

Date of Hearing: April 5, 2017

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 45 (Thurmond) – As Amended February 21, 2017

SUBJECT: California School Employee Housing Assistance Grant Program

SUMMARY: Requires the California Housing Finance Agency (CalHFA) to administer the California School Employee Housing Assistance Program (Program), a predevelopment grant and loan program, to fund the creation of affordable housing for school district employees, including teachers. Specifically, **this bill:**

- 1) Defines "affordable housing" to mean housing that serves persons and families that make up to 120% of the area median income (AMI).
- 2) Defines "qualified developer" to mean a developer that has partnered with a "qualified school district."
- 3) Defines "qualified school district" to mean a school district that satisfies all of the following:
 - a) Has acquired land from a school district, special district, or city that may be used to engage in a lease and development agreement, including but not limited to, a joint occupancy agreement for the purposes of design, construction, financing, and long-term operation of a housing development and amenities;
 - b) The State Department of Education has determined there is a high percentage of teachers with intern credentials, permits and waivers based on the most recent report published by the Commission on Teach Credentialing at the time that the school district submits its application; and
 - c) Demonstrates to the State Department of Education that any project funded by a predevelopment grant is subject to a project labor agreement and is either a public work or is subject to a legally binding requirement that prevailing wages be paid to all workers.
- 4) Requires a school district seeking a predevelopment loan to apply to the State Department of Education for certification as a "qualified school district."
- 5) Requires CalHFA to make predevelopment grants as follows:
 - a) Grants shall be awarded to qualified school districts and qualified developers in partnership;
 - b) Grants shall be based on the accomplishment of predevelopment milestones as determined by CalHFA; and
 - c) Priority shall be given to partnerships in which qualified school districts have 60% or more of the students participating in the National School Lunch Program.
- 6) Requires the affordability of units financed using predevelopment grants and loans be restricted for 55 years.

- 7) Limits the amount that can be used for predevelopment grants to 20% of the total amount appropriated to the Program.
- 8) Authorizes CalHFA to use up to 5% of funding to reimburse the agency for administrative costs.
- 9) Authorizes an unspecified amount of funding to reimburse the State Department of Education for the cost of certifying qualified school districts.
- 10) Requires CalHFA to make loans to qualified developers using a project selection process that meets the following requirements:
 - a) Ensures, to the extent feasible, a reasonable geographic distribution of funds;
 - b) The proposed project is located within a reasonable proximity to public transportation and services;
 - c) Development costs for the proposed project are reasonable compared to the cost of comparable projects in the area; and
 - d) The proposed project is feasible.
- 11) Provides that loans are for a term of not less than 55 years and principal and interest are due and payable upon completion of the loan. The loan shall bear simple interest at the rate of 3% per year on the unpaid principal balance.
- 12) Limits the loan amount per project to \$10 million.
- 13) Appropriates \$100 million from the General Fund to the California School Employee Housing Assistance Fund for the Program.
- 14) Provides that appropriations made to the Program are not deemed "General Fund revenues appropriated for school districts" for the purposes of Proposition 98.

EXISTING LAW: Establishes the Multi-family Housing Program (MHP) to provide loans at a rate of 3% simple interest per year to fund the acquisition, rehabilitation, and construction of multi-family housing for persons at or below 60% area median income. (c) Principal and accumulated interest is due and payable upon completion of the term of the loan. Department of Housing and Community Development (HCD) is authorized to forgive that portion of that loan that is used to cover costs of developing child care facilities. HCD requires annual loan payments in the minimum amount necessary to cover the costs of project monitoring. For the first 30 years of the loan term, the amount of the required loan payments shall not exceed forty-two hundredths of 1 percent (.42%) per annum.

FISCAL EFFECT: Unknown.

COMMENTS:

Background:

California has seen a drastic decline in funding to support the construction of affordable housing for very low-, low- and moderate-income families. Historically, the state has invested in low- and moderate-income housing primarily by providing funding for construction. Because of the high cost of land and construction and the subsidy needed to keep housing affordable to residents, affordable housing is complicated to build. Developers typically use multiple sources of financing, including voter-approved housing bonds, state and federal low-income housing tax credits, private bank financing, and local matching dollars.

Voter-approved bonds have been an important source of funding to support the construction of affordable housing. Proposition 46 of 2002 and Proposition 1C of 2006 together provided \$4.95 billion for affordable housing. These funds financed the construction, rehabilitation, and preservation of 57,220 affordable apartments, including 2,500 supportive homes for people experiencing homelessness, and over 11,600 shelter spaces. In addition, these funds have helped 57,290 families become or remain homeowners. Nearly all of these funds have been awarded. In addition, prior to their dissolutions= redevelopment agencies generated as much as \$1.1 billion a year in local funding to support affordable housing.

CalHFA, the state's affordable housing bank, provides down payment assistance to qualified low- and moderate-income buyers through a loan secured on the property that is repaid when a home sells. In addition, CalHFA provides loans to multifamily housing developers to construct affordable housing. CalHFA does not receive funding from the General Fund and pays for its programs by issuing bonds which are then repaid from loan proceeds.

HCD operates a variety of programs that support the acquisition, rehabilitation and construction of affordable housing to very low-, low- and moderate-income households. The MHP provides gap financing to affordable housing developers. Developments financed using MHP or CalHFA's multi-family loans agree to provide the housing for a term of 55 years. The loans are made for 55 years at 3% interest per year on the outstanding balance of the loan. If the development cash flows it is required to pay on the outstanding debt. HCD also operates a predevelopment loan program that provides loans up to \$100,000 to non-profit housing developers, local governments, housing cooperates or limited liability companies in which all the members are non-profits. The loans may be used for control, site acquisition for future low-income housing development, engineering studies, architectural plans, application fees, legal services, permits, bonding, and site preparation.

This bill would require CalHFA to create and administer the California School Employee Housing Assistance Program to provide both predevelopment grants and development loans to qualified school districts and developers for the creation of affordable rental housing for school employees, including teachers.

Purpose of the bill: According to the author, "there are two reasons why this bill is needed: lack of predevelopment financing and inadequate funding sources. The predevelopment process, which includes feasibility studies, entitlements, environmental impact reports, among other activities, requires funds that many cash-strapped school districts cannot cover up-front. This bill would provide funding necessary to begin development.

Furthermore, current funding for the development phase of such housing is inadequate for school districts in high-cost areas. State and federal subsidies are effectively capped at 60% Area Median Income (AMI), which for some school districts, is only slightly above the income for a starting teacher. The consequence of this threshold, as was experienced by the Los Angeles

Unified School District, is that teachers in such districts would not qualify. This bill would provide the development financing needed to subsidize units above the existing threshold of 60% AMI."

Related legislation: This bill is substantially similar to AB 2200 (Thurmond) (2016) which passed this committee with committee amendments with a vote of 5-1. AB 2200 was held on the suspense file in the Assembly Appropriations Committee.

SB 1413 (Leno) Chapter 732, Statutes of 2016 established the Teacher Housing Act of 2016 to among other things make clear that housing provided exclusively for teachers could receive funding from the Low Income Housing Tax Credit program.

Committee amendment:

The committee may wish to consider an amendment to require payment on outstanding loans when a project has cash flow. Similar to the MHP program, the proposed program would require monitoring to ensure enforcement of the affordability restrictions. HCD relies upon the limited cash flow from projects to support monitoring.

On page 5, line 26 after "balance" insert the following: *"The department shall require annual loan payments in the minimum amount necessary to cover the costs of project monitoring. For the first 30 years of the loan term, the amount of the required loan payments shall not exceed forty-two hundredths of 1 percent (.42%) per annum."*

Double referred: If AB 45 passes this committee, the bill will be referred to the Committee on Education.

REGISTERED SUPPORT / OPPOSITION:

Support

California Federation of Teachers (co-sponsor)
State Building and Construction Trades Council, AFL-CIO (co-sponsor)
California Apartment Association
California Association of Realtors
California School Employees Association, AFL-CIO
Commons Sense Kids, Action
San Francisco Unified School District

Opposition

California Charter School Association

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