

Date of Hearing: April 13, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 2200 (Thurmond) – As Amended March 17, 2016

SUBJECT: School Employee Housing Assistance Grant Program

SUMMARY: Requires California Housing Finance Agency (CalHFA) to administer a grant program to provide development financing assistance to qualified school districts for the creation of affordable rental housing for school districts employees, including teachers. Specifically, **this bill:**

- 1) Defines a "qualified school district" to mean a school district that satisfies the following:
 - a) Has acquired and designated surplus land from a school district, special district, or city;
 - b) Has a high average cost for the recruitment of teachers;
 - c) Has a low retention rate; and
 - d) Has 60% of its students participating in the National School Lunch Program.
- 2) Requires CalHFA to do all of the following to administer the grant program:
 - a) Be responsible for overseeing the grant program;
 - b) Award grants to qualified school districts;
 - c) Determine the predevelopment grant amount and the development grant amount for each qualified school district;
 - d) Publish deadlines and written procedures for the program;
 - e) Provide technical assistance to a qualified school district that is not eligible to receive a development grant in applying for additional public funds.
- 3) Requires a qualified school district seeking a grant to provide CalHFA with the following:
 - a) An eligible basis certificate required as part of an application for the Low Income Housing Tax Credits (LIHTC) program.
 - b) An itemized list of funds from state and federal programs and private funds used to cover the project costs.
- 4) Creates the School Employee Housing Assistance Grant Fund (the Fund) in the State Treasury.
- 5) Continuously appropriates \$100,000,000 from the General Fund to the Fund.
- 6) Allows CalHFA to use 5% of the moneys appropriated for grants for predevelopment loans.

- 7) Requires CalHFA to determine the predevelopment costs of the project excluding any costs related to the acquisition of the land in order to determine the grant amount the qualified school district can be awarded.
- 8) Requires a qualified school district to show a measurable degree of incapacity to fund the predevelopment project costs to qualify for a grant.
- 9) Requires CalHFA to determine the development grant amount a qualified school district is eligible for by taking the difference between the eligible basis as specified in the eligible basis certification subtracting any costs for land acquisition and any predevelopment project costs and the total amount of any public and private funds received for the project.
- 10) Requires the qualified school district to show that the project is not eligible for additional public funds as described in its eligible basis certification and that the project is subject to a project labor agreement and prevailing wage requirements in order to receive a development grant.

EXISTING LAW:

- 1) Defines eligible basis certification as a certification from a certified public accountant or tax attorney that project costs included in applicant's calculation of eligible basis are allowed by IRC Section 42, as amended, and are presented in accordance with standard accounting procedures. If the project uses HOME Investment Partnership Program funds, then the tax professional must further certify as to the treatment of HOME Program funds for purposes of eligible basis calculations. (Tax Credit Allocation Committee regulations for the Low Income Housing Tax Credit Program)

FISCAL EFFECT: Total effect unknown. Includes an appropriation from the General Fund of \$100,000,000.

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 expensive 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 \$1.7 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 housing 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. The Department of Housing and Community Development (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 Multi-Family Housing Program 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.

This bill would require CalHFA to create and administer a grant program to provide both predevelopment grants and development grants to qualified school districts for the creation of affordable rental housing for school employees, including teachers. Only school districts with a high average cost for recruiting teachers and a low retention rate would be eligible for the grant.

Purpose of this bill: According to the author, "There is no existing program that allows financially-strained school districts to receive funding for the development of school employee housing. Some school districts in California have begun to increase teacher retention by providing housing to teachers. School districts in Los Angeles and Santa Clara, with San Francisco considering such a plan, have teachers in district-sponsored housing. However, for financially-strapped districts in high-cost areas, such a proven solution is not an option for attracting new teachers into the district. And while the Extra Credit Teacher Home Purchase Program does incentivize homeownership for school employees, for many new teachers beginning their career, rental housing is the first step prior to homeownership—a step that those in high-cost areas cannot take. AB 2200 seeks to close the achievement gap by allowing school employees, including teachers, to remain in the cities where they work. Specifically, the bill creates a \$100 million grant program which will provide financial assistance to school districts that cannot independently fund housing for school employees. Gap financing will be given to school districts which: (1) have acquired land for development (2) can show high recruitment costs and low retention rates (3) have 60% of students participating in the Free and Reduced Lunch Program. The grant allocates 5% of its funds towards predevelopment costs that school districts that cannot independently fund. "

Arguments in support: According to the sponsor of the bill, the City of Oakland, "statistics show that the price of housing in California has risen exponentially in the last decade, while educator's wages have remained largely stagnant. This is especially true in the Bay Area where starting teacher salaries remain in the low \$50,000 range and median home prices are over \$1,000,000."

Policy considerations:

- 1) CalHFA would be required to determine the amount of the predevelopment grant by subtracting the cost of land from the predevelopment cost of the project. The bill does not define what activities a predevelopment grant can be used for so it is unclear how CalHFA would determine the predevelopment cost for the purpose of making this calculation.

- 2) This bill would require CalHFA to make loans to school districts. Historically, both CalHFA and HCD have made loans to developers with the expertise to build affordable housing. It's unlikely that many school districts have the expertise to assemble the financing needed for a affordable housing development or construct the housing. The committee may wish to consider whether grants for development should be made to school districts or to developers who have partnered with school districts.
- 3) This bill requires grants be made for "affordable rental housing" for school district employees including teachers, however it does not define the income levels that would be eligible for the housing. This bill also does not require that the affordable housing units be restricted by affordability covenants to ensure that the housing remains affordable.
- 4) This bill requires CalHFA to assist a school district that is not eligible to receive a development grant to apply for other a public funds. It is unclear what other public funds would be used for; in addition, CalHFA likely does not have the expertise to assist a school district in applying for public funds.
- 5) This bill requires CalHFA to make loans to school districts that have a "high average cost for the recruitment of teachers and low retention rate" however these terms are not defined in the bill. Without a standard or definition of these criteria it's unclear how CalHFA would determine which school districts qualify for the grants.

Committee amendments:

- 1) Cap the amount of the grant to \$10 million per project.
- 2) Require a qualified school to provide a certification from the Department of Education that they are "qualified school district";
- 3) Define affordable rental housing to serve low- and moderate-income households up to 120% of AMI; and
- 4) Restrict the affordability of the housing for 55 years.

Double referred: If AB 2200 passes this committee, the bill will be referred to the Committee on Education.

REGISTERED SUPPORT / OPPOSITION:

Support

City of Oakland (sponsor)
AFL• CIO Housing Investment Trust
California Catholic Conference
City of Walnut Creek
Oakland Unified School District

Opposition

None on File

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