

Date of Hearing: March 20, 2024

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Christopher M. Ward, Chair

AB 1782 (Ta) – As Introduced January 3, 2024

SUBJECT: Redevelopment: successor agencies: Low and Moderate Income Housing Asset Fund

SUMMARY: Makes changes to how a housing successor to a redevelopment agency (RDA) may expend funds from its Low and Moderate Income Housing Asset Fund (LMIHF).

Specifically, **this bill:**

- 1) Increases the amount a housing successor may use from its Low and Moderate Income Housing Asset Fund (LMIHF) toward homeless prevention and rapid rehousing from \$250,000 to \$500,000, each fiscal year.
- 2) Requires the Department of Housing and Community Development (HCD) to publish on its internet website any adjustment to the amount a housing successor may expend for homeless prevention and rapid rehousing based on the Consumer Price Index for All Urban Consumers by the federal Department of Labor for the preceding calendar year.
- 3) Clarifies that a housing successor that receives up to \$1 million per fiscal year from another housing successor in the region can also contribute up to \$1,000,000 from its LMIHF to support transit priority projects, permanent supportive housing, housing for agricultural employees, special needs housing, or for a regional homeless shelter.

EXISTING LAW:

- 1) Requires a housing successor to a RDA to spend all the funds in the LMIHF not used to repay enforceable obligations as follows:
 - a) Up to 5% of the statutory value of real property owned by the housing successor and loans and grants receivable or \$200,000 in a fiscal year on monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenant entered into by the RDA or the housing successor;
 - b) Allows up to \$250,000 for homeless prevention and rapid rehousing services for individuals and families who are homeless or would be homeless but for this assistance; and
 - c) All other funds must be used for the development of housing affordable to and occupied by households earning 80% or less of the area median income (AMI) with at least 30% of these remaining funds expended for the development of rental housing affordable to and occupied by households earning 30% or less of AMI and no more than 20% for households earning 60% and 80% of AMI. (Health and Safety Code (HSC) Section 34176.1)
- 2) Authorizes two or more housing successors within a county, within a single metropolitan statistical area and within 15 miles of each other, to enter into an agreement to transfer funds

from their respective LMIHF to develop transit priority projects, permanent supportive housing, housing for agricultural employees, special needs housing, or a regional homeless shelter, if all of the following conditions are met:

- a) Each participating housing successor makes a finding based on substantial evidence after a public hearing that the agreement to transfer funds will not cause or exacerbate racial, ethnic or economic segregation;
- b) The development will not be located in census tract where more than 50% of its population is very low-income, unless the development is within one-half mile of a major transit stop or high quality transit corridor;
- c) The development will not result in a reduction in the number of housing units or a reduction in the affordability of housing units on the site where the development is built;
- d) A transferring housing successor must not have any outstanding obligations, as defined; and
- e) No housing successor may transfer more than \$1 million per fiscal year. (HSC Section 34176.1)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "AB 1782 is a noncontroversial bill that updates an untouched section of law to ensure cities can spend the resources they already have to combat the homeless crisis in this state. This critical legislation opens up additional funds for the construction of regional homeless shelters and ensures fund limits are reflective of increased costs since this code section was written in 2012. The bill will also enable local municipalities to be able to meet environmental and low-income housing goals."

Background: In 2011, facing a severe budget shortfall, the Governor proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Statewide, redevelopment redirected 12% of property taxes away from schools and other local taxing entities and into community development and affordable housing. Ultimately, the Legislature approved and the Governor signed two measures, ABX1 26 (Blumenfield), Chapter 5, and ABX1 27 (Blumenfield), Chapter 6, 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 ABX1 26. However, the Court did grant CRA's petition with respect to ABX1 27. As a result, all RDAs were required to dissolve as of February 1, 2012.

As part of the dissolution process, local jurisdictions were required to establish a housing successor to assume the housing functions of the former RDA. The city or county that created the RDA could opt to become the housing successor, but if they chose not to, the responsibility was transferred to a housing authority in the jurisdiction of the former RDA. If there was no housing authority in the jurisdiction then the housing functions were transferred to HCD.

Housing successors are required to maintain any funds generated from housing assets in the LMIHF and use them in accordance with the housing related provisions of the Community Redevelopment Law (CRL). The LMIHF includes real property and other physical assets, funds encumbered for enforceable obligations, any loan or grant receivable, any funds revised from rents or operation of properties, rents or other payments from housing tenants or operators, and repayment of loans or deferrals owed to the LMIHF. Funding available to a housing successor in the post-redevelopment world is limited to program dollars repaid from loans or investments made by the former redevelopment agency. This is a much smaller amount than was generated by RDAs, which produced more than \$1 billion in tax increment for housing activities statewide each year.

SB 341 (DeSaulnier): In 2015, SB 341 (DeSaulnier), Chapter 796, revised the rules governing the activities and expenditures of housing successors to streamline administrative requirements while ensuring accountability, providing additional flexibility, and targeting scarce available resources to the greatest needs. SB 341 retained the housing provisions of the CRL as the basic law governing housing successors but altered the law for housing successors and targeted the limited financial resources of housing successors toward core functions. RDAs were required to expend funds to improve, increase, or preserve housing affordable to low- and moderate-income families. Housing successors have far less money than RDAs, so the law requires them to prioritize that limited funding toward monitoring and maintaining the housing assets that were created or financed by the former RDA. SB 341 allowed housing successors to use funds in the LMIHF toward services to prevent homelessness and rapidly re-housing people. Under existing law, the CRL did not permit RDAs to spend funds on services. In addition, housing successors are allowed to spend the limited funds that are available after monitoring and preserving the existing housing assets toward housing for low- and extremely- low income housing. This is different than the CRL, which required money to be expended for low- and very-low income housing in proportion to the community's housing element need for those populations.

If a housing successor allows an excess surplus of funds to accumulate – any amounts over \$1 million over a three year period – without spending it on developing housing or transferring it to another housing successor, then it must transfer those funds to HCD. HCD is required to expend those funds through the Multi-family Housing Program or the Joe Serna Jr. Farmworker Housing Grant Program.

Two or more housing successors within the same county, within 15 miles of each other, or that are in contiguous jurisdictions may also transfer up to \$1 million from their LMIHF to develop transit priority projects, permanent supportive, housing for agricultural employees or special needs housing, or a regional homelessness shelter.

AB 346 (Daly): AB 346 (Daly), Chapter 35, Statutes of 2017, expanded the types of activities housing successors can spend LMIHF on by adding regional homeless shelters. Two housing successors within 15 miles of each other can use up to \$1 million toward a regional homeless shelter. The cities of Westminster, Garden Grove, and Fountain Valley are partnering with the County of Orange to construct a regional homeless shelter. The estimated costs to operate the center will be over \$8 million for the first ten years alone, and the current LMIHF allocation amounts will be insufficient for the cities to take on this task and work to reduce the homelessness rates in their area. According to the sponsor, although a housing successor can transfer funds to another housing successor, the receiving housing successor cannot spend their own funds for a regional homeless shelter. This bill would clarify that authority. This bill also

increases the amount that a housing successor can spend on homeless prevention and rapid rehousing from \$200,000 to \$500,000 in recognition of the need for additional funding to support homeless prevention activities.

Arguments in Support: According to City of Fountain Grove, “AB 1782 seeks to empower municipalities like Garden Grove to leverage a higher portion of their Low and Moderate Income Housing Asset Fund (LMIHAF) for homelessness prevention and rapid rehousing services. The existing limit of \$250,000, set in 2012, pales in comparison to the current costs of providing these crucial services. The proposed adjustment to \$500,000, coupled with annual CPI adjustments, aligns more closely with present-day expenses. Presently, Health and Safety Code Section 34176.1 permits housing successors to transfer up to one million dollars from the LMIHAF to another housing successor for regional homeless shelter development. AB 1782 aims to amend the code, allowing the receiving housing successor to contribute up to one million dollars annually from their LMIHAF. This change ensures that all partner cities have an equal opportunity to utilize LMIHAF funds for regional homeless shelters.”

Arguments in Opposition: None on file.

Related Legislation:

SB 341 (DeSaulnier) (2015) revised the rules governing the activities and expenditures of housing successors to streamline administrative requirements while ensuring accountability, providing additional flexibility, and targeting scarce available resources to the greatest needs.

AB 346 (Daly) (2017) expanded the types of activities housing successors can spend LMIHF to include regional homeless shelters.

Double-Referred: This bill was also referred to the Assembly Committee on Local Government where it will be heard should it pass out of this committee

REGISTERED SUPPORT / OPPOSITION:

Support

City of Fountain Valley (Sponsor)
City of Garden Grove

Opposition

None on file.

Analysis Prepared by: Lisa Engel / H. & C.D. / (916) 319-2085