

Date of Hearing: April 11, 2018

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 2788 (Thurmond) – As Amended April 3, 2018

SUBJECT: California School Employee Housing Assistance Grant Program

SUMMARY: Requires the Department of Housing and Community Development (HCD) to administer the California School Employee Housing Assistance Program (Program), a down payment assistance program and 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 whose household income does not exceed 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 "school district employees" to mean employees of a public or charter school district, including teachers located in the jurisdictional boundaries of the school district.
- 4) 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; and
 - b) Demonstrates to HCD that the project is a public work or is subject to a project labor agreement.
- 5) Requires HCD to provide financing for rental housing assistance in the following forms:
 - a) Loans for a feasibility study and an owner's representative until the project is finished or is rendered no longer feasible;
 - b) Predevelopment loans to developers partnered with qualified school districts through a memorandum of understanding; and
 - c) Loans to qualified developers.
- 6) Requires HCD to award predevelopment loans as follows:
 - a) Loans shall be awarded to qualified school districts and qualified developers in partnership; and
 - b) Loans shall be based on the accomplishment of predevelopment milestones as determined by HCD.

- 7) Requires HCD 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;
 - d) The proposed project is feasible; and
 - e) Affordability of units financed using predevelopment loans is restricted for 55 years.
- 8) 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.
- 9) Requires HCD to provide down payment assistance to school district employees seeking a down payment in purchasing a single-family, one-unit residence that is no higher than \$1 million in sale value.
- 10) Requires a school employee to occupy the property as a primary residence and non-occupant co-borrowers are prohibited from occupying the residence.
- 11) Requires the downpayment to be in the form of a deferred-payment loan payable on sale or transfer of the home or when it ceases to be owner occupied, or when the loan matures.
- 12) Requires HCD to consult with the California Housing Finance Agency (CalHFA) in order to establish the administrative rules to implement the program and seek ways that both departments can maximize opportunities for homeownership for school employees including how existing programs can be bolstered to work in concern with one another.
- 13) Provides that implementation of the program is subject to appropriation in the Budget Act or another bill.
- 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. 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: Last year, the Legislature passed a package of bills to address the housing affordability crisis that includes SB 3 (Beall), Chapter 365, Statutes of 2017, the Veterans and Affordable Housing Bond Act of 2018 which authorizes the issuance of \$4 billion in GO Bonds, subject to approval by the voters in the November 6, 2018 general election, for the following affordable housing purposes:

- Multi-family Rental Housing —\$1.5 billion to the existing Multifamily Housing Program
- Transit Oriented Development Rental Housing—\$150 million to the existing Transit-Oriented Development Implementation Program
- Infill Incentive Grant Program -- \$300 million
- Joe Serna, Jr. Farmworker Housing Grant Fund —\$3 million
- Local Housing Trust Fund Matching Grant Program -- \$3 million
- CalHome Program —\$3 million
- Self-Help Housing Fund for the Home Purchase Assistance Program -- \$150 million
- CalVet Home Loan Program -- \$1.0 billion

The bond includes a total of \$450 million for homeownership programs. If approved \$150 million will go to CalHFA for the Home Purchase Assistance program and \$300 million for the CalHOME program to fund homeownership programs including self-help mortgage assistance. The Home Purchase Assistance program provides down payment assistance to qualified low- and moderate-income homebuyers through a loan secured on the property that is repaid when a home sells. The bond also includes \$1.5 billion for the MHP which funds the acquisition, rehabilitation and construction of affordable housing to very low-, low- and moderate-income households. MHP provides gap financing to affordable housing developers. 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 cooperatives 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.

SB 2 (Atkins) Chapter 364, Statutes of 2017, creates a permanent funding source for affordable housing programs through a \$75 recording fee on real estate documents (excluding those at the time of sale of a property) and directs 70% of the funding in year two and beyond to locals to address affordable housing needs, including homeownership. Local governments have significant discretion on how to spend the 70% direct allocation. In addition, twenty percent of monies generated by SB 2 are required to go to affordable owner occupied workforce housing.

This bill would create two new programs at HCD – a program to fund rental housing affordable for school district employees who earn up to 120% of the AMI of the county, and a downpayment assistance program for school employees. For the rental housing program, developers would partner with school districts that have land on which to build housing for teachers, and loans may be used for predevelopment costs. The author's intent is that the loans also pay for the cost of construction however the bill is unclear on this point. The committee may wish to consider if the programs created by this bill are duplicative of existing programs.

This bill would also require HCD to create a downpayment assistance program for school employees. The sales price of a home would be capped at \$1 million. The median salary of a teacher in Oakland, CA is \$65,150. The bill does not cap the amount of downpayment an individual could receive. The committee may wish to consider if this program is duplicative of existing programs.

Purpose of this bill: According to the author, "AB 45 provides a tool to be used by school districts in order to increase recruitment and retention. The bill creates a program which will provide financial assistance to school districts to help fund the predevelopment and development of housing for school employees, including teachers. Specifically, financial assistance is provided to school districts seeking to develop multifamily housing that have land available. Predevelopment assistance, excluding costs for land acquisition, is provided to developers who have partnered with qualified school districts. Development funds are provided to a developer partnered with a qualifying school district. Any development funded by this program must remain affordable for 55 years. The program also establishes a program that will provide downpayment assistance to school employees. The program must be made to coordinate with CalHFA and its existing programs."

Committee amendments: The committee may wish to delete the downpayment component to this bill. Existing programs at both CalHFA and HCD to fund homeownership either through downpayment or self-mortgage that can be accessed by teachers and creating a new program is inefficient and duplicative.

Related legislation:

This bill is substantially similar to AB 45 (Thurmond) from last year which was vetoed by the Governor. Below is the veto message:

I am returning Assembly Bill 45 without my signature.

This bill establishes a new program under the Department of Housing and Community Development for the purpose of providing predevelopment grants and loans to developers for the creation of affordable rental housing for school district employees.

I recently signed Senate Bill 2 into law which provides an ongoing funding source for housing. In the first year, SB 2 directs fifty percent of the funding to be made available to local governments for planning purposes. In subsequent years, seventy percent of the funding is directly allocated to local governments so they can address their own unique housing needs and fifteen percent of the funding will be targeted towards workforce housing through the California Housing Financing Authority.

Rather than creating a new program at this time, I encourage the author to work with the

local governments in his district and collaborate with the California Housing Financing Authority to maximize the funding in SB 2.

Sincerely,
Edmund G. Brown Jr.

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

Previous legislation: 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.

Double-Referred: If AB 2788 passes out of this committee, the bill will be referred to the Committee on Education

REGISTERED SUPPORT / OPPOSITION:

Support

California Federation of Teachers (sponsor)

Opposition

None on file

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