

Date of Hearing: April 20, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

AB 2475 (Gordon) – As Amended March 18, 2016

SUBJECT: Loan program: California Infrastructure and Economic Development Bank.

SUMMARY: Creates the Local Government Affordable Housing Forgivable Loan Program. Specifically, **this bill:**

- 1) Creates, within the California Infrastructure and Economic Development Bank (I-Bank), the Local Government Affordable Housing Forgivable Loan Program (loan program).
- 2) Defines the following terms for the loan program:
 - a) “Affordable housing” to mean a dwelling available for purchase or lease by persons and families who qualify as low- and moderate-income, very low-income households, or extremely low-households, as defined.
 - b) “Loan program” to mean the Local Government Affordable Housing Forgivable Loan Program established by this chapter; and,
 - c) “Local government” to mean a city, county, or city and county.
- 3) Requires the I-Bank to develop and administer the loan program to make loans to a local government for the development of affordable housing by the local government on terms and conditions the I-Bank deems in the best interests of the state.
- 4) Specifies that a local government shall not be required to repay a loan made pursuant to the loan program, as follows:
 - a) A local government shall not be required to repay one-half of the principal of, and accrued interest on, a loan made pursuant to the loan program, if all of the following requirements have been satisfied by the local government to the satisfaction of the Board:
 - i) The affordable housing financed with the loan proceeds is compatible with the Sustainable Communities Strategy (SCS);
 - ii) The affordable housing financed with the loan proceeds contributes to the reduction of greenhouse gases pursuant to the SCS;
 - iii) Each dwelling of affordable housing financed with the loan proceeds is restricted by deed to remain affordable housing for 55 years from the completion of the dwelling;
 - iv) At least 75% of the dwellings in an affordable housing development financed with the loan proceeds are affordable to very low-income households, or extremely low-income households, as defined, at either an affordable housing cost or an affordable rent, as defined; and,

- v) The local government contributed to development of the affordable housing financed with the loan proceeds in an amount of funds that are equal to, or infrastructure improvements that are equal to, the amount of the loan.
- 5) Specifies that a local government shall not be required to repay any amount of a loan made pursuant to the loan program, if all of the following requirements have been satisfied by the local government to the satisfaction of the Board of the I-Bank:
 - a) All the requirements listed in 4), above;
 - b) The local government waived at least 50% of any development or permitting fees it could have imposed on a developer in the ordinary course of approving the development of the affordable housing financed with the loan proceeds; and,
 - c) The affordable housing development financed with the loan proceeds includes onsite access to services needed by the residents of the affordable housing, including, but not limited to, social services and medical services.
 - 6) Requires the Board of the I-Bank to determine whether a local government is excused from repaying half or all of the loan after the completion of the development of the affordable housing financed with the loan proceeds.
 - 7) Requires the Board of the I-Bank to make a determination pursuant to 6), above, only after consulting with the Strategic Growth Council and the California Housing Finance Agency regarding whether the local government met the requirements of 4), above. Requires the Strategic Growth Council and the California Housing Finance Agency to respond to a request for consultation from the Board within a reasonable time.
 - 8) Requires the I-Bank Board to establish a process for a local government to apply for a reduction in loan repayment.

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 I-Bank 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 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: This bill is keyed fiscal.

COMMENTS:

- 1) **Bill Summary.** This bill would direct I-Bank to develop a new loan program to make loans to local governments for affordable housing developments. If a local government meets certain requirements, the I-Bank would forgive either half of the loan amount or the full loan amount. To qualify to have half of the loan forgiven, a local government would have to: develop affordable housing that is compatible with the communities greenhouse gas reduction plan, or SCS, the affordable housing development would need to contribute to a reduction in greenhouse gases, at least 75% of the affordable housing units in the development would need to be for extremely low- and very low-income households restricted for 55 years, and the local government would have to contribute an amount equal to the amount of the loan or infrastructure improvements equal to the amount of the loan. To get the entire loan forgiven, the local government would have to comply with all of the requirements listed above and waive at least 50% of any development or permitting fees it could have imposed on a developer and the development would have to include onsite services for residents, including social services and medical services.

This bill is an author-sponsored measure.

- 2) **Author’s Statement.** According to the author, "AB 2475 creates a forgivable loan program, housed within the I-Bank, 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 I-Bank’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 is essential to its success. Because of this, the loan forgiveness determination occurs after project completion, and requires that I-Bank 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 I-Bank will be able to leverage experts in sustainable development and housing finance to ensure that the criteria of the program have been met.

“Rather than giving out funding in the form of matching grants for these critical developments, AB 2475 requires recipients follow through on promises. This strategy supports the State’s climate action goals to reduce GHGs, while also addressing the housing crisis by providing funding to local governments for housing projects. Integrating state goals with local needs is mutually beneficial.

“The I-Bank was created within Go-BIZ in 1994 to provide financial assistance for infrastructure and development projects that stimulate the economy, promote job creation, and strengthen California communities. To do this, the I-Bank has authority to issue bonds, finance public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal dollars for its various programs.”

- 3) **Two-thirds vote.** The I-Bank Fund is a continuously appropriated fund; therefore, because this bill expands I-Bank’s duties, this bill will require a two-thirds vote of each house.
- 4) **Policy Considerations.** The I-Bank currently funds projects related to infrastructure including city streets, county highways, drainage, water supply and flood control, educational facilities, environmental mitigation measures, parks and recreational facilities, port facilities, power and communications, public transit, sewage collection and treatment, solid waste collection and disposal, water treatment and distribution, defense conversion, public safety facilities, state highways, military infrastructure, and goods movement-related infrastructure. This bill would expand the scope of I-Bank’s programs to include affordable housing.
- 5) **Arguments in Support.** Supporters argue that these loans have the potential to help build many additional units and create additional jobs and economic activity.
- 6) **Arguments in Opposition.** Opponents note concern with the deed restriction provision contained in the bill.
- 7) **Double-Referral.** This bill was heard in the Housing and Community Development Committee on April 13, 2016, where it passed with a 6-1 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

American Planning Association, California Chapter
California State Association of Counties (CSAC)
City of Oakland
League of California Cities

Opposition

California Association of Realtors (unless amended)

Analysis Prepared by: Debbie Michel / L. GOV. / (916) 319-3958