

Date of Hearing: June 29, 2011

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Norma Torres, Chair

SCR 6 (Lowenthal) – As Introduced: January 31, 2011

SENATE VOTE: 25-15

SUBJECT: Affordable housing: in-home Internet service accessibility.

SUMMARY: Encourages state and local multifamily housing lending agencies to align their policies on the provision of free internet access with those of the Tax Credit Allocation Committee (TCAC). Specifically, this bill:

- 1) Encourages all state and local affordable housing lenders who administer competitive multifamily housing programs to follow the TCAC policy on high-speed internet access by providing competitive points for developments that will provide high-speed internet service to each unit for a minimum of 10 years, free of charge to the tenants.
- 2) Encourages all state and local affordable housing lenders to recognize both the costs for installing high-speed internet network infrastructure as an eligible development cost and the costs of ongoing internet service and network maintenance as eligible operating costs.

EXISTING LAW:

- 1) Establishes TCAC to administer the federal and state Low-Income Housing Tax Credit programs.
- 2) Establishes a number of grant and loan programs for the development of affordable rental housing administered by the Department of Housing and Community Development (HCD).

FISCAL EFFECT: Unknown

COMMENTS:

Through a highly competitive application process, TCAC awards state and federal tax credits to the developers of affordable rental housing. In turn, these developers take on investors as limited liability partners, who in exchange for the tax credits provide funds in the form of equity for building the affordable housing.

In 2003, TCAC amended its scoring regulations to encourage affordable housing developers to provide broadband internet access. The regulations provide two points within the site amenity category for providing high-speed internet service to each unit for at least 10 years, free of charge to tenants. As a practical matter, TCAC considers the infrastructure design and installation costs associated with the internet network as eligible development costs that can be included when calculating the amount of tax credits for which the development is eligible. The ongoing costs of network maintenance and the internet service itself are eligible operating costs.

HCD administers a number of programs that finance the development of affordable rental housing, including the Multifamily Housing Program and the Joe Serna, Jr. Farmworker Housing Grant Program. HCD's regulations are not specific on the issue of internet-related costs, but its practice is to allow the costs of the design and installation as eligible development costs but not to allow the ongoing costs of maintaining a high-speed internet network and providing free internet service to residents as an eligible operating cost.

Many counties and cities also provide financing for the development of affordable rental housing. Counties and cities primarily use redevelopment resources from the Low- and Moderate-Income Housing Fund and federal funds from the HOME and Community Development Block Grant programs for these purposes. Counties and cities establish their own policies with respect to allowing internet costs as eligible expenditures, and policies vary widely.

SCR 6 encourages all state and local affordable housing lenders that administer competitive multifamily housing programs to follow the TCAC policy on internet access by providing competitive points for the provision of free high-speed internet service and recognizing the cost of installing high-speed internet network infrastructure as an eligible development cost and the cost of ongoing internet service and network maintenance as eligible operating costs.

According to the author, persons without internet access and training will find it difficult to compete in the increasingly technology-driven economy. Low-income households are significantly less likely to have a computer, internet access, or home broadband service and are therefore at risk of falling further behind. Since 2003, California has recognized the importance of internet service for low-income residents of affordable housing through TCAC policy. As a result of this policy, the nonprofit One Economy Corporation has helped 283 affordable housing developments in California design and install data network infrastructure, and the residents of more than 19,000 affordable housing units have free in-home internet service. Other state and many local public lenders do not encourage the provision of free internet access in the same way, if at all. In order to enhance the educational and economic opportunities of low-income households, this resolution seeks to encourage state and local multifamily housing lending agencies to align their internet policies with TCAC's policies.

The costs of providing free internet access to residents of affordable housing are minimal but not free. A typical one-time cost to install a wireless network in an apartment complex is \$206 per unit. The typical costs of providing internet service and maintaining the network run between \$3 and \$7 per unit per month. At some point, these additional costs reduce the number of affordable units that can be developed with existing subsidies, but the units that are constructed with high-speed internet access help achieve other important public policy goals, such as closing the digital divide and improving educational and job opportunities for low-income residents.

REGISTERED SUPPORT / OPPOSITION:

Support

One Economy Corporation (sponsor)
California Communities United Institute

Opposition

None on file