

Date of Hearing: April 20, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 1969 (Steinorth) – As Amended April 13, 2016

**SUBJECT:** Affordable housing: home purchase assistance

**SUMMARY:** Creates a program administered by the California Housing Financing Agency (CalHFA) to provide downpayment assistance to homeowners in newly constructed developments in jurisdictions that provide incentives and waive local fees. Specifically, **this bill:**

- 1) Requires the California Housing Finance Agency (CalHFA) to provide downpayment assistance to first-time homebuyers in development projects located in a city, county, or city and county that provides incentives, reduces developer or impact fees, or reduces or removes regulatory barriers to constructing the development projects.
- 2) Requires CalHFA to identify and objectively measure the types of local agency actions or incentives that it determines appropriately reduce developer or impact fees or reduce or remove regulatory barriers to housing construction.
- 3) Provides these incentives may include but are limited to modifications to any of the following:
  - a) Local design review requirements;
  - b) Building code enforcement;
  - c) Onsite or offsite improvement requirements;
  - d) Project design;
  - e) Permit processing; or
  - f) A 30% reduction in the schedule of local fees, charges, and other exactions on local developers within the local agency's jurisdiction within 12 months or more prior to the submission of the application. Requires the local agency to provide verification of the reduction with supporting documents showing successive annual fee schedules to the agency.
- 4) Defines "local fees, charges and other exactions" to include:
  - a) planning and zoning fees;
  - b) environmental documentation fees;
  - c) plan check fees;
  - d) school fees;

- e) school mitigation fees;
  - f) highway road, traffic, and transit fees;
  - g) water, wastewater, sewer, and drainage fees;
  - h) utility or water connection fees;
  - i) public safety fees;
  - j) capital facilities fees;
  - k) affordable housing fees and assessments;
  - l) parks and recreation fees; and
  - m) any other fee that may substitute for the requirements of onsite or offsite improvement requirements.
- 5) Appropriates an unspecified amount from the General Fund to CHDAP to fund this program.
- 6) Provides that after 4 years, if CalHFA determines that the funding for this program is no longer needed then the funding shall revert to the general California Homebuyer Downpayment Assistance Program (CHDAP) except that the funding can still be used for this program.

**EXISTING LAW:**

- 1) Requires the California Housing Finance Agency (CalHFA) to administer a down payment assistance program.
- 2) Creates CHDAP, a deferred-payment, low interest, junior mortgage loan to reduce principal and interest payments and make financing affordable to first-time low- and moderate-income home buyers.

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

Background:

CalHFA operates the CHDAP and provides homebuyers between 3% and 6% in downpayment assistance secured as a second mortgage on the home. The program operates as a revolving loan and when a home is sold CalHFA is repaid allowing the funds to go to another homebuyer. There is approximately \$150 million available in CHDAP at this time. The program can provide down payments to individuals that make up to 120% of the area median income (AMI) and just recently raised its income limits to 140% of AMI in high cost areas. CalHFA operates independently of the state General Fund and derives the funding for its down payment assistance program from the sale of bonds.

The Building Equity and Growth in Neighborhoods Program (BEGIN), administered by HCD, provided grants to local governments that provided incentives or reduced regulatory barriers to construction of new for-sale affordable housing (a BEGIN project). The grants could be used by local governments to provide downpayment assistance to qualifying first-time homebuyers of low- and moderate-income purchasing newly constructed homes in a BEGIN project. Homebuyers were required to occupy the home as their principal residence for at least five years. Downpayment assistance was secured as a second mortgage loan and the amount of the loan could not exceed 20% of the purchase price. HCD established the types of objective and measurable incentives and reductions in regulatory barriers to new construction of for-sale, affordable housing units including but limited to standards relating to housing density, project design, parking requirements, permit processing, and fee reductions. There is currently no money available in the BEGIN program.

Similar to the BEGIN program, this bill would reward local governments that provide incentives and or remove or reduce local barriers to construction with down payment assistance. Unlike the BEGIN program, the downpayment assistance would be provided directly by CalHFA through the CHDAP program rather than administered by local governments.

Purpose of this bill: According to the author, "California is in the midst of a housing crisis. There is a substantial lack of new home construction: according to the California Homebuilding Foundation, the number of annual housing permits in 2015 was similar to the slowest years in the 1980s and 1990s. This shortage is hitting the affordable and middle-class housing markets alike. The cost of housing in California is significant. According to the nonpartisan Legislative Analyst's Office, California has the second-highest median home price in the nation and residents' housing costs, as a share of income, remain far above the national average. In fact, more than half of middle-class California families spend more than 30 percent of their income on housing. Increased housing costs lead to significant trade-offs for the middle class California family including: postponing or foregoing homeownership, living in more crowded housing, commuting farther to work each day, or choosing to work and live elsewhere. AB 1969 will make a one-time appropriation for the California Homebuyer's Downpayment Assistance Program (CHDAP). Those new funds may be loaned only to homebuyers in cities and counties who have reduced regulatory and fiscal impediments to new home construction. The California Housing Finance Agency will be tasked with determining what local actions would qualify, including changes to land use controls, permit processing, and a 30% reduction in developer fees. Any unused funds would revert to CHDAP for its general use."

Staff comments:

The BEGIN program awarded local governments that encouraged construction of new affordable housing for low- and moderate- income families. Because this bill would require CalHFA to provide downpayment assistance directly to a borrower in a newly constructed unit through CHDAP and CalHFA is limited to providing downpayment assistance to low- and moderate-income buyers then the result would be the same. The committee may wish to clarify with the author that his intent is to encourage the production of housing affordable to low- and moderate-income homebuyers. The committee may wish to amend the bill to require any newly constructed units that are subject to this bill are affordable to low- and moderate- income buyers.

This bill would include as one of the fees that can be waived on the development and "affordable housing fee or assessment" the committee may wish to consider deleting that option.

After four years of operation this bill would allow the funding for this program to be redirected to the general CHDAP program for downpayment assistance statewide. However, it would also allow this program to continue to be available. The committee may wish to consider if that would create administrative challenges for CalHFA and if it would not be better to shut down the program after four years if it is not in demand. The committee may also wish to consider shortening this time to two years.

The committee may wish to consider aligning the funding in this program with other funding sources and state land use policies by requiring all or a portion of the funding to go to projects that are in a designated infill site and are close to public transit.

Committee amendments:

- 1) Amend the bill to require any newly constructed units to be affordable to low- and moderate-income buyers.
- 2) Delete "affordable housing fee or assessment" on the list of fees that can be waived/reduced.
- 3) Delete the language that allows the program to continue to operate after the funding has been transferred to the larger CHDAP program.
- 4) Require the fund to revert back to the larger CHDAP program in two years rather than four.
- 5) Require developments to also be in a designated infill site and are close to public transit.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

California Association of Realtors  
League of California Cities

**Opposition**

None on File

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