

Date of Hearing: April 25, 2012

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Norma Torres, Chair

AB 2447 (Skinner) – As Amended: April 17, 2012

SUBJECT: The California Neighborhood Revitalization Partnership Act of 2012

SUMMARY: Establishes the California Neighborhood Revitalization Partnership Act of 2012 (the Act). Specifically, this bill:

- 1) Makes legislative findings.
- 2) Requires the California Housing Finance Agency (CalHFA) to administer the Act in consultation with the Department of Housing and Community Development (HCD) to finance affordable housing for low- to moderate-income households and to revitalize neighborhoods damaged by the foreclosure crisis.
- 3) Defines "agency" as CalHFA.
- 4) Defines "applicant" as a local government entity, housing nonprofit organization, consortium of nonprofit entities or a combination, and a for-profit developer that applies jointly with a non-profit, local government, or consortium of nonprofit entities.
- 5) Defines "executive director" as the executive director of CalHFA.
- 6) Defines a "foreclosed property" as a home or residential property for which title has been acquired by the foreclosing entity at a trustee sale.
- 7) Defines "fund" as the California Neighborhood Revitalization Fund.
- 8) Gives CalHFA's executive director or his or her designee the following duties and responsibilities:
 - a) Facilitate the interaction and negotiation between financial institutions, private investors, local governments, and nonprofits or a consortium of nonprofits to identify and acquire foreclosed properties for resale, rental, or lease-to-own for low- and moderate-income families;
 - b) Award grants or loans to applicants from the Fund;
 - c) Develop strategies with the California Energy Commission (CEC) and the California Public Utilities Commission (PUC) to leverage investments to improve energy efficiency in the rehabilitation of foreclosed homes; and
 - d) Maximize job and apprentice opportunities.
- 9) Establishes the Fund and deposits \$25 million from the California Homebuyer Downpayment Assistance Program (CHDAP) into the Fund.

- 10) Requires, for purposes of implementing the Act, that an unknown amount of money be appropriated to CalHFA on a one-time basis and specifies that any further expenditures will be subject to appropriation by the Legislature.
- 11) Limits the administrative costs of CalHFA to 5% of the program's costs.
- 12) Permits CalHFA to accept and receive gifts, grants, or donations from any agency of the United States, any agency of the state, or any municipality, county, or other political subdivision of the state.
- 13) Requires funding to be awarded in the form of grants or loans on a competitive basis.
- 14) Provides that the eligible uses for the funds include, but are not limited to, the following:
 - a) Establishing financing mechanisms for the purchase and rehabilitation of foreclosed homes and residential properties;
 - b) Creation of land banks for foreclosed homes;
 - c) Demolition of blighted structures; and
 - d) Redevelopment of demolished or vacant properties.
- 15) Requires CalHFA to develop guidelines by March 14, 2013, in consultation with HCD, CEC, PUC, and others that must include, but not be limited to, the following:
 - a) An application process for the funds;
 - b) A requirement of leveraged funds from other sources;
 - c) Project selection criteria;
 - d) Accountability and auditing requirements; and
 - e) Ranges for grant and loan amounts.
- 16) Requires CalHFA to hold not less than one public hearing prior to adopting the guidelines.
- 17) Requires the guidelines to be adopted at a public hearing but specifies that they are not subject to the Administrative Procedures Act.

EXISTING LAW

- 1) Authorizes \$200 million in voter-approved bonds for CHDAP (Health and Safety Code Section 53545).
- 2) Provides that the Legislature may, from time to time, amend the provisions of law relating to programs for which funds are, or have been, allocated by Proposition 1C: Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) to improve the efficiency and

effectiveness of the program, or to further the purpose of the program (Health and Safety Code Section 53545).

FISCAL EFFECT: Unknown.

COMMENTS:

Purpose of this bill: According to the author, "the state lacks a centralized entity to facilitate the interaction and negotiation between financial institutions, private investors, local governments and non-profits in the identification and acquisition of foreclosed properties for re-sell, rental, or lease-to-own structures for low-and moderate-income families. The state does not have a program in place to assist local governments who are struggling with the unique and intensive needs of repairing foreclosed properties and reintegrating them into the housing market."

California Homebuyers Downpayment Assistance Program: Proposition 1C authorized \$200 million for the California Homebuyers Downpayment Assistance Program (CHDAP). CHDAP, administered by CalHFA, provides low- and moderate-income first-time home buyers loans to purchase homes. The loans are in the form of a deferred- payment, low-interest loan to reduce the principal and interest payments and make the purchase affordable. Downpayment assistance is limited to 3% of the purchase price. Mortgage financing is provided by participating lenders. Of the \$200 million authorized under Proposition 1C for CHDAP, \$111 million remains. CalHFA reports receiving approximately 400 applications for CHDAP per month and funding approximately 287 loans at a maximum of \$7,000 per loan. At that rate, all remaining funds could be expended within four to five years.

Neighborhood Stabilization Program (NSP): The federal Housing and Economic Recovery Act of 2008 created the Neighborhood Stabilization Program (NSP), which provided emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. The program provided grants to every state and certain local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline in value of neighboring homes. NSP had three rounds of funding. California received funding in two of the three rounds. The eligible uses that AB 2447 provides for this program are the same as those allowed under NSP.

Fannie Mae and Freddie Mac: Rent-to-Rehab program: Fannie Mae and Freddie Mac (under receivership in the Federal Housing Agency) have launched a pilot program in several states, including California, to sell their inventory of approximately 250,000 properties in order to start clearing up their books, stabilize home values, and revitalize communities.

The Federal Housing Finance Agency released a request for information for such a program in August 2011, and then in late February 2012, Fannie Mae and its conservator, the Federal Housing Finance Agency, announced a pilot sale of around 2,500 foreclosed properties in eight hard-hit markets nationwide. The eight pilot markets are Atlanta; Chicago; three regions in Florida; Las Vegas; Los Angeles; Riverside, California; and Phoenix.

Targeting Limited Funds: The program, as described, is intended to finance affordable housing for low- to moderate-income households and to revitalize neighborhoods damaged by the foreclosure crisis. The bill does not identify how funding will be targeted. One option is to target

funding to areas with high rental costs to assist local governments and/or non-profits in increasing the stock of affordable units in those areas. Another option is to require homes to be on the market for a certain period of time before they are eligible for the program. This would likely lead to the purchase of homes that are less desirable to private investors and more likely to remain a blight on the community. This bill does not give CalHFA direction on how funds should be distributed, instead leaving it up to CalHFA to determine the process through guidelines.

Restrictions on Affordability: The goal of the program is to assist local governments and nonprofits in acquiring foreclosed properties for resale, rental, or lease-to-own for low- and moderate-income families. In order to garner the most return for the investment of voter-approved bonds, it seems appropriate to ensure that rental units created through this program remain affordable by attaching 55-year affordability covenants to the units. This is consistent with requirements under the state's primary rental housing funding program, the Multifamily Housing Program.

If the money is used to create homes for purchase, the committee may wish to consider requiring these units to also remain affordable or to have some sort of equity-sharing agreement in place. In an equity-sharing arrangement, when a home is sold the homeowner and nonprofit or local government split the equity. A challenge to an equity-sharing structure is that these homes will likely be slow to increase in equity, leaving little to split between a homeowner and a local government or nonprofit at the time of sale.

Committee amends:

On page 5, insert the following after line 13:

(6) Require affordability covenants of at least 55 years on rental units funded through the Act.

(7) Priority for applicants that achieve the greatest affordability.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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