

Date of Hearing: April 13, 2016

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 2319 (Gordon) – As Introduced February 18, 2016

SUBJECT: California Infrastructure and Economic Development Bank

SUMMARY: Authorizes the California Infrastructure and Economic Development Bank (IBank) to provide financial assistance to affordable housing projects. Specifically, **this bill:**

- 1) Defines "affordable housing" to mean a dwelling available for purchase or lease by persons and families who qualify as extremely low-, very low-, low- or moderate-income as defined.
- 2) Makes an appropriation by expanding the authority of the IBank to expend funds in a continuously appropriated fund.

EXISTING LAW:

- 1) Establishes the I-Bank 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 "extremely low-income households" to mean persons and families whose incomes do not exceed 30% of median area income.
- 4) Defines "very low-income households" to mean persons and families whose incomes do not exceed 50% of median area income.
- 5) Defines "low-income households" to mean persons and families whose income does not exceed 80% of median area income.
- 6) Defines "moderate-income households" to mean persons and families of low- or moderate-income whose income exceeds the income limit for lower income households.

FISCAL EFFECT: Unknown. 2/3 vote.

COMMENTS:

Overview of the IBank: The I-Bank 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 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 I-Bank 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.

Overview of the State's Housing Departments and Agencies:

The California Housing Finance Agency (CalHFA) is the state's affordable housing lender. CalHFA funds its programs by issuing bonds and then repays the bonds with loan proceeds. The agency is completely self-supporting and receives no General Fund money. The agency provides low interest rate mortgages to low and moderate income homebuyers in California, as well as down payment and closing costs assistance. Since inception, CalHFA has provided \$19.6 billion in mortgages to 153,000 first-time homebuyers. CalHFA loans are used for the acquisition, rehabilitation and permanent financing to preserve, maintain and increase the supply of affordable multi-family rental housing. Since its creation, CalHFA has made \$192 million in loans for affordable housing.

Purpose of this bill: According to the author, "AB 2475 creates a forgivable loan program, housed within the IBank, to assist local governments in financing critical new affordable housing projects. The program will hold loan recipients accountable to meeting required criteria that contribute positive outcomes back to the state as well as local communities. Through working together, local governments, developers, and the state can integrate major regional planning and development targets into much needed affordable housing projects. In return, loans will be eligible for partial or full forgiveness upon project completion. AB 2475 takes advantage of the IBank's expertise in development financing, and places responsibility for administering this new program there. However, the bill also recognizes that meeting the specific requirements of the program are essential to its success. Because of this, the loan forgiveness determination occurs after project completion, and requires that IBank consults with the Strategic Growth Council (SGC) and California Housing Finance Agency (CalHFA) on whether the project meets the required criteria. By integrating these entities into the final project review, the IBank will be able to leverage experts in sustainable development and housing finance to ensure that the criteria of the program have been met."

Staff comments: The IBank currently has approximately \$300 million of infrastructure loans in its pipeline. Adding to the types of loans it makes would add to the demand for IBanks existing programs. The IBank does not provide loans for affordable housing developments so its staff is not familiar with underwriting necessary to make these loans. The committee may wish to consider an amendment to make clear that the IBank may provide loans for infrastructure that supports affordable housing rather than the development itself.

Committee amendments:

- 1) (b) "*Infrastructure for ~~A~~-affordable housing*" means infrastructure *that supports affordable housing. Affordable housing is defined as* dwellings available for purchase or

lease by persons and families who qualify as low- or moderate-income, as defined in Section 50093 of the Health and Safety Code, very low income households, as defined in Section 50105 of the Health and Safety Code, or extremely low income households, as defined in Section 50106 of the Health and Safety Code.

- 2) ~~(p)~~ (q) "Project" means designing, acquiring, planning, permitting, entitling, constructing, improving, extending, restoring, financing, and generally developing public development facilities *facilities*, ***infrastructure for affordable housing***, or economic development facilities within the state or financing transition costs or the acquisition of transition property, or both, upon approval of a financing order by the Public Utilities Commission, as provided in Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code.
- 3) Page 5, line 16, delete the second "facilities"

Double referred: If AB 2319 passes this committee, the bill will be referred to the Committee on Jobs, Economic Development, and the Economy.

REGISTERED SUPPORT / OPPOSITION:

Support

California Apartment Association
California State Association of Counties (CSAC)
League of California Cities
City of Lakeport
City of Oakland

Opposition

None on file

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