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**SENATE COMMITTEE ON HOUSING**  
**Senator Nancy Skinner, Chair**  
**2023 - 2024 Regular**

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<b>Bill No:</b>	AB 535	<b>Hearing Date:</b>	8/27/2024
<b>Author:</b>	Schiavo		
<b>Version:</b>	8/22/2024 Amended		
<b>Urgency:</b>	Yes	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Alison Hughes		

**SUBJECT:** Veterans’ aid and welfare: housing

**DIGEST:** This urgency bill aligns state statute with recent changes to federal policy by providing that income levels for veterans who are currently seeking state-funded housing units shall not include service-related disability benefits, as specified.

**ANALYSIS:**

*Existing law:*

- 1) Defines veteran as any person who served in the active military, naval, or air service of the United States, or as a member of the National Guard who was called to and released from active duty or active service, for a period of not less than 90 consecutive days or was discharged from the service due to a service-connected disability within that 90-day period.
- 2) Defines “extremely low-income” as persons and families whose income does not exceed 30% AMI.

*Veterans Housing and Homeless Prevention Act of 2014 (VHHP)*

- 3) Enacts the VHHP the purpose of which is to provide the acquisition, construction, rehabilitation, and preservation of affordable multifamily supportive housing, affordable transitional housing, affordable rental housing, or related facilities for veterans and their families to allow veterans to access and maintain housing stability.
- 4) Requires the California Housing Finance Authority (CalHFA), the Department of Housing and Community Development (HCD), and the California Department of Veterans Affairs (CalVet) to work collaboratively pursuant to a memorandum of understanding to implement VHHP.

- 5) Requires the departments to ensure at least 50% of funds awarded for capital development under the VHHP is used to provide housing to ELI veteran households.

*Flexibility to Locate Low-Income Veteran Tenants (AB 1386 (Gabriel, 2023))*

- 6) Authorizes a qualified entity to match secondary tenants to qualified units funded through VHHP if after 28 days of a qualified unit becoming available, a qualified tenant is unable to be matched to and accept placement in the available unit.
- 7) Authorizes a qualified entity to match a tenant who is a veteran experiencing homelessness with income at or below 60% AMI to qualified units if after 14 days of a qualified unit becoming available to prospective secondary tenants a qualified tenant or secondary tenant is unable to be matched and accept placement in the available unit.
- 8) Requires the rate of rent for a secondary or other tenant who is a veteran experiencing homelessness with an income between 30 and 60% AMI to not exceed the rate that would be charged had the unit been placed with a qualified ELI tenant.
- 9) Requires TCAC and CDLAC to treat secondary tenants as eligible for the qualified unit if a qualified entity is unable to locate, match, or otherwise place a qualified tenant in a qualified unit within 28 days of the qualified unit becoming available.
- 10) Requires TCAC and CDLAC to treat veterans experiencing homelessness at or below 60% AMI as eligible for the qualified unit if a qualified entity unable to locate, match, or otherwise place a qualified tenant or secondary tenant in a qualified unit within 14 days of the qualified unit becoming available to secondary tenants.

**This urgency bill:**

- 1) Redefines, for purposes of the VHHP program, “secondary tenant” as a veteran who is homeless who has an income of up to 60% AMI, but does not include income received as a result of service connected disability benefit.
- 2) Provides that, in determining whether a potential tenant is eligible for supportive, affordable, or transitional housing under this article, income

eligibility determinations shall not take into consideration any service-connected disability benefits received by the potential tenant.

- 3) Provides, for purposes of calculating income for veterans supportive housing units funded by tax credits or private activity bonds, “secondary tenants” means a veteran who is homeless who has an income of up to 60 percent of the area median income, but does not include income received as a result of service connected disability benefits.

#### COMMENTS:

- 1) *Author’s statement.* “For too long, veterans in need of supportive housing have found themselves ineligible because of the compensation they are paid for their service-connected disabilities. We have made strides toward fixing this in California, under AB 1386, for example, but have been limited by the eligibility requirements of federal programs, such as HUD-VASH. Recent federal regulatory changes excluding veterans’ disability benefits from income calculations are a welcome change, but without conforming the Veterans Housing and Homelessness Program to those changes, veterans who are now eligible for HUD-VASH will find themselves turned away yet again from supportive housing because of their disability benefits. This fix is necessary, simple, and will clear away an obstacle to getting veterans in need into supportive housing.”
- 2) *Veterans and housing needs.* A majority of California’s veterans are considered cost-burdened and pay more than 30% of their income towards housing-related costs. Additionally, veterans face higher risks of homelessness than the general population and the homeless point-in-time count for 2022 estimated that there are 10,395 veterans experiencing homelessness in California, with 7,392 of those veterans experiencing unsheltered homelessness.

Proposition 41 created the VHHP Program and allowed for the issuance of \$600 million in bonds to provide funding for multifamily affordable housing, transitional housing, and supportive housing for veterans. To date, the VHHP Program has provided six rounds of funding administered by HCD in collaboration with CalHFA and CalVet, plus one round via the state’s first “Super NOFA” or “Super Notice of Funding Availability” consolidated application round pursuant to AB 434 (Daly, Chapter 192, Statutes of 2020). The latest award information for round six, HCD’s “VHHP Program 2021 Round 6 Awards Data Summary,” shows that \$478 million in VHHP awards have been made cumulatively over the six rounds of the program. This is expected to result in a total of 3,058 VHHP housing units for veterans and their

families with 66% of those reserved for extremely low-income veterans, 27% for very low-income veterans, and the remainder for low-income veterans. Additionally, 80% of the housing units developed with VHHP funds are restricted to veterans experiencing homelessness. While the VHHP funds are helping to create much-needed affordable housing, transitional housing, and supportive housing for California's veterans, it is important to note the program will run out of funding unless additional resources are approved for the VHHP program.

- 3) *VHHP income limits.* Currently, at least 50% of capital development funding for VHHP-funded developments must be used to subsidize ELI units. These units are affordable to households making 30% or less of AMI. HUD publishes income limits each year outlining what the thresholds are in each county in the state for a variety of household sizes.

According to HCD's "Multifamily Housing Programs: 2022 Multifamily Tax Subsidy Project Income Limits," VHHP was subject specific income limits in 2022 by county. The author and supporters of the bill argue that once many veterans become connected to benefits, including disability benefits, their income can exceed the 30% AMI threshold, making them ineligible for deeply income-restricted VHHP units.

- 4) *HUD-VASH and project-based vouchers (PBVs).* Through a cooperative partnership, the HUD-VASH Program provides long-term case management, supportive services, and permanent housing support to qualified veterans experiencing homelessness. HUD provides Housing Choice Vouchers (Section 8 vouchers) designated for HUD-VASH to participating public housing authorities (PHAs) to assist with rent payments. To be eligible for this program, veterans must be VA Health Care-eligible, homeless, and must participate in case management services in order to obtain and sustain permanent independent community housing. PHAs can choose to "project-base" or dedicate up to 20% (in some cases up to 30%) of their vouchers to specific units in an affordable or supportive housing development. Because these vouchers represent a stable, medium-term rental assistance payment stream, affordable and supportive housing developers often use PBVs to help subsidize deeply affordable ELI units in a development.

PHAs are required to conduct their HUD-VASH programs in conjunction with their nearby Veterans Affairs Medical Center (VAMC), which must make supportive services available to individuals receiving HUD-VASH assistance. When a PHA chooses to project-based their HUD-VASH vouchers, they must ensure they have the support of their partnering VAMC.

5) *Veteran unit vacancy issues and AB 1386 (Gabriel, 2023)*. According to a Los Angeles Housing Department's (LAHD) January 12, 2023 memo regarding supportive housing projects funded by the city's Proposition HHH, the City previously struggled with longer leasing times for veteran-serving HHH projects. Additionally, the memo indicated some – though not all – HHH projects have only achieved roughly 60-75% lease up status for their veteran units. The memo requested, and the Council recently approved, permission for LAHD to increase the AMI limits in Proposition HHH-funded veteran projects to 50% AMI, as determined by LAHD. However, affordable housing developers generally must layer funding from multiple sources to complete a project, and other funding streams like VHHP, TCAC tax credits, and project-based VASH or Section 8 vouchers – which the City of Los Angeles does not have authority over – previously had restrictive income limitations.

In order to create opportunities for more veterans to access these vacant units, the Legislature passed and the Governor signed AB 1386 (Gabriel, Chapter 760, Statutes of 2023). That bill allowed housing providers who are making referrals to VHHP and TCAC units to refer tenants with incomes up to 60% AMI only if they are unable to find tenants at 30% AMI for 28 days after a unit becomes available. It also allowed a development to dip below the statutorily mandated 50% ELI unit threshold if no tenants at 30% AMI can be found in the specified time-period. This allowed for continued prioritization for the lowest income veterans, but also created new opportunities for others to access vacant units.

6) *Recent changes to federal law*. Earlier this month, U.S. Department of Housing and Urban Development (HUD) announced a new set of policy changes that will help more veterans receive assistance under the HUD-Department of Veteran Affairs (VA) Supportive Housing (HUD-VASH) program, and improve their access to supportive housing developments. Veterans experiencing homelessness often receive VA benefits as a result of an injury or illness that was acquired or worsened during military service. Before this change, these benefits were considered income when determining eligibility for certain supportive housing developments—causing some veterans to exceed the income threshold for these programs. HUD's policy changes will help more homeless veterans with service-connected disability benefits gain access to these housing developments.

This bill would align state statute with those changes to federal policy by authorizing veterans who are currently seeking housing to have access to units funded by VHHP or tax credits, that would otherwise be turned away due to the

fact that their disability benefits count towards their income and currently make them appear ineligible for assistance.

7) *Gut and amend.* This bill was gut and amended on August 22, 2024, from an education bill related to school accountability.

**RELATED LEGISLATION:**

**AB 1386 (Gabriel, Chapter 760, Statutes of 2024)** — authorized entities referring veterans to deeply affordable housing units funded by the Veterans Housing and Homelessness Prevention Program (VHHP) or tax credits and private activity bonds to refer veterans at higher income levels if units are unable to be filled at a lower income threshold for specified time periods.

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

**POSITIONS:** (Communicated to the committee before 5pm on Monday, August 26, 2024.)

**SUPPORT:**

American Legion, Department of California  
Military Officers Association of America, California Council of Chapters

**OPPOSITION:**

None received.

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