

Date of Hearing: April 5, 2017

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 346 (Daly) – As Introduced February 8, 2017

**SUBJECT:** Redevelopment: housing successor: Low and Moderate Income Housing Asset Fund

**SUMMARY:** Makes changes to how a housing successor agency (housing successor) to a redevelopment agency (RDA) can spend funds in the Low and Moderate Income Housing Asset Funds (LMIHF). Specifically, **this bill:**

- 1) Authorizes a housing successor agency to use funds in the LMIHF for the development of homelessness services, transitional housing, or emergency housing services.
- 2) Requires a housing successor agency to provide to its governing body and post on its Internet Web site a description of how funds were spent for the development of homelessness services, transitional housing, or emergency housing services.

**EXISTING LAW:**

- 1) Requires a housing successor to a RDA to spend all the funds in the in the LMIHF fund not used to repay enforceable obligations as follows:
  - a) Up to 2% 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 early 60% and 80% of AMI.
- 2) Authorizes two or more housing successor 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, or special needs housing 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 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 pursuant to Health and Safety Code Section 33413; and
- e) No housing successor may transfer more than \$1 million per fiscal year.

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

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 set up 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 to be transferred to Department of Housing and Community Development (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 a RDA which produced more than \$1 billion in tax increment for housing activities statewide each year.

In 2015, SB 341 (De Saulnier) Chapter 796, Statutes of 2015, revised the rules governing the activities and expenditures of housing successors to streamline administrative requirements while ensuring accountability, provide additional flexibility, and target scarce available resources to the greatest needs. SB 341 retained the housing provisions of the CRL as the basic law governing housing successors but alters the law for housing successor in the following ways:

- Allows housing successors to expend available funds first for the purpose of monitoring and preserving the long-term affordability of units in its portfolio and for administering its activities up to an annual cap of 2% of its portfolio value or \$200,000 whichever is greater;
- Allows housing successors to expend up to \$250,000 per year for homeless prevention and rapid rehousing services to individuals and families who are homeless or at risk of homelessness;
- Alters the income targeting requirements and applies them only to funds left after allowed monitoring and administration expenditures and homeless prevention services;
- Relaxes the limitations on senior housing allowing no more than 50% of housing financed by the jurisdiction over a ten-year period to be limited to seniors; and
- Allows housing successors to transfer funds among themselves under certain conditions for the purpose of developing affordable units in transit priority projects, permanent supportive housing, farmworker housing, or special needs housing.

SB 341 targeted the limited financial resources of housing successor 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 rehousing people. Under existing law, the CRL did not permit RDAS to spend funds on services. In addition, successor housing 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.

Purpose of the bill: According to the author, "California cities have fewer financial resources to use for addressing a wide range of local housing needs. Unfortunately, current law also restricts how cities can use what little revenues they have available for such purposes. AB 346 will give them some flexibility and local control over how those funds are best spent to address specific needs in their communities." "Because LMIHF are much lower, cities frequently wait for their set-aside funds to accumulate enough money to actually build new housing units, which is the majority purpose for these dollars. This has left cities with unused or unusable LMIHF funds. Additionally there is enough flexibility to use the reduced LMIHF funds in other ways to help

residents who are homeless or needing other housing services associated to affordable housing. Exacerbating the issue is the increase to the homeless population across the state."

Staff comments:

RDAs were required to spend any LMIHF to improve, increase, or preserve housing affordable to low- and moderate-income families and were not allowed to spend funds on services. In an effort to provide greater flexibility to housing successor agencies with limited funding, the law was revised to allow some funds to be used for monitoring and toward homeless prevention and rapid re-housing. The committee may wish to consider refining the bill to allow cities to spend the funds currently available for homeless prevention and rapid re-housing for construction of a local or regional homeless shelter. In addition, the committee may wish to amend the bill to allow a jurisdiction to transfer up to \$1 million in funds to another jurisdiction, after making specified findings, to construct a regional homeless shelter.

Committee amendments:

- 1) Delete the provision allowing a housing successor to spend LMIHF on, "homelessness services, transitional housing, or emergency housing services" and instead allow a housing successor to use the \$250,000 allowed under existing law for homeless prevention, toward construction of a local or regional homeless shelter, in addition to the other eligible uses.
- 2) Expand existing law to allow a housing successor to transfer up to \$1 million to a neighboring jurisdiction for the development of a regional homeless shelter, after making specified findings.

**Double referral:** If AB 346 passes out of this committee, the bill will be referred to the Committee on Local Government.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Association of California Cities – Orange County (sponsor)

California Apartment Association

California Catholic Conference

California Coalition for Youth

City of Alhambra

City of Costa Mesa

City of Fullerton

City of La Palma

City of Los Alamitos

City of Pasadena

City of Santa Ana

City of Stanton

National Association of Social Workers, California Chapter

St. Jude Medical Center

**Opposition**

None on file

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