

Date of Hearing: April 13, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 2475 (Gordon) – As Amended March 18, 2016

SUBJECT: Loan program: California Infrastructure and Economic Development Bank

SUMMARY: Creates the Local Government Affordable Housing Forgivable Loan Program with the Infrastructure and Economic Development Bank (IBank). Specifically, **this bill:**

- 1) Defines "affordable housing" to mean a dwelling available for purchase or lease by persons and families who qualified as extremely low-, very low-, low- or moderate-income.
- 2) Defines "loan program" to mean the Local Government Affordable Housing Forgivable Loan Program.
- 3) Defines a "local government" to mean a city, county, or city and county.
- 4) Requires the IBank to develop and administer the loan program to make loans to local government for the development of affordable housing by local government with terms and conditions the IBank deems to be in the best interests of the state.
- 5) Provides that a local government will not be required to repay one-half of the principal of, and accrued interest on a loan, if all of the following requirements have been met to the satisfaction of the board:
 - a) The affordable housing financed is compatible with a local government's sustainable community strategy (SCS).
 - b) The affordable housing financed contributes to the reduction of greenhouse gasses pursuant to local government's sustainable community strategy (SCS).
 - c) Each affordable housing unit financed by the loan is restricted by deed to remain affordable for 55 years.
 - d) At least 75% of the dwellings in the affordable housing development financed with loan proceeds are affordable to extremely low- and very low income households.
 - e) The local government contributed to the affordable housing development in an amount of funds that are equal to, or infrastructure improvements that are equal in value, to the amount of the loan.
- 6) Provides that a local government will not be required to repay any amount of a loan if all of the following requirements have been met to the satisfaction of the IBank:
 - a) The requirements above in (5) a) through e) have been met;
 - b) The local government waives at least 50% of any development or permitting fees it could have imposed on a developer in the ordinary course of approving the affordable housing development; and

- c) The affordable housing development includes onsite access to services needed by residents including but not limited to social and medical services.
- 7) Requires the IBank to determine whether a local government is excused from repaying half or all of a loan after the completion of the development of the affordable housing development.
- 8) Requires the IBank to consult with the Strategic Growth Council (SGC) and the California Housing Finance Agency (CalHFA) to determine if the local government has met the requirements for a partial or total forgiveness of the loan.
- 9) Requires the SGC and CalHFA to respond to a request for consultation from the IBank in a reasonable time.
- 10) Requires the IBank to establish a process for a local government to apply for a reduction in the loan repayment.
- 11) Makes an appropriation by expanding the authority of the IBank to expend funds in a continuously appropriated fund.

EXISTING LAW:

- 1) Establishes the I-Bank within the Governor's Office of Business and Economic Development (GO-Biz) and authorizes it to undertake a variety of infrastructure related financial activities including, but not limited to, the administration of a revolving loan fund, oversight of the Small Business Finance Center, and the issuance of tax-exempt and taxable revenue bonds.
- 2) Defines "project" for purposes of the IBank to mean designing, acquiring, planning, permitting, entitling, constructing, improving, extending, restoring, financing and generally development of public development facilities or economic development facilities within the state or financing transition costs or the acquisition of property or both upon approval of financing order by the Public Utilities Commission.
- 3) Defines "extremely low income households" to mean persons and families whose incomes do not exceed 30% of median area income.
- 4) Defines very low-income households" to mean persons and families whose incomes do not exceed 50% of median area income.
- 5) Defines "low-income households" means persons and families whose income does not 80% of median area income.
- 6) Defines "moderate-income households" means persons and families of low or moderate income whose income exceeds the income limit for lower income households.

FISCAL EFFECT: Unknown. 2/3 vote.

COMMENTS:

This bill would direct IBank to develop a new loan program to make loans to local governments for affordable housing developments. If a local government meets certain requirements the IBank would forgive either half of the loan amount or the full loan amount. To qualify to have half of the loan forgiven, a local government would have to: develop affordable housing that is compatible the communities greenhouse gas reduction plan, or SCS, the affordable housing development would need to contribute to a reduction in greenhouse gases, at least 75% of the affordable housing units in the development would need to be for extremely low- and very low-income households restricted for 55 years, and the local government would have to contribute an amount equal to the amount of the loan or infrastructure improvements equal to the amount of the loan. To get the entire loan forgiven, the local government would have to comply with all of the requirements listed above and waive at least 50% of any development or permitting fees it could have imposed on a developer and the development would have to include onsite services for residents including social services and medical services.

Overview of the IBank: The I-Bank was established in 1994 to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. Housed within GO-Biz, it is governed by a five-member board of directors comprised of the Director of GO-Biz (chair), the State Treasurer, the Director Department of Finance, the Transportation Agency, and a Governor's appointee. The I-Bank does not receive any ongoing General Fund support, rather it is financed through fees, interest income and other revenues derived from its public and private sector financing activities. According to its Comprehensive Annual Financial Report for the fiscal year ended June 2013, its programs continued to provide revenues sufficient to cover operating expenses. The I-Bank administers three programs: (1) the Infrastructure State Revolving Fund which provides direct low-cost financing to public agencies for a variety of public infrastructure projects; (2) the Conduit Bond Program which provides financing for manufacturing companies, public benefit nonprofit organizations, public agencies and other eligible entities; and (3) the Small Business Finance Center which helps small businesses access private financing through loan guarantees, direct loans, and performance bond guarantees. There is no commitment of I-Bank or state funds for any of the conduit revenue bonds. Since its creation in 1994, the I-Bank has loaned, financed, or participated in over \$34 billion in infrastructure and economic expansion projects. This includes over \$400 million to local and state agencies.

Overview of the California Housing Finance Agency (CalHFA): CalHFA is the state's affordable housing lender, supporting homeownership and rental housing for low- and moderate income families. CalHFA funds its programs by issuing bonds and then repays the bonds with loan proceeds. The agency is completely self-supporting and receives no General Fund money. The agency provides low interest rate mortgages to low and moderate income homebuyers in California, as well as down payment and closing costs assistance. Since inception, CalHFA has provided \$19.6 billion in mortgages to 153,000 first-time homebuyers. CalHFA provides loans for the acquisition, rehabilitation, and permanent financing to preserve, maintain, and increase the supply of affordable multi-family rental housing. Since its creation, CalHFA has made \$192 million in loans to local agencies for affordable housing.

Purpose of this bill: According to the author, "AB 2475 creates a forgivable loan program, housed within the IBank, to assist local governments in financing critical new affordable housing projects. The program will hold loan recipients accountable to meeting required criteria that

contribute positive outcomes back to the state as well as local communities. Through working together, local governments, developers, and the state can integrate major regional planning and development targets into much needed affordable housing projects. In return, loans will be eligible for partial or full forgiveness upon project completion. AB 2475 takes advantage of the IBank's expertise in development financing, and places responsibility for administering this new program there. However, the bill also recognizes that meeting the specific requirements of the program are essential to its success. Because of this, the loan forgiveness determination occurs after project completion, and requires that IBank consults with the Strategic Growth Council (SGC) and California Housing Finance Agency (CalHFA) on whether the project meets the required criteria. By integrating these entities into the final project review, the IBank will be able to leverage experts in sustainable development and housing finance to ensure that the criteria of the program have been met."

Staff Comments:

Who builds affordable housing? This bill would make loans to local governments for the development of affordable housing for low and moderate income families that support state and local efforts to reduce greenhouse gas reduction. Local governments don't build affordable housing.

Who should operate this new program? The state has an affordable housing lender in CalHFA with expertise lending to developers who construct affordable housing. The committee may wish to consider whether it makes sense to house this program within CalHFA rather than the IBank.

Committee amendments:

The committee may wish to consider an amendment to require CalHFA to operate this new program rather than the IBank.

Double referred: If AB 2475 passes this committee, the bill will be referred to the Committee on Local Government

REGISTERED SUPPORT / OPPOSITION:

Support

California State Association of Counties (CSAC)
City of Oakland
League of California Cities

Opposition

None on file

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