

Date of Hearing: April 20, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 2441 (Thurmond) – As Amended March 18, 2016

SUBJECT: Housing: Workforce Housing in High-Cost Areas Pilot Program

SUMMARY: Establishes the Workforce Housing in High Cost Areas Pilot Program administered by the Department of Housing and Community Development (HCD). Specifically, **this bill:**

- 1) States the intent of the Legislature in enacting this bill that funds allocated to cities and administered by HCD be of maximum benefit in meeting the needs of persons and families of low- or moderate-income.
- 2) Defines "eligible city or city and county" to mean a city that resides within a county that is defined by the United State Department of Housing Urban Development (HUD) as a high-cost county.
- 3) Defines a "notice of funding available" (NOFA) to mean a public announcement that an estimated amount of funding will be awarded by a department program according to a specified criteria and schedules.
- 4) Defines "persons and families of low or moderate income" to mean persons and families whose income exceeds 60% percent of area median income (AMI), adjusted for family size, but no higher than 120% percent of AMI.
- 5) Requires HCD, subject to availability, to award grant funding to eligible cities and counties that apply for financing.
- 6) Requires HCD to determine the appropriate amount of the grant for purposes of accomplishing the intent of the Legislature.
- 7) Requires an eligible city or city and county to do all of the following:
 - a) Use the grant funds awarded to it for the predevelopment costs, acquisition, construction, or rehabilitation of rental housing projects or units within rental housing projects restricted to affordable levels for 55 years;
 - b) Hold a public hearing pursuant to the Ralph M. Brown Act to discuss and describe the project that will be financed; and
 - c) File periodic reports with HCD regarding the use of funds.
- 8) Require on or before December 31 of each year in which funds are awarded, HCD must provide a report to the Legislature regarding the number of grants awarded, a description of the projects funded, the number of units funded and the amount of matching funds received.
- 9) Requires the program to operate until all appropriated funds have been awarded.

10) Requires HCD, once all funds are appropriated and the pilot program is terminated, to provide a report to the Assembly and Senate Committees on Appropriations that evaluates the need for housing of persons and families of low and moderate income in cities or cities and counties that receive funds from this program. Requires the report to include a recommendation on whether or not the pilot program should continue.

11) Makes the requirement to submit a report inoperative four years after the report becomes due.

EXISTING LAW:

FISCAL EFFECT: Unknown.

COMMENTS:

This bill creates the Workforce Housing in High Cost Areas Pilot Program to provide grants to cities in high cost counties, as defined by HUD, for predevelopment costs, acquisition, construction, or rehabilitation of rental housing projects or units within rental housing projects restricted to affordable levels for 55 years. The bill limits the program to high cost counties as defined by HUD. For purposes of setting national loan limits for Federal Housing Administration insured loans, HUD identifies the following California counties as high-cost: Alameda, Contra Costa, Los Angeles, Marin, Orange, San Benito, San Francisco, San Mateo, Santa Barbara, Santa Clara, and Santa Cruz.

Purpose of this bill: According to the author, "A divergence between median rents and median income has led to greater housing unaffordability in such high-cost areas. To illustrate, this year alone the average rental price in Oakland has risen 13.7 percent to \$2,806 per month. Such a high rent has come to put pressure on individuals who historically fall outside of state-subsidy. All state funds that subsidize the development of multi-family housing is capped at 60% AMI. In high-cost metropolitan areas, the free market does not naturally provide housing for many above that income designation. In sum, existing programs are not flexible to provide housing that meets the needs of a diverse and complex housing crisis. The result of programs with such gaps in coverage has been the displacement of workers from their communities. The displacement of workers is not only a detriment to communities themselves, but also to California as a whole, as economically diverse communities are undermined. As residents are displaced away from their jobs, commutes will increase as well as traffic in California's highways effectively undermining California's goals to reduce carbon emissions. Notwithstanding the strain of long commutes on family life, the importance of neighborhood and environment in preparing children from working families for success and social mobility cannot be understated. And for those who brave such steep rental housing costs, have their capacity to save income and move towards homeownership undercut."

Staff comments:

The Workforce Housing in High Cost Areas Pilot Program has elements of several different existing programs –the CalHOME program and the Local Housing Trust Fund program— operated by HCD. The CalHOME program provides grants and loans to local governments and nonprofit organizations for rehabilitation of existing homes, mortgage assistance, real property acquisition, site development, predevelopment, and construction period expenses of homeownership development projects, or permanent financing for mutual housing and

cooperative developments. The Local Housing Trust Fund program provides matching grants to cities, counties, and qualified non-profit organizations for loans for construction of rental housing projects with units restricted for at least 55 years to households earning less than 60% of AMI and for downpayment assistance to qualified first-time homebuyers. The program proposed by this bill is different than both of those programs in that it allows the funding to be used for projects that serve up to 120% of AMI. To reduce the administrative cost of creating a new program, the author may wish to consider changing those programs to allow flexibility to serve families and individuals making 120% of AMI in high cost areas.

Committee amendments:

The committee may wish to consider the following amendments:

- Delete the requirement that funding go to projects that serve between 60% and 120% of AMI.
- Allow funding to go up to 120% of AMI in high cost areas as defined by the Department of Housing and Urban Development in their limits for FHA loans.
- Allow local governments to use the funds for downpayment assistance with limitations developed by HCD to maximize the use of the funds.
- Make clear that a local government must provide matching funds to qualify for the program.
- Change the name of the program to the Workforce Housing Pilot Program.

REGISTERED SUPPORT / OPPOSITION:

Support

None on File

Opposition

None on File

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