

Date of Hearing: April 19, 2017

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 1182 (Low) – As Amended April 5, 2017

SUBJECT: Housing: Teacher Housing Assistance Pilot Program

SUMMARY: Establishes the Teacher Housing Assistance Pilot Program (pilot program) to be administered by the California Housing Finance Agency (CalHFA). Specifically, **this bill:**

- 1) Makes the following legislative findings and declarations:
 - a) The State of California is currently experiencing a shortage of qualified teachers;
 - b) A number of factors including the high cost of living affect a school district's ability to recruit the necessary number of teachers;
 - c) A high cost of living particularly affects recruitment in city and suburban districts;
 - d) According to a recent study, 89% of districts in cities and 69% of districts in suburban areas report experiencing a teacher shortage; and
 - e) San Francisco, San Diego, Santa Clara, and Los Angeles are among the counties with the highest cost of living in the state.
- 2) Declares the purpose of the pilot program is to assist new and experienced teachers, who are currently teaching or have committed to teach in a high-cost county to obtain housing within the county in which they are living or have committed to teach.
- 3) Defines an "eligible applicant" to mean a person who satisfies all of the following:
 - a) Holds a valid teaching credential;
 - b) Currently teaches or has committed to teach in a school district located in a high-cost county; and
 - c) Resides within the high-cost county in which the person is teaching or has committed to teach.
- 4) Defines "high-cost county" to mean a county where the median housing cost exceeds \$500,000 or the median rental cost exceeds \$3,000.
- 5) Provides that for purposes of the pilot program high cost county is limited to the City and County of San Francisco, the County of San Diego, the County of Santa Clara, or the County of Los Angeles.
- 6) Requires CalHFA to adopt regulations pursuant to the Administrative Procedures Act to implement the program.

- 7) Provides that eligible applicants may receive one-time down payment assistance subject to the following requirements:
 - a) The amount of the down payment assistance shall not exceed 20% of the home sale price and may not exceed 20% of the median home cost for the high-cost county that the eligible applicant resides in; and
 - b) Requires as a condition of receiving downpayment assistance, the applicant shall commit to teaching in the high-cost county that the applicant resides in for five years after the purchase of the house.
- 8) Provides that an eligible applicant may receive an annual rental stipend subject to the following requirements:
 - c) The amount of the stipend shall be provided in a lump sum to applicant in an amount that is equal to one-half of the eligible applicant's annual rent but that amount shall not exceed \$1,500 per month when divided by 12 months; and
 - d) Requires as a condition of receiving a rental stipend the eligible applicant shall commit to teaching in the high-cost county for each fiscal year in which the funds are received.
- 9) Requires an applicant to submit an application to the CalHFA for financial assistance in the form and manner prescribed by the CalHFA including all of the following information:
 - a) The school that the applicant is teaching in or has committed to teach in is located in a high-cost county;
 - b) The type of financial assistance requested; and
 - c) Any other information that the agency determines is necessary to process the application.
- 10) Requires the agency to review any application to determine if the applicant is eligible for funding.
- 11) Requires CalHFA to give priority to eligible applicants holding a credential in the following high-need subject matter areas:
 - a) Bilingual education;
 - b) Science, technology, engineering, and mathematics; and
 - c) Special education.
- 12) Creates the Teacher Housing Assistance Fund in the State Treasury and provides moneys shall be available for the program by appropriation of the legislature.
- 13) Requires on or before December 31, 2023, CalHFA must submit a report to the Assembly Committee on Appropriations and the Senate Committee on Appropriations that evaluates the demand for the financial assistance provided by the pilot program and the effectiveness of the program in addressing the state's teacher shortage.

- 14) Requires CalHFA to make a recommendation in the report as to whether or not the program should be continued.

EXISTING LAW:

- 1) Provides that CalHFA is administered by a board of directors and is supervised on a day-to-day basis by an executive director. (Health & Safety Code 50901, 50908)
- 2) Provides that the primary purpose of CalHFA is to meet the housing needs of persons and families of low or moderate income. (Health & Safety Code 50950)
- 3) Authorizes CalHFA to make loans to housing sponsors for housing developments and to qualified mortgage lenders, among others. (Health & Safety Code 51050)

FISCAL EFFECT: Unknown.

COMMENTS:

Purpose of this bill: The author states, "California is facing a teacher shortage crisis. According to a recent study, 89% of districts in the cities and 69% of districts in suburban areas report a teacher shortage. Due to the high cost of living, school districts have had difficulty not only attracting, but retaining teachers. Californians greatly value our public education system, and housing security is vital to the success of our schools. The affordable housing crisis and teacher shortage are not mutually exclusive. In Santa Clara County the average teacher income is \$80,000 - \$90,000 but the income required to own a single-family home is over \$170,000 a year. In the City and County of San Francisco, the average annual teacher income is approximately \$67,000, but the income required to purchase a single-family home is over \$200,000."

California Housing Finance Agency: The California Housing Finance Agency (CalHFA) is the state's affordable housing lender. Historically, CalHFA has funded its programs by issuing bonds and then repaying the bonds with loan proceeds. The agency provides downpayment assistance through the MyHome Program to first-time low and moderate income homebuyers through a deferred payment, subordinate loan. Homebuyers receive between 3% and 6% of the downpayment toward a home purchase that is secured against the home. The downpayment assistance is paired with a CalHFA first loan mortgage and payment on the down payment assistance is due when the borrower pays off or refinances the first loan. Although CalHFA originally funded its downpayment assistance program through bond funds, those funds have been exhausted and the agency is now using recycled funds to fund downpayments. The agency has approximately \$150 million remaining which it projects will last for another two years. CalHFA offers downpayment assistance statewide, including the four counties targeted in this bill. In high cost counties, the sales price of a home that can qualify for MyHOME is capped at approximately \$650,790.

Loan versus grant: As discussed above, the MyHOME program operates as a revolving loan fund allowing CalHFA to assistance multiple homeowners with limited funds. AB 1182 would provide grants up to 20% of the downpayment assistance to qualifying teachers in four counties – San Diego, Santa Clara, San Francisco and Los Angeles -- in which the median home price exceeds \$500,000. In February of this year, according to the California Association of Realtors, the average home price in Santa Clara County was \$1.1 million. The committee may wish to consider reducing the total downpayment a homeowner can received to 10% to better

align the program more closely with CalHFA's existing program and require the down payment to be structured as a loan rather than a grant.

Income restrictions: To qualify for a downpayment from MyHOME, homebuyers must have a qualifying income. In high cost areas, incomes are capped at 140% of the area median income and a homebuyer can receive up to \$15,000 in assistance. AB 1182 does not place any income restrictions on a qualifying homebuyer or the homebuyer's household. The committee may wish to consider requiring the household income of the qualifying teacher to be capped at 140% of area median income to target the funding more effectively.

Rental stipend: In addition to providing downpayment assistance to a teacher, AB 1182 would also allow for a rental stipend of up to \$1500 a year (up to \$18,000 per year). Unlike Section 8/HomeChoice Vouchers, in which the stipend is provided directly to the landlord to subsidize the rent, the payment would be provided to the teacher in a lump sum at the beginning of the school year to pay the rent. There is no state level rental assistance program currently in place at either the Department of Housing and Community Development or CalHFA.

Teacher Certification: As a requirement of receiving downpayment assistance, a teacher must commit to teaching in the school district for five years and to qualify for the rental stipend commit to teaching in the school district for the fiscal year in which the stipend is received. There are no parameters in the bill for how to qualify a teacher's commitment. The committee may wish to consider requiring the teacher to provide an annual proof of employment to CalHFA as a condition of receiving the funding.

Staff comments: The amendments below refine the bill including requiring the downpayment to be a loan rather than a grant which will allow any funding made available for the program to be reused by another qualifying teacher. It is unclear how the rental stipend portion of the bill would be administered since the payments would go directly to a qualifying teacher rather than their landlord – the committee amendments delete that portion of the bill.

Committee amendments:

1. Require the down payment assistance to be structured as a deferred payment, subordinate loan that must be repaid when the home is sold.
2. Cap the amount of downpayment at 10% of the home price.
3. Require the teacher to certify on an annual basis that they are employed with the school district.
4. Eliminate the rental stipend option within the bill.

Double referral: If AB 1182 passes out of this committee, the bill will be referred to the Committee on Education.

REGISTERED SUPPORT / OPPOSITION:

Support

Santa Clara County office of Education (sponsor)

Charles "Chappie" Jones, Councilmember, District 1, City of San Jose
City of San Jose
San Diego County Office of Education
San Francisco Unified Scholl District

Opposition

None on file

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