

Date of Hearing: April 13, 2016

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Susan Talamantes Eggman, Chair

AB 2734 (Atkins) – As Amended April 5, 2016

SUBJECT: Local Control Affordable Housing Act.

SUMMARY: Enacts the Local Control Affordable Housing Act to use state savings realized from the dissolution of redevelopment agencies. Specifically, **this bill:**

- 1) Requires the Department of Finance (DOF) to determine the amount of General Fund savings for the fiscal year as a result of the dissolution of redevelopment agencies (RDAs), on or before an unspecified date, and on or before the same date each year thereafter.
- 2) Requires, upon appropriation, 50% of the savings computed pursuant to 1), above, or \$1 billion, whichever is less, in each fiscal year, to be allocated to the Department of Housing and Community Development (HCD) for the following:
 - a) One-half of these funds to be retained by HCD for state level programs;
 - b) One-half to be provided to local agencies for housing purposes, pursuant to 3), below.
- 3) Requires HCD to create an equitable funding formula for funding distributed to local agencies, which shall be geographically balanced and shall take into account factors of need including, but not limited to, poverty rates and lack of supply of affordable housing for persons of low and moderate incomes in local jurisdictions.
- 4) Requires an appropriation pursuant to 2), above, to be suspended for any fiscal year in which the transfer of General Fund revenues to the Budget Stabilization Account is suspended or reduced or funds are returned to the General Fund from the Budget Stabilization Account, pursuant to the Section of the California Constitution dealing with the Governor's proclamation declaring a budget emergency, as specified.
- 5) Requires a local agency that has received funds to only use the funds for any of the following purposes:
 - a) The development, acquisition, rehabilitation, and preservation or provision of rental housing and homeownership opportunities that are affordable to extremely low-, very low-, low-, and moderate-income households, including necessary capitalized reserves for operating and rental subsidies and resident services;
 - b) Capitalized reserves for capitalized operating costs, rental subsidies, and resident services connected to the creation of new permanent supportive housing, including, but not limited to, developments funded through the Veterans Housing and Homelessness Prevention Program;
 - c) Modifications to homes to increase accessibility and visitability, in conjunction with the construction, acquisition, and rehabilitation or preservation of homes affordable to lower-income households;

- d) The acquisition and rehabilitation and reuse of foreclosed and vacant homes;
 - e) Infrastructure related to affordable infill housing development and other related infill development infrastructure;
 - f) The acquisition of land necessary for the development of affordable housing as part of an overall development strategy; and,
 - g) Rapid rehousing of homeless individuals and families.
- 6) Specifies that at least 25% of the expenditures shall be directed towards housing for persons of extremely low income and at least 50% of the expenditures shall be directed towards housing for persons of very low income.
 - 7) Requires any housing built with funds to require, by recorded covenants or restrictions, that housing units built shall remain available at affordable housing costs to, and occupied by, persons and families of very low, low-, or moderate-income households for the longest feasible time, but for not less than 55 years for rental units and 45 years for owner-occupied units.
 - 8) Requires any local agency that receives funds to provide to HCD a plan for a no net loss of housing as a result of destruction of any affordable housing units.
 - 9) Prohibits more than 5% of the funds from being used for administrative costs.
 - 10) Requires any local agency that receives funds to provide an annual report to HCD on the expenditure of the funds.
 - 11) Specifies that a local agency shall return unexpended funds to HCD, if a local agency that receives funds and does not expend the funds in full within five years, and requires HCD to award those funds to another qualifying local agency.
 - 12) Defines the terms “extremely low income households,” “low-income households,” “moderate-income households,” and “very-low income households.”
 - 13) Makes a number of findings and declarations.

EXISTING LAW:

- 1) Dissolved all redevelopment agencies and community development agencies, effective February 1, 2012.
- 2) Provides for the designation of successor agencies, as specified.
- 3) Establishes a number of programs at HCD and California Housing Finance Agency (CalHFA) to make housing more affordable to California families and individuals, including the following main programs:
 - a) The Multifamily Housing Program, to fund the new construction, rehabilitation, and preservation of permanent and transitional rental homes for lower-income households through loans to local governments, non-profit developers, and for-profit developers;

- b) The Joe Serna, Jr., Farmworker Housing Program, to fund the development of ownership or rental homes for agricultural workers through grants to local governments and non-profit organizations;
- c) The Emergency Housing and Assistance Program, to fund emergency shelters and transitional homes for homeless individuals and families through grants to counties and non-profit entities for rehabilitation, renovation, expansion, site acquisition, and equipment;
- d) The CalHome Program, to fund down payment assistance, home rehabilitation, counseling, self-help mortgage assistance, and technical assistance for self-help and shared housing through grants and loans; and,
- e) The California Homebuyer Downpayment Assistance Program, to aid first-time homebuyers with downpayments and/or closing costs.

FISCAL EFFECT: This bill is keyed fiscal.

COMMENTS:

- 1) **Bill Summary.** This bill enacts the Local Control Affordable Housing Act to use state savings realized from the dissolution of RDAs. Each year, DOF would determine the amount of General Fund savings as a result of the dissolution of RDAs, and, upon appropriation, allocate 50% of the savings to HCD for both state-level programs and for the creation of a local housing program. For the local program, the bill specifies that HCD will create an equitable funding formula for funding to be distributed to local agencies, which should be geographically balanced and take into account specified factors of need. The bill places a number of other parameters on the local funding piece, including a required annual report to HCD on how the funds are being spent by the locality.

This bill is an author-sponsored measure.

- 2) **Author's Statement.** According to the author: "Increasing the construction and availability of affordable housing is good for our economy, the state budget, job creation, and families. Affordable housing saves money — on average, a single homeless Californian incurs \$2,897 per month in county costs for emergency room visits and in-patient hospital stays as well as the costs of arrests and incarceration. Roughly 79% of these costs are cut when that person has an affordable home. Development creates jobs — an estimated 29,000 jobs are created for every \$500 million spent on affordable housing. Affordable housing alleviates poverty — California households with the lowest 25% of incomes spend 67% of their income on housing, leaving little left over for other essential needs."
- 3) **Arguments in Support.** Supporters argue that this bill is an effort to help the state and local governments accelerate the production of affordable housing and would enable thousands of new affordable homes to be developed.
- 4) **Arguments in Opposition.** None on file.
- 5) **Double-Referral.** This bill was heard by the Housing and Community Development Committee on March 30, 2016, where it passed with a 6-1 vote.

REGISTERED SUPPORT / OPPOSITION:

Support

American Planning Association, California Chapter
Association of Regional Center Agencies
California Apartment Association
California Building Industry Association
California Housing Consortium
Cities of Glendale and Santa Monica
Housing California
League of California Cities
National Association of Social Workers, California Chapter
Orange County Business Council
San Diego Housing Federation

Opposition

None on file

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