

Date of Hearing: April 6, 2011

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Norma Torres, Chair

AB 221 (Carter) – As Introduced: February 1, 2011

SUBJECT: Housing and Emergency Shelter Trust Fund Act of 2006: supportive housing

SUMMARY: Allows Emergency Housing and Assistance Funds approved by the voters in the Housing and Emergency Shelter Trust Fund Act of 2006 to be used for supportive housing programs, which qualify for the Multi-family Housing Program (MHP).

EXISTING LAW: The Housing and Emergency Trust Fund Act of 2002 and the Housing and Emergency Trust Fund Act of 2006 provided \$2.1 billion and \$2.5 billion for affordable housing programs respectively.

FISCAL EFFECT: Unknown

COMMENTS:

Background: In 2002, California voters approved Proposition 46, the \$2.1 billion Housing and Emergency Shelter Trust Fund Act. Proposition 46 provided funding for the following programs: Multi-family Housing Program (MHP); Emergency Housing Assistance Program (EHAP); Supportive Housing; Farmworker Housing Grant Program; CalHome Program; Local Housing Trusts; Code Enforcement Program; California Homebuyer Downpayment Assistance Program; and, Jobs Housing Improvement Account. Funds provided under Proposition 46 were mostly exhausted by the end of 2006.

In November 2006, California voters approved Proposition 1C, the Housing and Emergency Trust Fund Act of 2006. Proposition 1C maintains funding provided under Proposition 46 for most of the programs noted above including the Emergency Housing Assistance Program Capital Development (EHAP-CD). The EHAP-CD program provides grants for the construction, rehabilitation or conversion of housing for emergency shelters. Proposition 46 and Proposition 1C authorized funding for EHAP-CD for \$195 million and \$50 million respectively.

Proposition 1C also maintained funding for the Multi-family Housing Program –Supportive Housing (MHP-SH) which provides funding for multi-family housing with a supportive service component. Proposition 46 and Proposition 1C each included \$195 million for the MHP-SH.

Both bond Acts require the Bureau of State Auditor (BSA) to periodically audit the bond proceeds to ensure they are being used in a timely manner and for the purpose outlined in the bond. In November 2009, BSA audited the bond supported housing programs, and found that HCD had promptly awarded funds for eight of the ten programs funded by Proposition 1C. However as of December 2008, HCD had not awarded any funds from Proposition 1C for EHAP-CD or the Affordable Innovation Fund.

In response to the auditor's finding, HCD explained that they still had funds from the Proposition 46 for EHAP-CD and they intended to use all of those funds before making any awards from

Proposition 1C. In 2010-11, HCD awarded \$17 million to 25 projects which should produce 818 shelter spaces, exhausting the funds left in Proposition 46 for the EHAP-CD program.

Purpose of this bill: According to the author, for various reasons including the state's suspension of bond activity in 2008-2009 and the limited number of funded requests for shelter projects under earlier rounds of EHAP-CD a substantial amount of EHAP funding remains available for allocation. Since 2006, HCD has awarded \$31 million out of the Proposition 1C bond for the EHAP-CD program, leaving \$19 million in the program. In February of this year, the Governor directed HCD to cancel all outstanding NOFA's in anticipation of a pause on bond sales. This included a NOFA for EHAP-CD for \$6 million.

AB 221 would allow permanent supportive housing as a qualifying use under the EHAP-CD. Under the existing program, EHAP-CD can be used to fund emergency shelters which are not required to have supportive services. This bill would allow projects that serve homeless individuals and families and provide supportive housing to compete for this funding.

According to the author, for various reasons including suspension of bond activity in 2008 by the Pooled Money Investment Board (PMIB) and the limited number of funded requests for shelter projects under earlier rounds of the EHAP-CD a substantial amount of EHAP funding remains available for allocation. A changing emphasis on supportive housing and a tightening of operating dollars may have also influence why shelters have not sought out these funds. While shelters play an important role in assisting the homeless population, increasingly shelters find themselves more dependent on less reliable funding to provide for the operation of shelters. This added pressure makes it less likely that shelters have additional funds for rehabilitating or constructing new shelters. In addition, the approach to combating homelessness has shifted to a "housing first" model that seeks to secure longer-term housing as a way to stabilize and better address the needs of the homeless population.

While EHAP-CD has funding remaining, the Multifamily Housing – Supportive Housing Program (MHP-SH) is oversubscribed and in demand. In 2008-09 HCD awarded 21 loans for MHP-SH among eight counties totaling \$112.6 million leveraging \$332.4 million for the production of 1,243 units. In FY 2009-10, MHP-SH awarded two loans among two counties totaling \$3 million leveraging \$20.1 million for the production of 75 units. There is \$51 million left in MHP-SH from the original authorization of \$195 million.

Related Legislation: This bill is a reintroduction of AB 2536 (Carter) from last session. Both bills allow permanent supportive housing as a qualifying use under the EHAP-CD. Under the existing program, EHAP-CD can be used to fund emergency shelters which are not required to have supportive services. This bill would allow projects that serve homeless individuals and families and provide supportive housing to compete for this funding.

AB 2536 (Carter) was vetoed, see the veto message below:

This bill would change the use of housing bonds contrary to the intent of the voters in approving Proposition 1C. These funds were intended to help some of the most vulnerable Californians by funding the construction of emergency shelters that also provide supportive service. It is not consistent with the intent of the voters to redirect these funds to provide services to families in permanent housing.

Support if amended: The California Partnership to End Domestic Violence (CPEDV) would support AB 221 if it was amended. CPEDV is concerned that it was not clear to their membership that they could compete for EHAP-CD funds in prior rounds and therefore domestic violence shelters have not submitted applications for the program. They are concerned that now that they are aware that they can compete for the funds, this bill may disadvantage them by increasing the pool of eligible applicants.

Staff comments: This bill is permissive, which means HCD is not required to open the EHAP-CD program up for MHP-SH projects to compete. The committee may wish to consider making the conditions of this bill a requirement if it supports the policy direction.

REGISTERED SUPPORT / OPPOSITION:

Support

California Partnership to End Domestic Violence (CPEDV)  
California Rural Legal Assistance Foundation  
Corporation for Supportive Housing  
Housing California  
Western Center on Law Poverty

Opposition

None on file.

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