

Date of Hearing: April 19, 2017

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 56 (Holden) – As Amended March 28, 2017

SUBJECT: California Infrastructure and Economic Development Bank: housing

SUMMARY: Authorizes the Bergeson-Peace Infrastructure and Economic Development Bank (IBank) to provide financial assistance to a housing project. Specifically, **this bill:** Revises the definition of "economic development facilities" and "public development facilities" to delete the prohibition on financing housing projects thereby authorizing the IBank to provide financial assistance to housing projects.

EXISTING LAW:

- 1) Establishes the IBank within the Governor's Office of Business and Economic Development (GO-Biz) and authorizes it to undertake a variety of infrastructure related financial activities including, but not limited to, the administration of a revolving loan fund, oversight of the Small Business Finance Center, and the issuance of tax-exempt and taxable revenue bonds.
- 2) Defines "project" for purposes of the IBank to mean designing, acquiring, planning, permitting, entitling, constructing, improving, extending, restoring, financing and generally development of public development facilities, or economic development facilities within the state, or financing transition costs or the acquisition of property, or both upon approval of financing order by the Public Utilities Commission.
- 3) Defines "economic development facilities" to mean real personal property, structures buildings, equipment, and supporting components that are used to provide industrial, recreational, research, commercial, utility, goods movement, or service enterprise facilities, community, education, cultural or social welfare facilities and any parts and all facilities or infrastructure necessary or desirable, including for working capital but not including housing.
- 4) Defines "public development facilities" to mean real and personal property, structures, conveyances, equipment, thoroughfares, buildings, and supporting components excluding housing that related to various infrastructure projects or improvements.

FISCAL EFFECT: Unknown

COMMENTS:

Since the dissolution of redevelopment agencies, local governments and affordable housing developers have struggled to identify funding streams to pay for the infrastructure needed to support housing developments. Infill development, in particular, requires significant infrastructure upgrades and retrofit. According to the Department of Housing and Community Development, California needs to build an additional 180,000 new homes annually to meet demand and the state has a shortfall of 1.5 million homes affordable to extremely-low and very low-income households.

This bill is intended to clarify that the IBank can provide funding to infrastructure that supports housing production.

Overview of the IBank: The IBank was established in 1994 to promote "economic revitalization, enable future development, and encourage a healthy climate for jobs in California." Housed within GO-Biz, it is governed by a five-member board of directors comprised of the Director of GO-Biz (chair), the State Treasurer, the Director of the Department of Finance, the Transportation Agency, and a Governor's appointee. With the exception of funds for program support and the Small Business Loan Guarantee Program administration, which must be annually appropriated by the State Legislature, all IBank funds are continuously appropriated without regard to fiscal year. The IBank administers three programs: (1) the Infrastructure State Revolving Fund which provides direct low-cost financing to public agencies for a variety of public infrastructure projects; (2) the Conduit Bond Program which provides financing for manufacturing companies, public benefit nonprofit organizations, public agencies and other eligible entities; and (3) the Small Business Finance Center which helps small businesses access private financing through loan guarantees, direct loans, and performance bond guarantees. The IBank does not receive any ongoing General Fund support, rather it is financed through fees, interest income and other revenues derived from its public and private sector financing activities. There is no pledge of IBank or state general funds for any of the conduit revenue bonds.

Since its inception, the IBank has loaned, financed, or participated in over \$34.7 billion in infrastructure and economic expansion projects. This includes over \$400 million to local and state agencies, developing a high-level of expertise in the financing of public infrastructure. The IBank also serves as the state's only general purpose financing authority with broad statutory powers to issue revenue bonds, make loans, and provide guarantees. Over \$33 billion in conduit revenue bonds have been issued by the IBank since 2000. As of last year, the IBank had approximately \$300 million of infrastructure loans in its pipeline.

The Infrastructure State Revolving Fund (ISRF): The ISRF provides financing to public entities, nonprofit organizations, and private entities to assist in the development of a wide variety of infrastructure and economic development projects. ISRF funding is available in amounts ranging from \$50,000 to \$25,000,000, with loan terms of up to 30 years.

Examples of eligible projects include, but are not limited to: drainage, water supply and flood control; libraries and other educational facilities; environmental mitigation measures; sewage collection and treatment; solid waste collection and disposal; water treatment and distribution; and public safety facilities.

The IBank recently approved \$56.3 million in loans to state and local governmental entities and local government-sponsored not-for-profit organizations for necessary infrastructure and economic expansion projects. The total ISRF loan outstanding balance, as of October 2015, was \$294 million.

Staff comments: The IBank does not provide loans for the direct development of housing however it does provide loans for infrastructure. In order to achieve the goals of the author, while also conforming to the role of the IBank in financing the cost of infrastructure, the committee may wish to consider amendments to restore the prohibition on the IBank financing

housing directly and add a definition of the kinds of housing infrastructure that can be financed through the IBank.

Committee amendments:

On page 3, line 29-30, replace "capital, but shall not include any housing" and delete "capital"

On page 5, line 16 and 17 replace "thereof, excluding any housing" and delete "therof"

On page, 7, after line 24 insert the following language:

18) "Housing-related infrastructure" including city streets; drainage, water supply, and flood control; environmental mitigation measures; power and communications; public transit improvement that directly support transit oriented housing; sewage collection and treatment; and water treatment and distribution.

Double referral: If AB 56 passes out of this committee, the bill will be referred to the Committee on Jobs, Economic Development, and the Economy.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on File

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