

Date of Hearing: July 12, 2017

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

SB 3 (Beall) – As Amended July 3, 2017

SENATE VOTE: 30-9

SUBJECT: Affordable Housing Bond Act of 2018

SUMMARY: Authorizes the issuance of \$3 billion in general obligation (GO) bonds for affordable housing construction, subject to approval by the voters, in the November 6, 2018 election. Specifically, **this bill:**

- 1) Includes legislative findings and declarations.
- 2) Authorizes the issuance of \$3 billion in GO bonds, subject to approval by the voters for the following affordable housing purposes:
 - a) \$1.5 billion to the existing Multifamily Housing Program (MHP) to assist in the construction, rehabilitation, and preservation of permanent and transitional rental housing for persons with incomes of up to 60% of the area median income;
 - b) \$200 million for transit-oriented development, upon appropriation by the Legislature, pursuant to the existing Transit-Oriented Development Implementation Program;
 - c) \$300 million to the Regional Planning, Housing, and Infill Incentive Account for infill infrastructure financing grants, upon appropriation by the Legislature, for new construction and rehabilitation of infrastructure that supports high-density affordable and mixed-income housing in locations designated as infill. Funds can be used for:
 - a. Park creation, development or rehabilitation to encourage infill development;
 - b. Water, sewer, or other public infrastructure costs associated with infill development;
 - c. Transportation improvements related to infill development projects; and
 - d. Traffic mitigation.
 - d) \$300 million, continuously appropriated, for farmworker housing pursuant to the existing Joe Serna, Jr. Farmworker Housing Grant Fund;
 - e) \$300 million for matching grants to the Local Housing Trust Matching Grant Program, upon appropriation by the Legislature; and
 - f) \$300 million deposited into the Self-Help Housing Fund to provide direct, forgivable loans for mortgage assistance of which \$30,000 shall be used to provide grants or forgivable loans to assist in the rehabilitation or replacement of existing mobilehomes.

- g) \$100 million to the Building Equity and Growth in Neighborhood Program (BEGIN) for grants to qualifying cities, counties, or cities and counties for down payment assistance to qualifying first-time home buyers or low- and moderate-income home buyers purchasing newly constructed homes in a BEGIN project.
- 3) Allows HCD to provide technical assistance to eligible counties and eligible cities, or developers of affordable housing to facilitate the construction of housing for the target population for programs funded by the Multifamily Housing Program, Joe Serna Jr. Farmworker Housing Program, and the CalHome Program.
- 4) Allows HCD to use no more than \$360,000 total for technical assistance and to provide no more than \$30,000 to one county or city.
- 5) Authorizes the Legislature to amend the programs to which funds are or have been allocated by this bond act, to improve the efficiency and effectiveness or to further the goals of the programs.
- 6) Includes the following definitions:
 - a) "Board" means the Department of Housing and Community Development for programs administered by the department and the California Housing Finance Agency for programs administered by the agency;
 - b) "Committee" means the Housing Finance Committee;
 - c) "Fund" means the Affordable Housing Bond Act Trust Fund of 2018;
 - d) "Eligible city" means a city that is located within a county with a population of 150,000 residents or fewer;
 - e) "Eligible county" means a county with a population of 150,000 residents or fewer; and
 - f) "Technical assistance" includes engineering assistance and environmental review related to an affordable housing project and reimbursement of administrative costs related to developing a grant proposal.
- 7) Authorizes the committee upon a request by the board to determine whether or not it is necessary and desirable to issue bonds, upon a request by the board, and if so the bonds will be issued and sold.
- 8) Authorizes the board to request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account to support the bond.
- 9) Includes an urgency clause.

FISCAL EFFECT: Unknown.

COMMENTS:

Background: California has reduced its funding for the creation of affordable homes by 79%, from approximately \$1.7 billion a year to nearly nothing. According to the California Housing

Consortium, California has a shortfall of 1.5 million affordable units for extremely- low and very-low income renter households. The Public Policy Institute of California reports that 32% of mortgaged homeowners and 47% of renters spend more than one-third of their total household income on housing and that while California has 12% of the nation's population, it has 20% of the nation's homeless.

Voter-approved bonds have been an important source of funding to support the creation 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 1945, the Legislature authorized local governments to create redevelopment agencies (RDAs) to address urban blight in local communities. RDAs were formed by a city or county that would declare an area blighted and in need of urban renewal. After this declaration, most of the growth in property tax revenue from the "project area" was distributed to the city or county's RDA as "tax increment revenues" instead of being distributed as general purpose revenues to other local agencies serving the area. By 2008, redevelopment was redirecting 12% of property taxes statewide away from schools and other local taxing entities and into community development and affordable housing. In fiscal year 2009-10, RDAs collectively deposited \$1.075 billion of property tax increment revenues into their low and moderate-income housing funds.

In 2011, facing a severe budget shortfall, the Governor proposed eliminating RDAs in order to deliver more property taxes to other local agencies. Ultimately, the Legislature approved and the Governor signed two measures, AB 26 X1 (Blumenfield), Chapter 5, Statutes of 2011-12 First Extraordinary Session, and AB 27 X1 (Blumenfield), Chapter 6, Statutes of 2011-12 First Extraordinary Session, 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 AB 26 X1. However, the Court did grant the petition with respect to AB 27 X1. As a result, all RDAs were required to dissolve as of February 1, 2012.

Programs funded by the proposed bond: According to the author, the proposed \$3 billion bond will have many economic benefits resulting from the construction of housing, including \$11.7 million in local income, \$2.2 million in taxes and other revenue for local governments, and 161 local jobs. These figures come from an April 2015 analysis by the National Association of Home Builders and are based on national averages.

This bill proposes \$3 billion in GO bonds to provide new funding for several existing programs, which are described below, along with the funding proposed in this bill.

- 1) **Multifamily Housing Program:** The Multifamily Housing Program assists with 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. Funds are for incomes up to 60% of area median income.
- 2) **Transit-Oriented Development Implementation Program:** Under the program, low-interest loans are available as gap financing for rental housing developments that include affordable

units, and as mortgage assistance for homeownership developments. Grants to cities, counties, and transit agencies are for the provision of the infrastructure necessary for the development of higher density uses within close proximity to a transit station and loans for the planning and development of affordable housing within one-quarter mile of a transit station.

- 3) Infill Infrastructure Financing Grants: This program assists 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.
- 4) Joe Serna, Jr. Farmworker Housing Grant Program: This program finances the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households.
- 5) Local Housing Trust Matching Grant Program: This provides matching grants to local governments and non-profits that raise money for affordable housing.
- 6) CalHome: This program provides grants to local public agencies and nonprofit developers to assist individual households through deferred-payment loans. The funds would provide direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions. This money would also be available to self-help mortgage assistance programs and manufactured homes.
- 7) BEGIN Program: This program provides grants to cities and counties to make deferred-payment, second mortgage loans to qualified buyers of new homes, in projects where the affordability has been enhanced through local regulatory incentives or barrier reductions.

Overlap with Cap and Trade funding: One of the programs funded by the proposed bond, the Transit-Oriented Development Implementation Program was created prior to the creation of the Affordable Housing and Sustainable Communities (AHSC) program which funds affordable housing in transit-oriented developments to support the state's goals of greenhouse gas reduction.

Jobs Housing Balance Program/Workforce Housing Reward Program: The Jobs Housing Balance Program was created by AB 2864 (Torlakson), Chapter 80, Statutes of 2000 and funded by the with General Fund. The program was later revised with the passage of Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002. The program provided rewards to local governments for approving increased numbers of housing permits. The grant amounts for production increases were determined as a per-unit incentive weighted for high, median and low employment demand areas. The program was later changed into the Workforce Housing Reward Program. The committee may wish to consider if this program or something similar should be included in the bond to incentivize the construction of housing near job centers.

MyHOME Program: The California Housing Finance Agency operates the MyHome Program which provides down payment assistance to first-time homebuyers up to 6% of the home value. A down payment is secured against the property and when the home is sold it is repaid to the program. The program can provide down payments to individuals that make up to 120% of the area median income (AMI) and 140% of AMI in high cost areas. The committee may wish to consider if this program should be included in the bond.

Reporting Requirement: This bill does not include a requirement to report back to the Legislature on how the funds authorized by the bond are spent, including the number of units created, households served, and leveraging of other funding sources. The committee may wish to consider including a reporting requirement in the bond.

REGISTERED SUPPORT / OPPOSITION:

Support

Affordable Housing Network of Santa Clara County
Alameda County Board of Supervisors
Alameda County Transportation Commission
American Planning Association
Association of Regional Center Agencies
Bridge Housing
California Alliance for Retired Americans
California Apartment Association
California Bicycle Coalition
California Building Industry Association
California Coalition for Rural Housing
California Coalition for Youth
California Commission on Aging
California Federation of Teachers
California Housing Consortium
California Housing Partnership Corporation
California PACE Association
California Rural Legal Assistance Foundation
California State Association of Counties
Central City Association of Los Angeles
Cities Association of Santa Clara County
City and County of San Francisco
City of Alameda
City of American Canyon
City of Belmont
City of Berkeley
City of Carpinteria
City of Concord
City of Daly City
City of Duarte
City of East Palo Alto
City of Fort Bragg
City of Fremont
City of Glendale
City of Goleta
City of Hayward
City of Indio
City of Lake Elsinore
City of Lakeport
City of Lakewood

City of Los Angeles
City of Mill Valley
City of Mountain View
City of Napa
City of Petaluma
City of Sacramento
City of San Jose
City of San Mateo
City of San Rafael
City of Santa Monica
City of Santa Rosa
City of Sunnyvale
City of Thousand Oaks
City of Union City
City of Vallejo
City of Walnut Creek
City of West Hollywood
Community Economics, Inc.
Community Housing Partnership
Corporation for Supportive Housing
Council of Community Housing Organizations
County of Santa Clara
Devine and Gong, Inc.
Disability Rights California
EAH Housing
East Bay Asian Local Development Corporation
East Bay Developmental Disabilities Legislative Coalition
Eden Housing
ElderFocus
Enterprise Community Partners
Facebook
First Community Housing
Greenbelt Alliance
Habitat for Humanity
Housing Authority of the County of Santa Clara
Housing California
Jewish Public Affairs Committee of California
John Stewart Company
Leading Age California
League of California Cities
League of Women Voters of California
Local Government Commission
Los Angeles County Division of the League of California Cities
Marin County Council of Mayors and Councilmembers
Mayor Edwin M. Lee, City and County of San Francisco
Mayor Eric Garcetti, City of Los Angeles
Mayor Libby Schaaf, City of Oakland
Mayor Miguel Pulido, City of Santa Ana
Mayor Robert Garcia, City of Long Beach

Mayor Sam T. Liccardo, City of San Jose
Mercy Housing Management Group
Metropolitan Transportation Commission
National Association of Social Workers, California Chapter
Non-Profit Housing Association of Northern California
North Bay Leadership Council
Northern Circle Indian Housing Authority
Resources for Community Development
Richmond Neighborhood Housing Services
Rise Together
Sacramento Housing Alliance
San Francisco Bay Area Rapid Transit District
San Mateo County Board of Supervisors
Santa Clara County Board of Supervisors
Santa Clara Valley Water District
Satellite Affordable Housing Associates
Self-Help Enterprises
Siefel Consulting
Silicon Valley Leadership Group
Small Business for Affordable Housing in Petaluma
Sonoma County Board of Supervisors
Southern California Association of Nonprofit Housing
State Building and Construction Trades Council
SV@Home
The Arc
The Greater Coachella Valley Chamber of Commerce
Town of Danville
TransForm
United Cerebral Palsy California
United Ways of California
Western Center on Law and Poverty
Individuals (1)

Opposition

Howard Jarvis Taxpayers Association

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