Date of Hearing: March 30, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
David Chiu, Chair
AB 2734 (Atkins) – As Amended March 17, 2016

**SUBJECT**: Local Control Affordable Housing Act

**SUMMARY**: Requires that state savings realized from the dissolution of redevelopment agencies (RDA) be distributed to local agencies for housing purposes. Specifically, **this bill**:

1) Includes the following definitions:

    a. "Extremely low income households" means persons and families whose incomes do not exceed 30% of median area income.

    b. "Very low-income households" means persons and families whose incomes do not exceed 50% of median area income.

    c. "Low-income households" means persons and families whose income does not 80% of median area income.

    d. "Moderate-income households" means persons and families of low or moderate income whose income exceeds the income limit for lower income households.

2) Requires the Department of Finance to annually, beginning on an unspecified date and each year thereafter, determine the General Fund savings resulting from of the dissolution of RDAs.

3) Provides that, upon appropriation, 50% of the savings calculated in each fiscal year, or one billion dollars, whichever is greater, be allocated to the Department of Housing and Community Development (HCD).

4) Provides that the appropriation shall be suspended for any fiscal year in which the transfer of General Fund revenues to the Budget Stabilization Account is suspended, reduced, or funds are returned to the General Fund from the Budget Stabilization Account.

5) Requires HCD to create an equitable formula for allocating the funds to local agencies for housing purposes that is geographically balanced and takes into account factors of need, as specified.

6) Requires at least 25% of expenditures be directed towards housing for extremely low-income persons, and at least 50% towards housing persons with very low-income.

7) Requires housing units built with these funds to remain affordable for at least 55 years for rental units and 45 years for owner-occupied units.

8) Requires that local agencies receiving funds only use the funds for any of the following purposes:

a. The development, acquisition, rehabilitation, preservation or provision of rental housing and homeownership opportunities that are affordable to extremely low-, very low-, low-, and moderate-income households, including necessary capitalized reserves for operating and rental subsidies and resident services.

b. Capitalized reserves for capitalized operating costs, rental subsidies, and resident services connected to the creation of new permanent supportive housing, including, but not limited to, developments funded through the Veterans Housing and Homelessness Prevention Program.

c. Modifications to homes to increase accessibility and visitability, in conjunction with the construction, acquisition, rehabilitation, or preservation of homes affordable to lower income households.

d. The acquisition, rehabilitation, and reuse of foreclosed and vacant homes.

e. Infrastructure related to affordable infill housing development and other related infill development infrastructure.

f. The acquisition of land necessary for the development of affordable housing as part of an overall development strategy.

g. Rapid rehousing of homeless individuals and families.

9) Makes other findings and declarations.

**EXISTING LAW**:

1) Dissolved all redevelopment agencies and community development agencies, effective February 1, 2012.

2) Provides for the designation of successor agencies, as specified.

3) Establishes a number of programs at HCD and California Housing Finance Agency (CalHFA) to make housing more affordable to California families and individuals, including the following main programs:

   a) The Multifamily Housing Program, to fund the new construction, rehabilitation, and preservation of permanent and transitional rental homes for lower-income households through loans to local governments, non-profit developers, and for-profit developers.

   b) The Joe Serna, Jr., Farmworker Housing Program, to fund the development of ownership or rental homes for agricultural workers through grants to local governments and non-profit organizations.

   c) The Emergency Housing and Assistance Program, to fund emergency shelters and transitional homes for homeless individuals and families through grants to counties and non-profit entities for rehabilitation, renovation, expansion, site acquisition, and equipment.

d) The CalHome Program, to fund down payment assistance, home rehabilitation, counseling, self-help mortgage assistance, and technical assistance for self-help and shared housing through grants and loans.

e) The California Homebuyer Downpayment Assistance Program, to aid first-time homebuyers with downpayments and/or closing costs.

**FISCAL EFFECT**: Unknown

**COMMENTS**:

Previous state funding for housing: Historically, the state has invested in low- and moderate-income housing primarily by providing funding for construction. Because of the high cost of land and construction and the subsidy needed to keep housing affordable to residents, affordable housing is expensive to build. Developers typically use multiple sources of financing, including voter-approved housing bonds, state and federal low-income housing tax credits, private bank financing, and local matching dollars.

Voter-approved bonds have been an important source of funding to support the construction of affordable housing. Proposition 46 of 2002 and Proposition 1C of 2006 together provided $4.95 billion for affordable housing. These funds financed the construction, rehabilitation, and preservation of 57,220 affordable apartments, including 2,500 supportive homes for people experiencing homelessness, and over 11,600 shelter spaces. In addition, these funds have helped 57,290 families become or remain homeowners. Nearly all of these funds have been awarded.

In 1945, the Legislature authorized local agencies to create RDAs to address urban blight in local communities. Several years later, voters approved a redevelopment financing program referred to as “tax increment financing.” Under this process, a city or county could declare an area to be blighted and in need of urban renewal. After this declaration, most of the growth in property tax revenue from the “project area” was distributed to the city or county’s RDA as “tax increment revenues” instead of being distributed as general purpose revenues to other local agencies serving the area. SB 90 (Dills), Chapter 1406, Statutes of 1972, created a system of school “revenue limits,” whereby the state guarantees each school district an overall level of funding from local property taxes and state resources combined. Thus, if a district’s local property tax revenues did not grow—due to redevelopment or for other reasons—the state provided additional state funds to ensure that the district had sufficient funds to meet its revenue limit.

By 2008, redevelopment was redirecting 12% of property taxes statewide away from schools and other local taxing entities and into community development and affordable housing. In fiscal year 2009-10, redevelopment agencies collectively deposited $1.075 billion of property tax increment revenues into their low- and moderate-income housing funds.

In 2011, facing a severe budget shortfall, the Governor proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Ultimately, the Legislature approved and the Governor signed two measures, AB 26 X1 (Blumenfield), Chapter 5, Statutes of 2011-12 First Extraordinary Session, and AB 27 X1 (Blumenfield), Chapter 6, Statutes of 2011-12 First Extraordinary Session, that together dissolved RDAs as they existed at the time and created a voluntary redevelopment program on a smaller scale. In response, the California Redevelopment Association (CRA) and the League of California Cities, along with other parties, filed suit challenging the two measures. The Supreme Court denied the petition for peremptory writ of mandate with respect to AB 26 X1. However, the Court did grant the petition with respect to AB 27 X1. As a result, all RDAs were required to dissolve as of February 1, 2012, saving the state approximately $1 billion dollars annually.

California has reduced its funding for the development and preservation of affordable homes by 79% — from approximately $1.7 billion a year to nearly nothing. According to the California Housing Consortium, California has a shortfall of 1.5 million affordable units for extremely low- and very-low income renter households. The Public Policy Institute of California reports that 31.5% of mortgaged homeowners and 47.4% of renters spend more than one-third of their total household income on housing and that while California has 12% of the nation's population, it has 20% of the nation's homeless.

Related legislation: A number of bills have sought to establish more regular and permanent funding for affordable housing since the dissolution of redevelopment. For example, AB 1335 (Atkins) sought to do so through the increase of a document recording fee for real estate related transactions (excluding home sales). That bill advanced to the Assembly Floor in 2015 but was not taken up for a vote. Other bills have recreated tools for local governments after the dissolution of redevelopment without touching the schools' share of tax increment. For example, SB 628 (Beall), Chapter 785, Statutes of 2014, established enhanced infrastructure finance districts which allowed the financing of infrastructure projects (that could include affordable housing) by establishing a process to use tax increment financing in a more limited way than existed in redevelopment. Similarly, AB 2 (Alejo), Chapter 319, Statutes of 2015, allowed for the creation of Community Revitalization Authorities which allow for a more limited use of tax increment financing for infrastructure that includes affordable housing.

Purpose of this bill: According to the author: "Increasing the construction and availability of affordable housing is good for our economy, the state budget, job creation, and families. Affordable housing saves money — on average, a single homeless Californian incurs $2,897 per month in county costs for emergency room visits and in-patient hospital stays as well as the costs of arrests and incarceration. Roughly 79% of these costs are cut when that person has an affordable home. Development creates jobs — an estimated 29,000 jobs are created for every $500 million spent on affordable housing. Affordable housing alleviates poverty — California households with the lowest 25% of incomes spend 67% of their income on housing, leaving little left over for other essential needs."

Staff comments: The elimination of RDAs may have reduced staff at the local level, thereby reducing the current capacity of local agencies to quickly and efficiently utilize new funding. The state has a robust portfolio of housing programs that support the construction of affordable housing, homeownership, and reduction of homelessness. New resources could potentially be allocated quickly through existing state programs. Thus, it may be prudent for the Committee to consider an alternative model that allocates half of the funds to local agencies and half to existing state programs, such as those administered by HCD and/or CalHFA.

**Support**

American Planning Association, California Chapter
Association of Regional Center Agencies
League of California Cities
National Association of Social Workers, California Chapter

**Opposition**

None on file

**Analysis Prepared by**: Ken Spence / H. & C.D. / (916) 319-2085