
SENATE COMMITTEE ON HOUSING
Senator Scott Wiener, Chair
2023 - 2024 Regular

Bill No: AB 519 **Hearing Date:** 7/10/2023
Author: Schiavo
Version: 7/3/2023 Amended
Urgency: No **Fiscal:** Yes
Consultant: Alison Hughes

SUBJECT: Affordable Housing Finance Workgroup: affordable housing: consolidated application process

DIGEST: This bill creates an Affordable Housing Finance Workgroup (workgroup) to propose the creation of a consolidated application for affordable housing developers to access state housing funding programs and a coordinated review process for the application.

ANALYSIS:

Existing law:

- 1) Creates the Multifamily Housing Program (MHP) at the Department of Housing and Community Development (HCD) to assist in the new construction, rehabilitation, and preservation of permanent and interim rental housing for households with incomes of up to 60% of the area median income (AMI).
- 2) Establishes the Tax Credit Allocation Committee (TCAC) and the California Debt Limit Allocation Committee (CDLAC) under the State Treasurer's Office (STO). TCAC administers the federal and state low-income housing tax credit programs, which promote private investment in housing affordable to low-income Californians. CDLAC sets and allocates California's annual debt ceiling and administers the state's tax-exempt bond program to issue the debt. CDLAC's programs are used to finance affordable housing developments for low-income Californians, build solid waste disposal and waste recycling facilities, and finance industrial development projects.
- 3) Establishes the California Housing Finance Agency (CalHFA), which provides first mortgage loans and down payment assistance to first-time homebuyers, as well as financing and programs for affordable rental housing. CalHFA is a self-supporting state agency; its bonds are repaid by revenues generated through mortgage loans.

This bill:

- 1) Defines “reviewing entity” to mean any of the following entities: HCD, CalHFA, TCAC, and CDLAC.
- 2) Creates the workgroup to include the following:
 - a) The reviewing entities;
 - b) Nonprofit affordable housing developers;
 - c) For-profit affordable housing developers;
 - d) Local governments; and
 - e) Tribal governments.
- 3) Requires the reviewing entities to jointly convene a workgroup for the purposes of developing both of the following:
 - a) A consolidated application for affordable housing developers to use to obtain grants, loans, tax credits, tax-exempt bonds, credit enhancements, federal funds, as applicable, and other types of financing for building affordable housing; and
 - b) A coordinated review process for the application that minimizes duplication of information and maximizes administrative efficiency.
- 4) Requires the workgroup, on or before January 1, 2026, to identify at least all of the following:
 - a) Technical changes required to allow applicant data sharing between reviewing entities;
 - b) Common and unique data required by the reviewing entities for assessment of the application;
 - c) Timeline constraints and optimized alignment of application review timelines for the reviewing entities;
 - d) Optimal means of application completion by affordable housing developers;
 - e) Ongoing efforts and best practices in application consolidation by the reviewing entities; and
 - f) A timeline for developing a single consolidated application able to be coordinated for review between the reviewing entities.
- 5) Requires the workgroup, on or before July 1, 2026, to report recommendations on implementing a coordinated review process to all of the following:
 - a) The reviewing entities;

- b) The Legislature, as specified; and
 - c) The Assembly Housing and Community Development Committee and Assembly Revenue and Taxation Committee.
 - d) The Senate Housing Committee and Senate Governance and Finance Committee.
- 6) Requires the workgroup to develop the consolidated application and coordinated review process, taking into account at least all of the following:
- a) Whether a single application review team is able to capture the unique requirements for grants, loans, tax credits, tax-exempt bonds, credit enhancements, federal funds, as applicable, or other types of financing for building affordable housing;
 - b) Whether a unified scoring rubric is possible to maximize financial support for applicants eligible for multiple projects;
 - c) Methods of notification that need to be implemented by the reviewing entities to provide updates on an application;
 - d) Ideal means for applicants to receive updates on their applications and selection for grants, loans, tax credits, tax-exempt bonds, credit enhancements, federal funds, as applicable, or other types of financing for building affordable housing provided by the reviewing entities; and
 - e) Whether joint agreements are required to implement the coordinated review process.

COMMENTS:

- 1) *Author's statement.* "California's affordable housing development finance system is comprised of four separate entities which administer a variety of financial resources including loans, tax credits, and tax-exempt bonds to housing developers who build and rehabilitate affordable housing for lower-income households. AB 519 will address the complex process of applying for affordable and homeless housing funding by creating a working group to develop a consolidated application for the purpose of obtaining financing and developing a coordinated review process for the application. Stitching together funding from all four entities requires multiple applications which add project delays and expenses to building affordable and homeless housing. AB 519 aims to streamline a process that, according to a 2020 State Auditor report, creates an unnecessarily cumbersome process that ultimately passes the cost on to taxpayers and those who can least afford it, those occupying affordable units."
- 2) *Affordable housing financing.* Four different state entities administer affordable housing funding – HCD, CalHFA, TCAC, and CDLAC. HCD's programs are

generally funded by voter-approved bonds and more recently state general fund dollars. HCD also acts as a pass-through for some federal funding for non-entitlement jurisdictions in the state. CalHFA's programs are funded by revenue bonds, the general fund, and voter-approved bonds.

Most housing developments apply for 4% or 9% federal low-income housing tax credits administered by the Treasurer's office. In addition, 4% credits must be paired with tax-exempt bonds, administered by CDLAC. TCAC awards state and federal tax credits that are capped by state and federal law. The state statutorily authorizes around \$70 million a year in state tax credits and for the last two years has authorized another \$500 million in state tax credits. The state receives about \$106.7 million in federal tax credits it can allocate to affordable housing developments each year. CDLAC administers the state's allocation of private activity bonds (PABs) that are capped by the federal government and amount to over \$4 billion each year, of which about \$1 billion have been awarded to affordable housing developments so far this year.

According to a March 2020 report by the Turner Center for Housing Innovation at UC Berkeley, most (89%) of projects built with 9% tax credits between 2008-2019 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 increased cost 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 delays between application cycles.

- 3) *Progress in aligning HCD's Programs.* AB 1121 (Alarco, Chapter 637, Statutes of 1999), consolidated multiple programs at HCD into MHP and created a standard set of rules applicable to all rental housing programs operated by HCD. Since 1999, the state has created new housing programs including the Affordable Housing and Sustainable Communities Program, the Veterans Housing and Homeless Prevention Program, and the Transit-Oriented Development Program (TOD). These programs all provide funding to construct, rehabilitate, and acquire affordable housing units or fund the infrastructure for their development. AB 434 (Daly, Statutes of 2020, Chapter 192) required HCD to align the six rental housing programs administered by HCD with MHP to allow HCD to issue a single application and scoring system for making coordinated awards under all seven programs. As a result of that bill, HCD recently released the guidelines for the first MHP "Super NOFA" to allow developers to apply for seven different affordable rental programs at one time, beginning in the spring of 2022.

- 4) *Come together.* This bill would create a workgroup made up of the state's four housing entities – HCD, CAIHFA, TCAC, and CDLAC – nonprofit and for-profit affordable housing developers, local governments, and tribal governments to create a consolidated application for affordable housing developers to use to access state housing funding programs and a coordinated review process for the application. By January 1, 2026, the work group must at a minimum determine what technical changes would be necessary to allow for applicant data sharing between the four state housing entities, and identify any common or unique data required by the reviewing entities for the assessment of the application. In addition, the workgroup would determine a timeline for development a single consolidated application and how to best align the timelines for reviewing entities. By July 1, 2026, the workgroup must make recommendations to the four state housing entities and the Legislature on implementing a coordinated review process for state housing funding programs.
- 5) *Trying again.* This bill is similar to AB 2305 (Grayson, 2022) and AB 1135 (Grayson, 2021), which would have required the Business, Consumer Services and Housing Agency (BCSH) and state housing entities to jointly establish and operate a single, centralized housing funding allocation committee to administer all state-controlled affordable housing funds, serve as the main point of contact for developers and create a single application for affordable housing funds.

RELATED LEGISLATION:

AB 2305 (Grayson, 2022) — would have required the Business, Consumer Services and Housing Agency (BCSH) and state housing entities to jointly establish and operate a single, centralized housing funding allocation committee to administer all state-controlled affordable housing funds, serve as the main point of contact for developers and create a single application for affordable housing funds. *This bill was held in the Senate Housing Committee.*

AB 1135 (Grayson, 2021) — would have required the Business, Consumer Services and Housing Agency (BCSH) and state housing entities to jointly establish and operate a single, centralized housing funding allocation committee to administer all state-controlled affordable housing funds, serve as the main point of contact for developers and create a single application for affordable housing funds. *This bill was held in the Assembly Appropriations Committee on the suspense file.*

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

**POSITIONS: (Communicated to the committee before noon on Wednesday,
July 5, 2023.)**

SUPPORT:

City of San Marcos
City of Thousand Oaks
LeadingAge California
Livable California

OPPOSITION:

None received.

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