

- c) Provide for a single process to obtain required approvals for, including, but not limited to, reserve draws, ownership changes, property management changes, operating budgets, rent increases, and capital needs assessments.

COMMENTS:

- 1) *Author's statement.* According to the author, "The Legislature has made huge efforts in increasing our housing supply by streamlining the finance system for affordable housing developments. It is time to also make our state's oversight system more efficient. Since affordable housing developments frequently receive financing from more than one state entity, it leads to multiple state entities conducting duplicate and overlapping compliance monitoring. Today, up to three different state entities provide compliance monitoring on affordable housing developments. To address this issue, AB 2006 would direct these state entities to coordinate their efforts and streamline this process by eliminating the submittal of duplicate information, ensuring only one state entity conducts physical inspections for a particular project, and providing a single process to obtain required approvals. California needs to spend more time building affordable housing and less time and money on paperwork. This common sense bill would help eliminate duplicative work and focus the state's and affordable housing developers' resources where they should be which is on providing safe, affordable housing for California residents."
- 2) *Background.* The state has three main entities that administer state funding to build and maintain affordable housing. Historically, the state has largely funded affordable housing through voter-approved bonds, the Low Income Housing Tax Credit (LIHTC), and more recently through cap-and-trade funds. In the past four years, the Legislature and Governor have invested General Fund money to increase the supply of affordable housing. During this same time span, the budget has included an additional \$500 million for the LIHTC in addition to the statutorily required allocation of \$70 million. Developers must apply to multiple state funding programs to finance an affordable housing development and almost all affordable housing developments have LIHTCs. According to a March 2020 report by the Turner Center for Housing Innovation at UC Berkeley, 89% of projects built with nine percent tax credits between 2008 and 2019 relied on four or more sources of funding, with 80% of projects combining four to eight funding sources. On average, each additional source of funding is associated with an increase of \$6,400 per unit. The added costs of having to apply to multiple programs in multiple funding rounds include preparation of additional applications, review and coordination of additional loan documents, and property holding costs due to time delays between application cycles.

To better streamline funding, AB 434 (Daly, Statutes of 2020, Chapter 192), required HCD to consolidate the application for six state funding programs offered by the department. Because of this bill, HCD has developed a super Notice of Funding Availability (NOFA) for six specialty rental housing programs under HCD to align eligibility criteria, scoring, and deadlines for these programs with the Multi-family housing program, the state's flag-ship rental housing program. The first super NOFA was released in March 2022.

- 3) *Compliance and monitoring.* As a condition of receiving state funding to finance the development of affordable housing, the developer enters into a regulatory agreement with the state entity providing financing. The regulatory agreement establishes the term of affordability and maintenance requirements. The state entity providing funding, HCD, CalHFA, or TCAC monitors the property to ensure compliance, which includes that units are rented at the restricted rent amount. Most affordable housing developments receive funding from multiple state funding programs and in some cases they also receive local funding. Each funding entity has its own regulatory agreement and monitors the property to ensure compliance.

To reduce costs and complexity for developers, this bill requires the three main funding entities to develop a process to streamline the compliance process. For developments with regulatory agreements with all three entities (HCD, Cal HFA, and TCAC), all would need to adopt a compliance structure that requires only one entity conduct physical inspections for a particular project. Additionally, the bill would eliminate the submittal of duplicate information and create a single process for a developer to request reserve draws, ownership changes, property management changes, adjust operating budgets, rent increases, and capital needs assessments.

RELATED LEGISLATION:

AB 2305 (Grayson, 2022) — creates a Coordinated Affordable Housing Finance Committee for the purpose of allocating state-controlled resources for the finance of affordable rental housing through a single process and competition such that an applicant can obtain all necessary state assistance at one time with a single application. *This bill is will be heard in this same committee hearing.*

AB 434 (Daly, Statutes of 2020, Chapter 192) — aligned six rental-housing programs with the Multifamily Housing Program (MHP), to enable HCD to implement a single application and scoring system for making coordinated awards under all seven programs, starting on January 1, 2022.

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

POSITIONS: (Communicated to the committee before noon on Wednesday, June 15, 2022.)

SUPPORT:

California Housing Consortium (Co-Sponsor)
California Housing Partnership (Co-Sponsor)
Abode Communities
Affirmed Housing
AMCAL
Amg & Associates, LLC
California Association of Local Housing Finance Agencies
California Council for Affordable Housing
Community Housing Improvement Program (CHIP)
Community Housingworks
CRP Affordable Housing and Community Development
EAH Housing
Eden Housing
First Community Housing
Integrity Housing
John Stewart Co
Jonathan Rose Companies
LA Family Housing
LeadingAge California
Linc Housing
Mercy Housing
Merritt Community Capital Corporation
Midpen Housing Corporation
Non-profit Housing Association of Northern California (NPH)
Orange Housing Development Corporation
Rural Community Assistance Corporation
San Joaquin Valley Housing Collaborative
Satellite Affordable Housing Associates
Southern California Association of Non-profit Housing (SCANPH)
SV@Home Action Fund
The Pacific Companies
Thomas Safran & Associates
Wakeland Housing and Development Corporation

OPPOSITION:

None received.

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