

Date of Hearing: August 30, 2020

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 434 (Daly) – As Amended August 20, 2020

**SUBJECT:** Housing financing programs: uniform procedures.

**SUMMARY:** Aligns six rental housing programs with the Multifamily Housing Program (MHP), to enable the state Department of Housing and Community Development (HCD) to implement a single application and scoring system for making coordinated awards under all seven programs. Specifically, **this bill:**

- 1) Removes the requirement that, on or before December 31, 2020, HCD must develop a single, universal application form that may be used by applicants for MHP, the Infill Incentive Grant Program of 2007 (IIG), and the Transit-Oriented Development Implementation Program (TOD).
- 2) Makes the changes below operative as of January 1, 2022.
- 3) Amends MHP to authorize HCD to establish set-asides for specific project types or projects that serve target populations.
- 4) Amends the Joe Serna, Jr. Farmworker Housing Grant Program (Serna Program) as follows:
  - a) Specifies that the program must provide assistance to lower-income agricultural employees and their families.
  - b) Revises eligible activities as follows:
    - i) Loans for construction or rehabilitation of rental housing (rather than grants or loans, or both, for construction or rehabilitation of owner or rental housing);
    - ii) Loans to assist development projects involving multiple homeownership units, including single-family subdivisions;
    - iii) Grants for homeownership assistance programs; and
    - iv) Grants for acquisition of manufactured housing as part of a program to address and remedy the impacts of displacement from labor camps, mobilehome parks, or other housing.
  - c) Requires HCD to make funds available, rate and rank applications, and administer funds, consistent with MHP and CalHome.
  - d) Limits the definition of “grantee” to the local public entity, nonprofit corporation, limited liability company, or limited partnership that is awarded the grant or loan. Eliminates agricultural employees who occupy the housing, and agricultural employees participating in a rehabilitation or construction program sponsored or supervised by the grantee.

## 5) Amends IIG as follows:

- a) Requires HCD to make funds available, rate and rank applications, and administer funds, consistent with MHP;
- b) Requires a project to be located in an area designated for mixed-use or residential development pursuant to a sustainable communities strategy or alternative planning strategy;
- c) Requires HCD to provide preference points for projects in jurisdictions that it has designated as pro-housing, rather than jurisdictions with a compliant housing element; and
- d) Requires a non-profit or for-profit developer of a qualifying infill project to obtain a letter of support from the governing body of the city or county, rather than applying jointly with the city or county.

## 6) Amends TOD as follows:

- a) Limits eligibility to developers, removing cities, counties, and transit agencies;
- b) Changes the program from a grant to a loan program, and revises the program focus to housing development projects within close proximity to a transit station;
- c) Establishes the following loan eligibility requirements for proposed developments (to align with prior grant criteria):
  - i) At least 15 percent of the units shall be made available at an affordable rent or cost to persons of very low or low-income, for at least 55 years;
  - ii) Must be located on parcels at least partially located within ¼ mile of a transit station;
  - iii) Must meet minimum density requirements established by HCD;
  - iv) Must be located in an area designated for infill development as part of the region's sustainable communities strategy; and
  - v) Must meet any other threshold requirement established by HCD.
- d) Requires HCD to make funds available, rate and rank applications, and administer funds, consistent with MHP;
- e) Removes the requirement for HCD, when ranking applications, to consider the extent to which the project or development will increase public transit ridership and minimize automobile trips. Also removes the requirement for HCD to grant bonus points to projects or developments that are in an area designated for infill development as part of a regional plan; and

- f) Requires loan terms for the program to be consistent with MHP.
- 7) Amends the Housing for a Healthy California Program (HHCA) to require HCD to make funds available, rate and rank applications, and administer funds, consistent with MHP.
- 8) Amends the Veterans Housing and Homelessness Prevention Program (VHHPP) to require HCD to make funds available, rate and rank applications, and administer funds, consistent with MHP. Also require loan terms for the program to be consistent with MHP.
- 9) Includes an urgency clause.

**EXISTING LAW:**

- 1) Establishes MHP at HCD to assist the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower income households through loans to local governments and non- and for-profit developers.
- 2) Establishes the Joe Serna, Jr. Farmworker Housing Grant Program (Serna Program) at HCD to finance the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households.
- 3) Provides, through SB 2 (Atkins, Chapter 364, Statutes of 2017), the Building Jobs and Homes Act with funding for, among other programs, affordable homeownership and rental housing opportunities for agricultural workers and their families. This funding is administered by HCD in conjunction with the Serna Program.
- 4) Establishes the Infill Infrastructure Grant Program (IIG) at HCD to assist in the new construction and rehabilitation of infrastructure that supports higher density affordable and mixed-income housing in locations designated as infill, such as water and sewer extensions.
- 5) Establishes the Transit-Oriented Development Program (TOD) at HCD to provide gap financing for rental housing developments near transit that include affordable units as well as infrastructure improvements necessary for the development of specified housing developments near transit.
- 6) Establishes the Housing for a Healthy California Program (HHCA) at HCD to create supportive housing for individuals who are recipients of, or eligible for, health care provided through Medi-Cal. HHCA provides grants to counties for capital, rental assistance, and operating assistance, or operating reserve grants and capital loans to developers on a competitive basis.
- 7) Establishes the Veterans Housing and Homelessness Prevention Program (VHHPP), administered by HCD in collaboration with the state Department of Veterans Affairs (CDVA) and the California Housing Finance Agency (CalHFA). VHHPP focuses on housing for veterans who are homeless, or at risk of homelessness, and are in need of service such as mental health counseling, substance abuse treatment, job training, and physical therapy to address injuries.

- 8) Establishes CalHome at HCD to provide grants to local public agencies and non-profit developers to assist individuals and households through deferred-payment loans. The funds would provide direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions.

**FISCAL EFFECT:**

According to the Senate Appropriations Committee:

- HCD estimates costs of approximately \$2.27 million in the first year and \$1.6 million in the second year for limited term staffing resources to implement this bill, as follows:
  - Program revisions, stakeholder outreach, and technical assistance: 5.0 PY of two-year, limited term staff.
  - Redesign of electronic program applications and contracts, and associated workload: 3.5 PY of two-year, limited term staff.
  - Organizational redesign of the Division of Financial Assistance: 1.5 PY of one-year, limited term staff.
- HCD one-time costs in the range of \$350,000 to design and implement a web portal dedicated to the new “super-NOFA” to accommodate the complexity of the application and supporting materials. (General Fund)
- Unknown long term administrative savings in future years related to streamlining and consolidating the application and award process for seven specified housing programs. (various special funds)

**COMMENTS:**

*According to the Author:* “The Legislature has created 10 separate rental housing programs at HCD. According to a recent study by the Turner Center for Housing Innovation at UC Berkeley, each additional source of funding that a developer of affordable housing must secure is associated with an average increase of \$6,450 in the cost of each affordable unit. This reduces the amount of state funds available to support additional developments. In order to streamline assistance, reduce costs, and ultimately increase production, AB 434 harmonizes the statutes relating to seven of these programs so HCD can use a single application and scoring system to make coordinated awards for all seven programs at one time while maintaining the specialized intent of each. This bill will make the rental housing funding process easier for the HCD and the developers.”

*Affordable Housing Funding Programs:* SB 1121 (Alarcon, Chapter 637, Statutes of 1999) consolidated multiple programs at HCD into a single new program, MHP, and created a standard set of rules applicable to all of HCD’s rental housing programs. Since then, many new housing programs have been created to provide funding for construction, rehabilitation, and acquisition of affordable housing units, as well as infrastructure funding. Most housing developers also apply for four percent or nine percent federal low-income housing tax credits administered by the Treasurer’s office through the Tax Credit Allocation Committee (TCAC). In addition, credits

must be coupled with tax-exempt bonds, also administered by the Treasurer's office through the California Debt Limit Allocation Committee (CDLAC). As a result, developers must navigate a web of overlapping eligibility criteria and application deadlines, which often results in project delays as developers work to line up various funding sources.

According to a March 2020 report by the Turner Center for Housing Innovation at UC Berkeley, 89 percent of projects built with nine percent tax credits between 2008-2019 relied on four or more sources of funding, with 80 percent of projects combining four to eight funding sources. On average, each additional source of funding is associated with an increase of \$6,400 per unit. The added costs of having to apply to multiple programs in multiple funding rounds include preparation of additional applications, review and coordination of additional loan documents, and property holding costs due to time delays between application cycles.

*Streamlining Efforts:* The state has been working in recent years to align its housing programs. MHP – HCD's flagship rental housing program – either prioritizes four percent tax credits or requires them, depending on the type of project. TCAC, CDLAC, and the California Housing Finance Agency (CalHFA) have implemented a joint application for the Mixed Income Program, which helps finance construction of new affordable multifamily housing projects (funded by SB 2, Atkins, 2017). And budget trailer bill legislation this year (AB 83, 2020) directs HCD, TCAC, and CDLAC to “develop a coordinated system to manage available state funding and private activity bonds to deliver the maximum number of units as efficiently as possible to very low and extremely low income households.”

This bill amends statutes relating to six specialty rental housing programs under HCD to align eligibility criteria, scoring, and deadlines for these programs with MHP. This would enable HCD to implement a single application and scoring system for making coordinated awards under all seven programs. The author and sponsors envision that under this streamlined process, applicants would select which specialty programs they are applying for based on the populations they intend to serve. HCD would use a single scoring and tiebreaker system to rank applications and fund projects in ranked order, using funds from the specialty programs as requested. Once specialty program funds are exhausted, the top ranked applicants would receive MHP funds as a replacement until funds are exhausted.

*Arguments in Support:* Supporters note that this bill would result in efficiencies for the state and affordable housing developers, resulting in more affordable housing units. According to the Non-Profit Housing Association of Northern California, “In response to the state's unprecedented housing crisis, California's Legislature and voters have approved new sources of revenue for housing construction in recent years. Those revenues have either established new programs to support construction or pumped new life into existing programs across multiple departments or agencies. Unfortunately, even though many of these programs share a common objective (such as affordable housing), one side effect of the flurry of new funding activity is that there is no efficient system or mechanism in place for the prospective builders of this badly needed housing to apply for funding. This bill would improve the efficiency of these programs by establishing a single universal application with coordinated requirements and deadlines.”

*Arguments in Opposition:* The Bay Area Transportation Working Group, as well as the Transportation Solutions Defense and Education Fund (also based in the Bay Area), object to the

existing statutory definitions of “high quality bus corridor” and “major transit stop” and oppose every bill, including this one, that references one or both of those definitions

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California Housing Consortium (Sponsor)  
 California Housing Partnership Corporation (Sponsor)  
 American Planning Association California Chapter  
 Bridge Housing Corporation  
 California Apartment Association  
 California Coalition for Rural Housing  
 California State Association of Counties  
 City and County of San Francisco  
 County of Mono  
 EAH Housing  
 East Bay Housing Organizations  
 Enterprise Community Partners  
 Housing Authority of the County of San Joaquin  
 Housing California  
 League of California Cities  
 Many Mansions  
 Non-profit Housing Association of Northern California  
 Orange County United Way  
 Orange; County of  
 Pacific Housing  
 PEP Housing  
 Resources for Community Development  
 Rural Community Assistance Corporation  
 Rural County Representatives of California  
 Rural County Representatives of California  
 San Diego Housing Federation  
 San Gabriel Valley Economic Partnership  
 Sares Regis Group of Northern California  
 Southern California Association of Nonprofit Housing  
 The Kennedy Commission  
 Urban Counties of California

### *Support If Amended*

California Association of Veteran Service Agencies

### **Opposition**

Bay Area Transportation Working Group  
 Transportation Solutions Defense and Education Fund

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