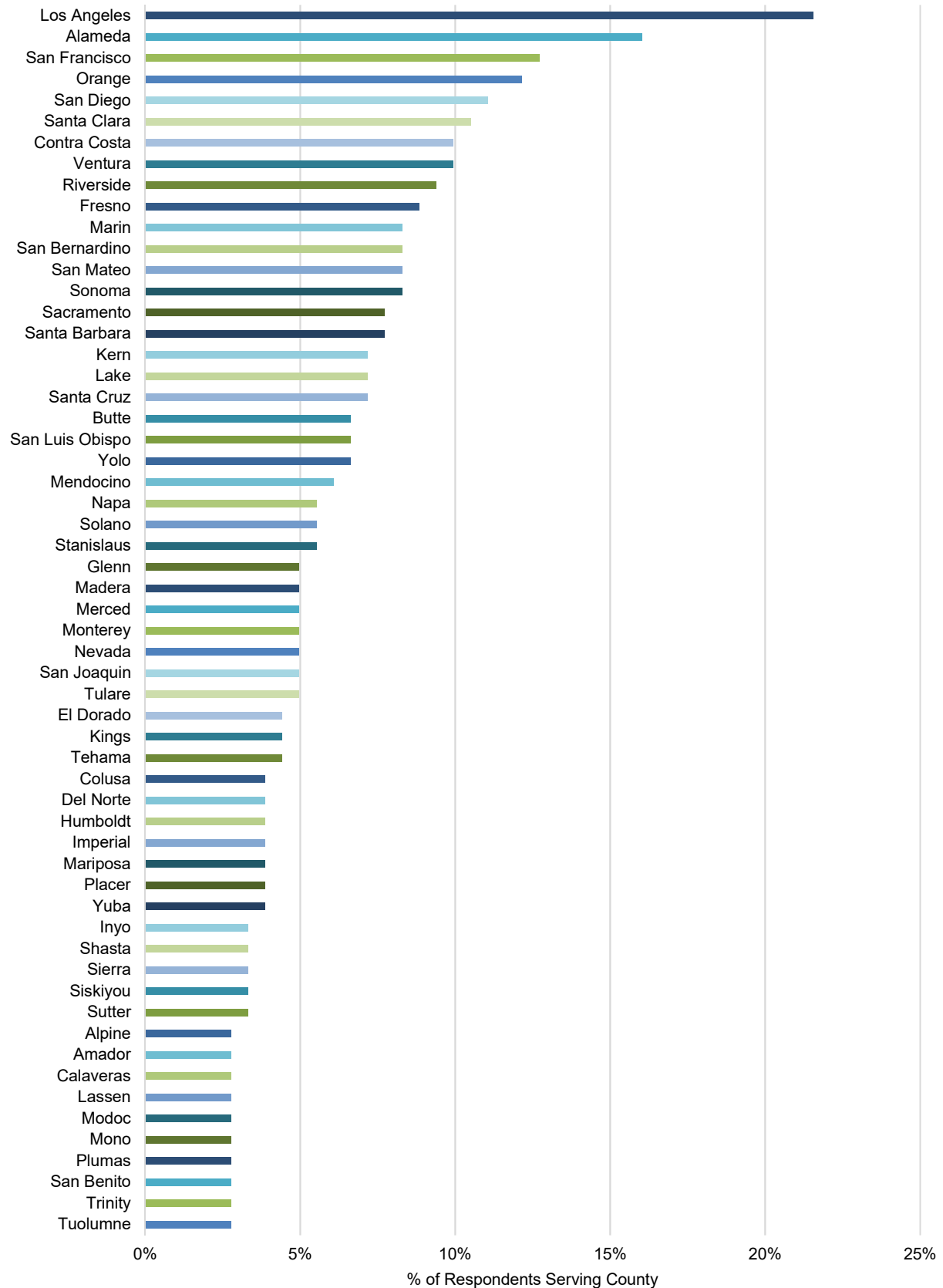
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Appendix – 11th District Survey

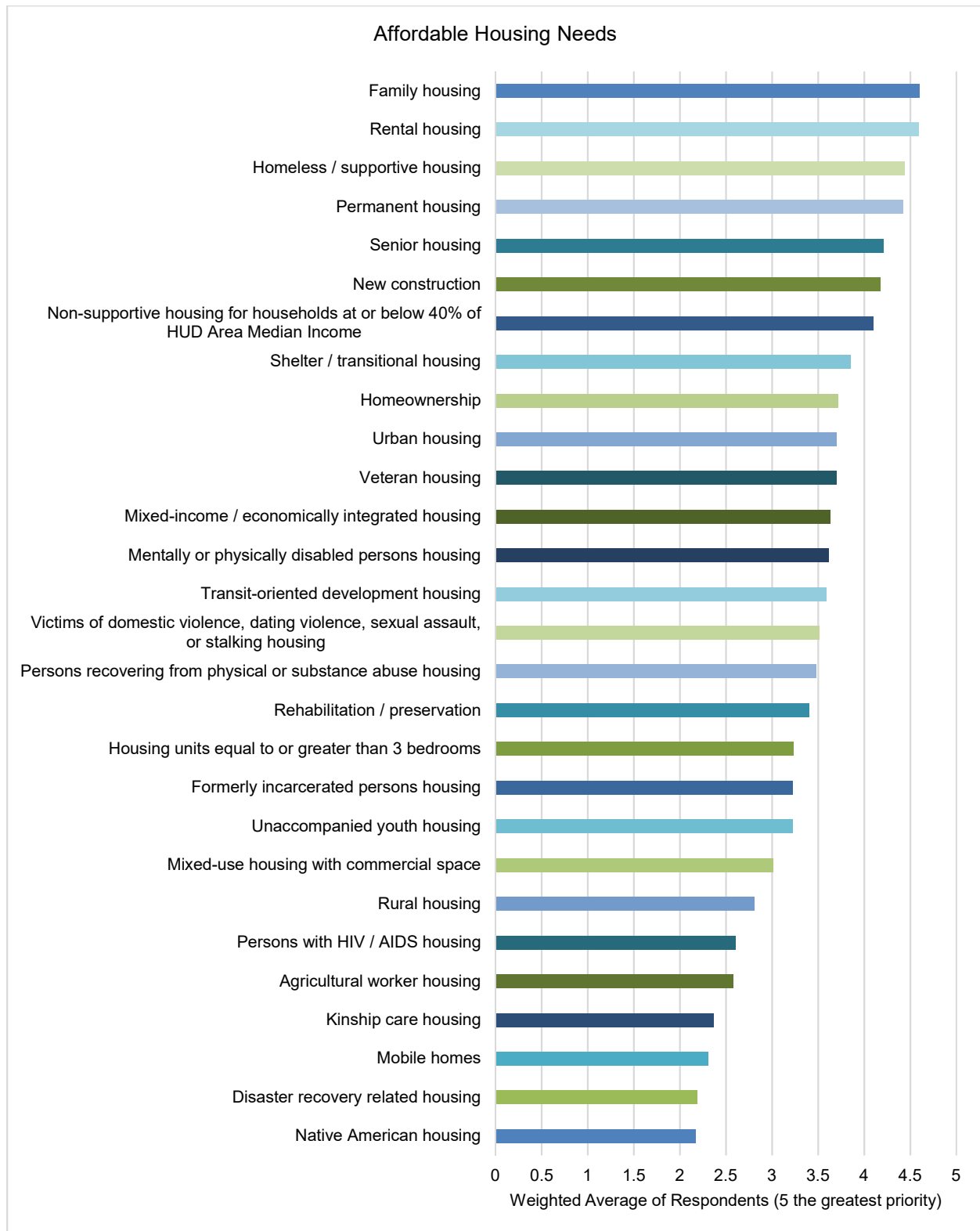
Question 1: What geographic area does your organization serve? Check all counties that apply in Arizona, California, and Nevada.



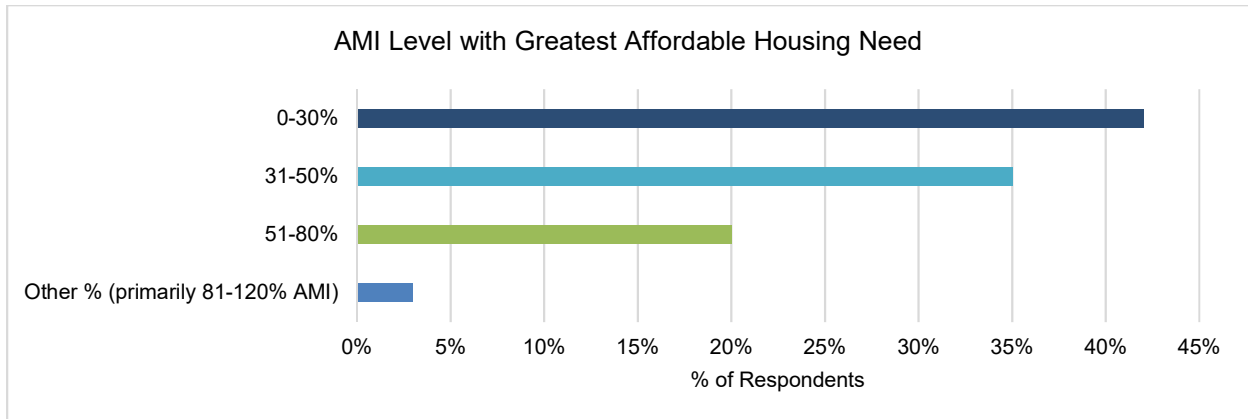
California Counties Served by Respondents



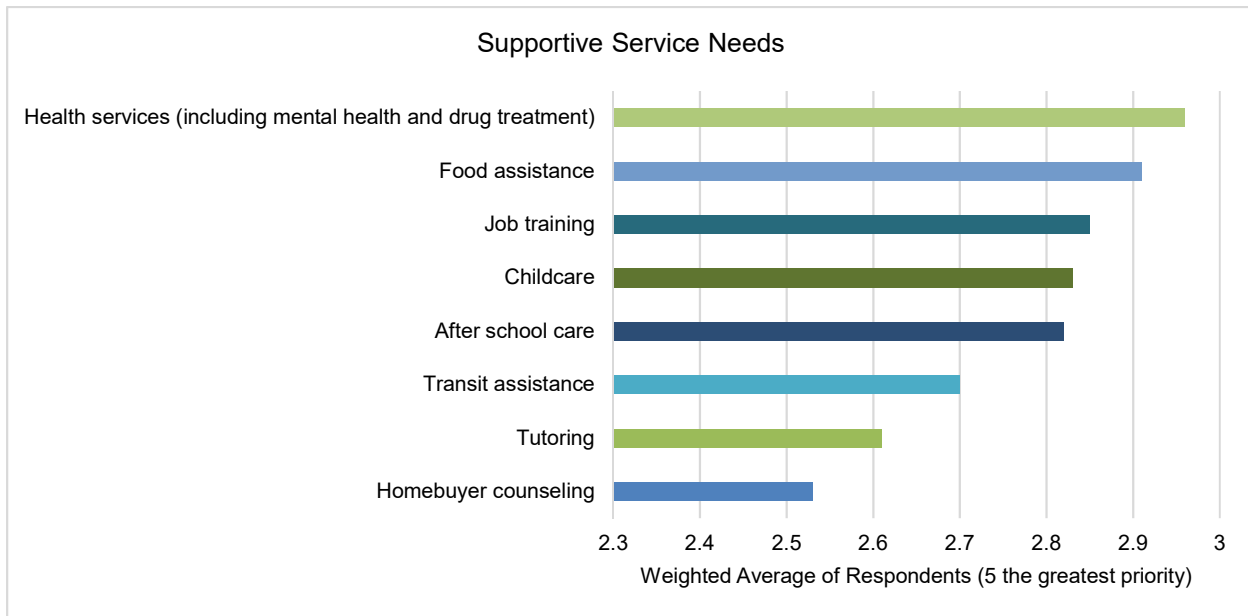
Question 2: Rank the following affordable housing needs in your geographic area, with 5 being the highest priority.



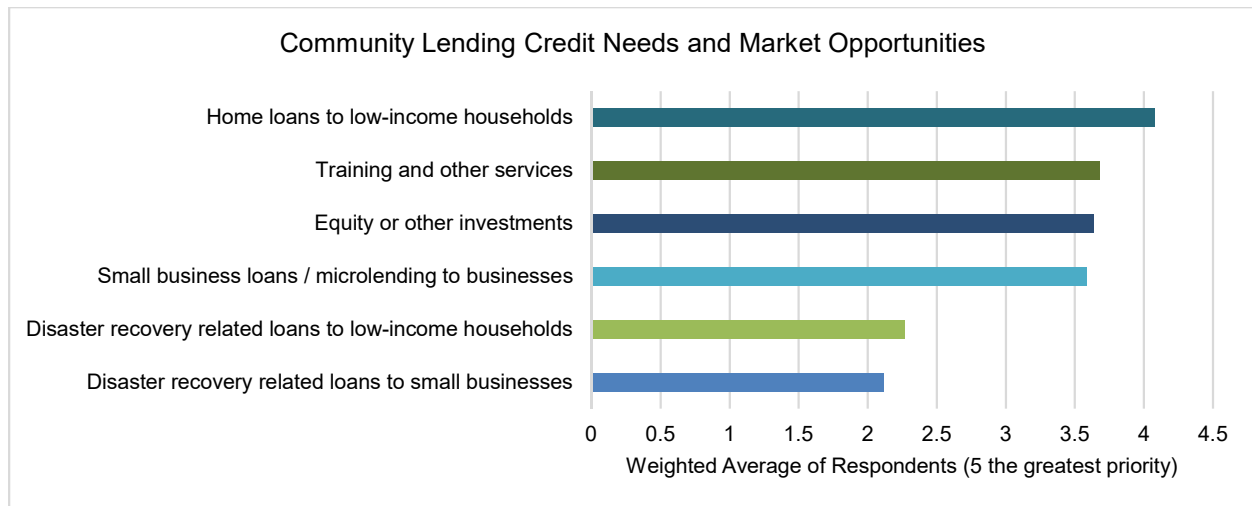
Question 3: What income level has the greatest affordable housing need in your geographic area as a percentage of the HUD Area Median Income? Select one only.



Question 4: Rank the following supportive service needs in your geographic area, with 5 being the highest priority.



Question 5: Rank the following community lending credit needs and market opportunities in your geographic area, with 5 being the highest priority.



Question 6: Rank the following funding sources for housing and economic development in your geographic area, with 5 being the most frequently used.

