

Date of Hearing: May 1, 2013

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Norma Torres, Chair

AB 637 (Atkins) – As Amended: April 24, 2013

SUBJECT: Housing assistance

SUMMARY: Adds housing developments of five units or more that serve low- and moderate-income families or individuals to the possible uses for funding from the Residential Development Loan Program (RDLP) operated by the California Housing Finance Agency (CalHFA).

EXISTING LAW

- 1) Allows CalHFA, at its discretion, to make up to \$75 million available from the California Homebuyer Downpayment Assistance Program (CHDAP) for short-term loans to finance the acquisition of land, construction, and development of for-sale residential structures (Health and Safety Code Section 51504).
- 2) Specifies in the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) that up to \$100 million of the \$200 million authorized for CHDAP can be expended for RDLP (Health and Safety Code Section 53545).
- 3) Requires CalHFA to make downpayment assistance the priority for funding available under CHDAP (Health and Safety Code Section 51504).
- 4) Defines "housing development" as five or more existing or newly constructed dwelling units that are built or rehabilitated and are primarily made available to persons and families of low or moderate income (Health and Safety Code Section 50073.5).

FISCAL EFFECT: None

COMMENTS:

Background: In 2006, Proposition 1C authorized \$2.85 billion in voter-approved bonds for affordable housing. The bond included \$200 million in funding for the California Homebuyer Downpayment Assistance Program (CHDAP) to provide downpayment assistance of up to 3% for first-time low- and moderate-income homebuyers. Of the \$200 million for CHDAP, the bond language allows CalHFA to expend up to \$100 million for RDLP. The RDLP program was created through AB 1512 (Garcia), Chapter 338, Statutes of 2005, which authorized CalHFA to set aside CHDAP funds to make short-term loans for land acquisition, construction, and development of for-sale homes. RDLP provides low-interest loans to cities, counties, housing authorities, redevelopment agencies, and community development commissions for site acquisition, predevelopment, and construction costs for infill developments consisting of single family homes. Although the bill authorized the set-aside, it required CalHFA to make downpayment assistance the priority for funding under CHDAP.

CalHFA has made approximately \$44 million available for RDLP since 2006, of which \$38.6 million was awarded to projects, resulting in 604 for-sale units. As single-family construction slowed in 2008 due to the recession, CalHFA suspended the program and rolled the remaining amount back into CHDAP. Today there is approximately \$71 million remaining in bonding authority for CHDAP that has not been expended. CHDAP is a revolving loan fund. As homeowners sell their homes and repay the downpayment assistance, the fund is replenished for future buyers. In addition to the remaining bonding authority, there is approximately \$77 million in program funds that came from the repayment of downpayment assistance available to the program.

Purpose of this bill:

The loss of redevelopment and diminished voter-approved housing bond funds has significantly reduced funding available for the construction of multifamily housing affordable to low- and moderate- income families. Redevelopment generated as much as \$1 billion each year to build and rehabilitate affordable housing. In many cases, redevelopment funding was used to assist in purchasing land for affordable housing development or pre-construction costs to make infrastructure and other improvements necessary to build the housing.

AB 637 would authorize CalHFA to issue loans for multifamily residential developments in addition to its existing authority to make loans for for-sale residential structures. In doing so, AB 637 would make more money available for pre-development of multifamily housing and could fill the gap for some projects that was previously filled by redevelopment agencies. RDLP is a revolving loan fund so as projects repay the loans they are available for new projects.

Although this bill would give CalHFA authority to expend CHDAP funding for multifamily developments, it would be at the discretion of the agency to make those funds available. In addition, CalHFA still would be required to make downpayment assistance the priority for CHDAP. CHDAP is continuously appropriated, but CalHFA would be required to adopt a board resolution authorizing funding for RDLP.

Staff comments: Proposition 1C specifies that the Legislature may from time to time make changes to the provisions of law related to programs that are authorized by the bond in order to improve the efficiency and effectiveness of the program. The committee may wish to consider that the existing program has not been successful due to the limitation on for-sale homes. The change proposed by this bill could improve the effectiveness of the program.

REGISTERED SUPPORT / OPPOSITION:

Support

San Diego Housing Federation

Opposition

None on file.

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