
UNFINISHED BUSINESS

Bill No: SB 3
Author: Beall (D), et al.
Amended: 8/29/17
Vote: 27 - Urgency

SENATE TRANS. & HOUSING COMMITTEE: 10-2, 2/28/17
AYES: Beall, Cannella, Allen, Atkins, McGuire, Mendoza, Roth, Skinner,
Wieckowski, Wiener
NOES: Gaines, Morrell
NO VOTE RECORDED: Bates

SENATE GOVERNANCE & FIN. COMMITTEE: 5-2, 3/22/17
AYES: McGuire, Beall, Hernandez, Hertzberg, Lara
NOES: Nguyen, Moorlach

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/25/17
AYES: Lara, Beall, Bradford, Hill, Wiener
NOES: Bates, Nielsen

SENATE FLOOR: 30-9, 6/1/17
AYES: Allen, Atkins, Beall, Bradford, Cannella, De León, Dodd, Galgiani,
Glazer, Hernandez, Hertzberg, Hill, Hueso, Jackson, Lara, Leyva, McGuire,
Mendoza, Mitchell, Monning, Newman, Nguyen, Pan, Portantino, Roth,
Skinner, Stern, Wieckowski, Wiener, Wilk
NOES: Anderson, Bates, Berryhill, Fuller, Gaines, Moorlach, Morrell, Nielsen,
Stone
NO VOTE RECORDED: Vidak

ASSEMBLY FLOOR: 56-21, 9/14/17 - See last page for vote

SUBJECT: Veterans and Affordable Housing Bond Act of 2018

SOURCE: Author

DIGEST: This bill enacts the Veterans and Affordable Housing Bond Act of 2018 and authorizes the issuance of \$4 billion in general obligation (GO) bonds for affordable housing programs and a veteran's home ownership program, subject to approval by the voters in the November 6, 2018 election.

Assembly Amendments:

- 1) Increase the bond authorization by \$1 billion for the Department of Veteran Affairs (CalVet) Home Loan Program, for a total bond authorization of \$4 billion.
- 2) Shift \$100 million from the BEGIN Program to California Housing Finance Agency (CalHFA) to be used for home purchase assistance.
- 3) Shift \$50 million from Transit Oriented Development to CalHFA .
- 4) Permit funds that are not encumbered by November 6, 2028 to revert to the Multifamily Housing Program.

ANALYSIS: Existing law establishes a number of housing assistance programs for affordable housing.

This bill authorizes the issuance of \$4 billion in GO Bonds, subject to approval by the voters in the November 6, 2018 general election, for the following affordable housing purposes:

- 1) Multi-family Rental Housing —\$1.5 billion to the existing Multifamily Housing Program.
- 2) Transit Oriented Development Rental Housing—\$0.15 billion to the existing Transit-Oriented Development Implementation Program
- 3) Infill Incentive Grant Program -- \$0.3 billion.
- 4) Joe Serna, Jr. Farmworker Housing Grant Fund —\$0.3 billion
- 5) Local Housing Trust Fund Matching Grant Program -- \$0.3 billion.
- 6) CalHome Program —\$0.3 billion
- 7) Self-Help Housing Fund -- \$0.15 billion.

8) CalVet Home Loan Program -- \$1.0 billion

Comments

- 1) *California's Housing Crisis*. California's housing crisis is illustrated in many ways. In March 2015, the Legislative Analyst's Office reported that an average California home costs \$440,000, almost two-and-a-half times the national average. California's average monthly rent is 50% higher than the rest of the country. It is therefore unfortunately not surprising that the majority of California renters pay more than 30% of their income towards rent, and more than 1.5 million households pay more than half of their incomes towards rent.¹ A recent analysis by the McKinsey Global Institute estimates that California's housing shortage costs California's economy hundreds of billions of dollars in economic activity every year, with high housing costs crowding out other consumption, lost opportunities in the construction industry, and increasing homelessness.²

State funding for housing is down significantly in recent years. Proposition 46 of 2002 provided \$2.1 billion for a variety of affordable housing programs, and Proposition 1C of 2006 provided an additional \$2.85 billion. Both Proposition 46 and Proposition 1C provided roughly four to five years of funding, and the state's Department of Housing and Community Development (HCD) has awarded just about all of these funds. California also recently lost tax increment as a funding stream for affordable housing with the dissolution of redevelopment agencies. With the loss of redevelopment and expenditure of the last voter-approved housing bonds, \$1.5 billion of annual state investment dedicated to housing has been eliminated.

A recent report by HCD highlights the depths of the resulting housing shortage, showing that statewide for very low-, and extremely low- households, California is short about 1.5 million rental units.³ That same report showed that for above moderate-income levels, there was a sufficient number of rental housing, at least on a statewide average basis, indicating that the focus should be on the poorest households. In a March 2016 informational hearing, the

¹ California's Housing Future: Challenges and Opportunities (Public Draft) – California Department of Housing and Community Development, January 2017.

² A Tool Kit to Close California's Housing Gap: 3.5 Million Homes by 2025 – McKinsey Global Institute, October 2016.

³ California's Housing Future: Challenges and Opportunities (Public Draft) – op cit. Extremely low income households earn less than 30% of the area median income (AMI); very low income households earn between 30% - 50% of AMI.

Senate Transportation and Housing Committee heard that California's 2.2 million extremely low-income and very low-income renter households are competing for only 664,000 affordable rental units.

- 2) *Program Descriptions.* This bill proposes new funding for several existing programs, which are described below along with the funding proposed in this bill.
 - a) **Multifamily Housing Program (\$1.5 billion)** — The Multifamily Housing Program assists the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower income households through loans to local governments and non- and for-profit developers. Funds are for incomes up to 60% of area median income.
 - b) **Transit-Oriented Development Implementation Program (\$0.15 billion)** — Provides low-interest loans as gap financing for rental housing developments that include affordable units, and as mortgage assistance for homeownership developments. Grants to cities, counties, and transit agencies are for the provision of the infrastructure necessary for the development of higher density uses within close proximity to a transit station and loans for the planning and development of affordable housing within one-quarter mile of a transit station.
 - c) **Infill Infrastructure Financing Grants (\$0.3 billion)** — Assists in the new construction and rehabilitation of infrastructure that supports higher density affordable and mixed-income housing in locations designated as infill, such as water and sewer extensions.
 - d) **Joe Serna, Jr. Farmworker Housing Grant Program (\$0.3 billion)** — Finances the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households.
 - e) **Local Housing Trust Matching Grant Program (\$0.3 billion)** — Provides matching grants to local governments and non-profits that raise money for affordable housing.
 - f) **CalHome (\$0.3 billion)** — Provides grants to local public agencies and nonprofit developers to assist individual households through deferred-payment loans. The funds would provide direct, forgivable loans to assist

development projects involving multiple ownership units, including single-family subdivisions. This money would also be available to self-help mortgage assistance programs and manufactured homes.

- g) Self-Help Housing Fund (\$0.15 billion) —Provides down payment assistance for first-time low- and moderate-income homebuyers where project affordability has been improved through regulatory incentives.
- h) CalVet Home Loan Program (\$1.0 billion) – Assists veterans in purchasing homes and farms.

3) *Leverage.* According to the author, investing in affordable housing will save Californians money. Citing a study performed by the research department of the Northern California Carpenters Regional Council in collaboration with the California Housing Partnership, the author notes that for every \$.70 of state investment, California can leverage \$3 in federal tax credits and bonds. Taken together with an additional \$10.5 billion in leveraged federal funding, this bond bill will result in nearly 50,000 new and refurbished housing units, 137,000 jobs, more than \$8.5 billion in labor income, \$23.4 billion in economic activity, and more than \$1.0 billion in additional local and state taxes and fee revenue. (This calculation was based on the prior version of the bill, which was a \$3 billion bond. The current version of this bill is a \$4 billion bond.)

4) *CalVet Loan Program.* This program is funded primarily by veterans' bonds, a type of tax-exempt GO bond. However, the program is fully self-supporting and does not impose any cost to the General Fund. Further, the bonds backing the program are more like revenue bonds in that they are repaid by CalVet loan holders through the payment of principal and interest on their loans.

Since 1921, California voters have approved 23 bonds for the program, and more than 423,000 veterans have been provided loans since the program's inception. CalVet offers at or below market interest rate loans, with low- or no-down payment requirements. There are also no lender fees other than a one-percent origination fee. Loans are reviewed by underwriters who approve loans that make sense for applicants. CalVet loans carry unparalleled fire, flood, earthquake and hazard insurance, for low deductibles. CalVet loans are serviced by the department, not by bank loan officers.

The use of CalVet loans declined sharply during the Great Recession, largely attributable to the decline in overall home sales. In addition, pressure from the Federal Reserve to keep private-sector interest rates low made CalVet loans less

competitive. Due to CalVet's restructured debt, interest rates are now at or below market rates for 30 year fixed rate loans and their use is increasing. However, existing bond authority is running out. The most recent bond, 2008's Proposition 12, authorized \$900 million in bonding authority. At the current rate of lending, CalVet will exhaust the remaining bond authority by the fall of 2018.

- 5) *Making Choices*. As with all GO bonds, the bond repayment comes from the general fund. Therefore, approving this bond means there will be less general fund monies available for other state purposes.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

Unknown with latest amendments.

SUPPORT: (Verified 9/14/17)

Affordable Housing Network of Santa Clara County
Affordable Housing NOW- Santa Cruz County
Alameda County Board of Supervisors
Alameda County Transportation Commission
American G.I. Forum of California
American Legion-Department of California
American Planning Association – California Chapter
AMVETS – Department of California
Aspiranet
Association of Bay Area Governments
Association of Regional Center Agencies
Bay Area Council
Big Pine Paiute Tribe of the Owens Valley
Bridge Housing
California Alliance for Retired Americans
California Apartment Association
California Association for Coordinated Transportation
California Association of Council of Governments
California Association of County Veterans Service Officers
California Bicycle Coalition
California Building Industry Association
California Catholic Conference
California Coalition for Rural Housing
California Coalition for Youth

California Collaborative for Long Term Services and Supports
California Commission on Aging
California Federation of Teachers
California Housing Consortium
California Housing Partnership Corporation
California League of Conservation Voters
California PACE Association
California Rice Commission
California Rural Legal Assistance Foundation
California School Employees Association
California State Association of Counties
California State Commanders Veterans Council
Center for Sustainable Neighborhoods
Central City Association of Los Angeles
Cher-Ae Heights Indian Community of the Trinidad Rancheria
Cities Association of Santa Clara County
City and County of San Francisco
City of Alameda
City of American Canyon
City of Belmont
City of Berkeley
City of Carpinteria
City of Concord
City of Cupertino
City of Daly City
City of Duarte
City of East Palo Alto
City of Fort Bragg
City of Fremont
City of Glendale
City of Goleta
City of Hayward
City of Indio
City of Lake Elsinore
City of Lakeport
City of Lakewood
City of Los Angeles
City of Merced
City of Mill Valley
City of Moorpark

City of Mountain View
City of Napa
City of Petaluma
City of Sacramento
City of Salinas
City of San Jose
City of San Mateo
City of San Rafael
City of Santa Monica
City of Santa Rosa
City of Sunnyvale
City of Thousand Oaks
City of Tustin
City of Union City
City of Vallejo
City of Walnut Creek
City of West Hollywood
Common Sense Kids Action
Community Economics Inc.
Community Housing Partnership
Corporation for Supportive Housing
Council of Community Housing Organizations
Council of Infill Builders
Devine and Gong, Inc.
Disability Rights California
EAH Housing
East Bay Developmental Disabilities Legislative Coalition
East Bay Local Asian Development Corporation
Eden Housing
ElderFocus
Enterprise Community Partners
Facebook
First Community Housing
Greater Coachella Valley Chamber of Commerce
Greenbelt Alliance
Habitat for Humanity
Homeless Veterans Emergency Housing Facility
Housing Authority of the County of Santa Clara
Housing California
Jewish Public Affairs Committee of California

Leading Age California
League of California Cities
League of Women Voters of California
Local Government Commission
Los Angeles County Division of the League of California Cities
Marin County Council of Mayors and Councilmembers
Mayor Edwin M Lee, City and County of San Francisco
Mayor Eric Garcetti, City of Los Angeles
Mayor Libby Schaaf, City of Oakland
Mayor Miguel Pulido, City of Santa Ana
Mayor Robert Garcia, City of Long Beach
Mayor Sam T. Liccardo, City of San Jose
Mental Health of America of California
Mercy Housing
Metropolitan Transportation Commission
Military Officers Association of America – California Council of Chapters
National Association of Social Workers – California Chapter
Natural Resources Defense Council
Nevada California Indian Housing Association
NextGen California
Non-Profit Housing Association of Northern California
North Bay Leadership Council
Northern Circle Indian Housing Authority
Planning and Conservation League
Promise Energy
Public Advocates
Redwood Valley Little River Band of Pomo Indians
Resources for Community Development
Richmond Neighborhood Housing Services
Rise Together
Sacramento Council of Governments
Sacramento Housing Alliance
San Diego Housing Federation
San Francisco Bay Area Rapid Transit District
San Francisco Chamber of Commerce
San Francisco Housing Action Coalition
San Joaquin Valley Housing Collaborative
San Mateo County Board of Supervisors
San Pasqual Band of Mission Indians
Santa Clara County Board of Supervisors

Santa Clara County Valley Water District
Santa Clara Open Space Authority
Satellite Affordable Housing Associates
Seifel Consulting
Self Help Enterprises
Sierra Business Council
Silicon Valley Leadership Group
Small Business for Affordable Housing in Petaluma
Sonoma County Board of Supervisors
Southern California Association of Governments
Southern California Association of Nonprofit Housing
SPUR
State Building and Construction Trades Council, AFL-CIO
SV@Home
Tenants Together
The Arc and United Cerebral Palsy Collaboration
The John Stewart Company
The Pacific Companies
Town of Danville
Town of Mammoth Lakes
TransForm
Tule River Indian Housing Authority
United Ag
United Ways of California
Ventura Council of Governments
Vietnam Veterans of America – California State Council
Western Center on Law and Poverty
Western Manufactured Housing Communities Association
YIMBY Action

OPPOSITION: (Verified 9/14/17)

Howard Jarvis Taxpayers Association
National Federation of Independent Business
Valley Industry and Commerce Association

ASSEMBLY FLOOR: 56-21, 9/14/17

AYES: Aguiar-Curry, Arambula, Baker, Berman, Bloom, Bocanegra, Bonta, Burke, Caballero, Calderon, Cervantes, Chau, Chiu, Chu, Cooley, Cooper, Dababneh, Daly, Eggman, Frazier, Friedman, Cristina Garcia, Eduardo Garcia,

Gipson, Gloria, Gonzalez Fletcher, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Levine, Limón, Low, Maienschein, McCarty, Medina, Mullin, Muratsuchi, Nazarian, O'Donnell, Quirk, Quirk-Silva, Reyes, Ridley-Thomas, Rodriguez, Rubio, Salas, Santiago, Mark Stone, Thurmond, Ting, Weber, Wood, Rendon

NOES: Travis Allen, Bigelow, Brough, Chávez, Chen, Choi, Cunningham, Dahle, Fong, Gallagher, Harper, Kiley, Lackey, Mathis, Mayes, Melendez, Obernolte, Patterson, Steinorth, Voepel, Waldron

NO VOTE RECORDED: Acosta, Flora

Prepared by: Randy Chinn / T. & H. / (916) 651-4121

9/15/17 9:42:52**** **END** ****