

Date of Hearing: April 25, 2012

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Norma Torres, Chair

AB 1951 (Atkins) – As Amended: April 16, 2012

SUBJECT: Housing bonds

SUMMARY: Deletes two programs, the Practitioner Fund and the Construction Liability Insurance Reform Pilot Program, that are part of the Affordable Housing Innovation Fund created by Proposition 1C: Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C). Specifically, this bill:

- 1) Deletes the Practitioner Fund administered by the Department of Housing and Community Development (HCD) and the \$25 million appropriated to that fund.
- 2) Deletes the Construction Liability Insurance Reform Pilot Program administered by HCD and the \$5 million appropriated to that program.
- 3) Requires HCD to make \$30 million available from the Affordable Housing Innovation Fund for the Multifamily Housing Program (MHP).
- 4) Deletes the requirement that HCD provide a comparison of the cost of creating or preserving units funded by the Practitioner Fund and the Affordable Housing Revolving Development and Acquisition Program in its annual report that is due to the Legislature on or before December 31, 2013.

EXISTING LAW

- 1) Establishes the Affordable Housing Revolving Development and Acquisition Program for the purpose of funding the acquisition of property to develop or preserve affordable housing. The program is comprised of a Loan Fund and a Practitioner Fund (Health and Safety Code Section 50705).
- 2) Requires HCD to issue a request for qualification from non-profit entities to borrow the monies from the Practitioner Fund to purchase real property for the development or preservation of housing affordable to low- and moderate-income households (Health and Safety Code Section 50707).
- 3) Provides that of the \$100 million available to the Affordable Housing Innovation Fund the amounts shall be allocated as follows:
 - a) \$50 million for the Affordable Housing Revolving Development and Acquisition Program;
 - b) \$25 million for the Loan Fund;
 - c) \$25 million for the Practitioner Fund;
 - d) \$5 million for the Construction Liability Insurance Reform Pilot Program; and
 - e) \$35 million for the Local Housing Trust Fund Matching Grant Program. (Health and Safety Code Section 53545.9)

- 4) Authorizes \$195 million for MHP to be used for supportive housing for individual and households moving from emergency shelters or transitional housing or those at risk of homelessness (Health and Safety Code Section 53545).
- 5) Provides that the Legislature may, from time to time, amend the provisions of law relating to programs for which funds are, or have been, allocated by Proposition 1C to improve the efficiency and effectiveness of the program, or to further the purpose of the program (Health and Safety Code Section 53545).

FISCAL EFFECT: Unknown.

COMMENTS:

Proposition 1C: Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C), authorized the creation of the Affordable Housing Innovation Fund and transferred \$100 million to the Fund. The bond required the funds to be expended for competitive grants or loans to sponsoring entities that develop, own, lend, or invest in affordable housing through pilot programs that demonstrate innovative, cost-savings approaches to creating or preserving affordable housing. The bond required that these programs be created statutorily through 2/3 vote bills. Any funds that were not spent within 30 months of being offered through the programs would revert to the Self-Help Housing Fund.

In 2007, SB 586 (Dutton), Chapter 652, created several new programs funded by the Affordable Housing Innovation Fund including the Practitioner Fund and the Construction Liability Insurance Reform Pilot Program. The Practitioner Fund required HCD to make loans to non-profit entities to purchase land for affordable housing developments. Practitioners selected for the program were required to have experience as a lender to affordable housing developers and would have five years to spend the funds. They would also be required to leverage the Practitioner funds from non-state resources on a three to one basis. HCD developed draft guidelines for this program but they were not formalized and a NOFA was not issued for the program.

The Construction Liability Insurance Reform Pilot Program was created to promote best practices for residential construction, quality control in affordable housing projects that receive loans from the California Housing Finance Agency (CalHFA). HCD has not developed guidelines for this program yet.

Proposition 1C also authorized \$195 million of for the MHP program which funds the production or rehabilitation of affordable rental housing. MHP is the most popular program offered by HCD and has been significantly oversubscribed in past years. There is no money left in MHP.

Purpose of this bill: AB 1951 would collapse the Practitioner Fund (\$30 million) and the Construction Liability Insurance Reform Pilot Program (\$5) and roll the combined \$30 million available to these two programs into MHP.

Proposition 1C authorized the creation of the Affordable Housing Innovation Fund but required the Legislature to develop programs to spend the funds with some parameters. Bond funds are close to exhausted and the likelihood of another bond measure to replenish the coffers is limited. In addition, the dissolution of redevelopment agencies eliminated the Low- and Moderate-

Income Housing Fund as a source of funding for affordable housing. Unlike most other programs authorized by Proposition 1C, the Affordable Housing Innovation Fund, required legislative action to develop programs that met the parameters outlined in the bond for this pot of money. With limited resources available, the author supports moving funds into MHP where they can make a greater impact in solving California's ongoing housing crisis, while retaining the intent of the voters.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association of Veteran Services Agencies
California Housing Consortium
Corporation for Supportive Housing
Housing California
Non-Profit Housing Association of Northern California

Opposition

None on file.

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