

- 5) Establishes the Joe Serna, Jr. Farmworker Housing Grant Program (Serna Program) at HCD to finance the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households.
- 6) Establishes CalHome at HCD to provide grants to local public agencies and non-profit developers to assist individuals and households through deferred-payment loans. The funds provide direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions.
- 7) Authorizes CalHFA to provide first time homebuyer assistance, including but not limited to a deferred-payment, low-interest, subordinate mortgage loan, including down payment assistance, closing cost assistance, or both, to make financing affordable to low- and moderate-income households.
- 8) Provides, through SB 2 (Atkins, Chapter 364, Statutes of 2017), the Building Homes and Jobs Act, with funding for, among other programs, affordable homeownership and rental housing opportunities for agricultural workers and their families. This funding is administered by HCD in conjunction with the Serna Program.

This urgency bill:

- 1) Authorizes \$10 billion in general obligation bonds to fund the following programs:
 - a) \$5.25 billion to MHP. At least 10% of units in a MHP development must be available for extremely low-income households;
 - b) \$1.75 billion to supportive housing administered through the MHP program. Requires HCD to offer capitalized operating subsidy reserves for supportive housing developments receiving funding;
 - c) \$1.5 billion for programs to preserve or rehabilitate existing subsidized or unsubsidized rental housing, split among the following programs: the Portfolio Reinvestment Program, the Energy Efficiency Low-Income Weatherization Program, and a program to be created by the Legislature that funds acquisition and rehabilitation of unrestricted housing units (*i.e.*, unsubsidized housing that may naturally be affordable) and the attachment of long-term affordability restrictions to the units;
 - d) \$1 billion to the CalHOME Program and the My Home down payment assistance program administered by the California Housing Finance Agency (CalHFA); and

- e) \$500 million to the Joe Serna, Jr. Farmworker Housing (Serna) Program and a dedicated program for tribes to finance housing and housing related activities that will enable tribes to rebuild and reconstitute their communities.
- 2) Authorizes the Legislature to amend any law related to programs, which have been allocated funds by the bond to further improve the efficacy and effectiveness of those programs.
- 3) Authorizes the Legislature to reallocate funds authorized by the bond to effectively promote affordable housing in the state.
- 4) Authorizes HCD to disperse funds made available through the bond to housing developments during the construction period.

COMMENTS:

- 1) *Author's statement.* “We cannot take our foot off the gas when it comes to our state’s affordable housing investments. Now is the time to double down on our commitment to solving California’s housing shortage. Even in a tight fiscal climate, the staggering need demands that we treat the crisis with the urgency it deserves. The Affordable Housing Bond Act of 2024 needs to be a priority among any bonds issued in the next year.”
- 2) *California’s Housing Crisis.* California has the largest concentration of severely unaffordable housing markets in the nation and the statewide average home value reached a new record in June 2022 at \$793,300. To keep up with demand, HCD estimates that California must plan for the development of more than 2.5 million homes over the next eight years, and no less than one million of those homes must meet the needs of lower-income households (more than 640,000 very low-income and 385,000 low-income units are needed). For decades, not enough housing was constructed to meet need, resulting in a severe undersupply of housing.

As a result of the severe housing shortage, millions of Californians, who are disproportionately lower-income and people of color, must make hard decisions about paying for housing at the expense of food, health care, child care, and transportation—one in three households in the state don’t earn enough money to meet their basic needs. A lack of affordable housing is the biggest contributor to homelessness. As housing costs continue to rise, rent becomes less affordable for lower-income households, who are forced to live beyond their means (paying more than 30% of income on housing costs) or are pushed out of

their homes, leading to rapid increases in homelessness. Variation in rates of homelessness cannot be explained by variation in rates of individual factors such as poverty or mental illness, however, cities with higher rents and lower rental vacancy rates (i.e., tighter housing markets) are directly linked to higher per capita rates of homelessness.

- 3) *Affordable housing finance generally.* Developing housing that is affordable to very low- and low-income families requires some amount of public investment. The high cost of land and construction, as well as regulatory barriers, in California generally makes it economically impossible to build new housing that can be sold or rented at prices affordable to those households. The private sector sometimes provides financial subsidies or land donations mandatorily through inclusionary zoning policies or voluntarily through density bonus ordinances. In most cases, however, some amount of public financial subsidy is needed from federal, state, and/or local governments.
- 4) *Publicly available funds for affordable housing.* Prior to 1974, the federal government invested heavily in affordable housing construction. When those units began to deteriorate, the Housing Community and Development Act ended most new construction of public housing and the Housing Choice Voucher Program (Section 8) was created in its place. This new program allowed eligible tenants to pay only a portion of their rent (based on their income) and shifted funds from public housing authorities to the private sector. The goal was to eliminate concentrations of low-income people in housing developments. In 1981, the Reagan administration dismantled federal affordable housing funding. From 1978 to 1983, the funding for low- to moderate-income housing decreased by 77%. In 1970, there were 300,000 more low-cost rental units (6.5 million) than low-income renter households (6.2 million). By 1985, however, the number of low-cost units had fallen to 5.6 million, and the number of low-income renter households had grown to 8.9 million, a disparity of 3.3 million units. Federal investments have not gone back up to pre-1978 levels.

At the state level, California has invested significantly in affordable housing construction and rehabilitation in recent years through the passage of one-time discretionary actions in the budget and the passage of voter approved bonds.

Only in the last few years have the Legislature and Governor allocated General Fund dollars to affordable housing programs. Beginning in 2019, an unprecedented \$8 billion from the General Fund has gone to a variety of affordable housing programs. The Veterans and Affordable Housing Bond Act of 2018 (Proposition 1), authorized \$3 billion to fund state affordable housing

programs and \$1 billion for the CalVet program, which provides mortgages to veterans. All of the funding from the bond will be fully allocated by the end of 2023. Proposition 2 of 2018 authorized the state to issue \$2 billion in General Obligations bonds against revenues from the Mental Health Services Act for purposes of funding the No Place Like Home Program (NPLH) NPLH. Those funds supported the construction of over 7,000 supportive housing units and the funds are now exhausted.

It should be noted that of these investments, only funds from the Affordable Housing and Sustainable Communities program (AHSC), federal and state low income housing tax credits, and funds from SB 2 (Atkins, Chapter 364, Statutes of 2017), are ongoing sources of funding.

These investments, while critical, have not made up for decades of disinvestment from the federal level. Significant ongoing investments are necessary to meet the current undersupply of housing affordable to lower-income families.

- 5) *A renewed GO Bond for Housing.* AB 1657 would provide \$1.75 billion to supportive housing for people at-risk or experiencing homelessness. In addition, the bond would require that 10% of any units created through MHP go to people who are extremely low-income (at or below 30% of area median income), who may be at greater risk of homelessness. It would also reinvest in the Serna Program and CalHOME. These three programs benefited from funding through Proposition 1.

The bond would also fund two new programs: (1) a newly created Tribal Housing Advisory Committee at the Business, Consumer Services, and Housing Agency (contemplated by AB 371, Garcia, 2023); and (2) a program to support acquisition and rehabilitation of unrestricted housing units and attach long-term affordability restrictions to the units (contemplated by SB 490 (Caballero, 2022) and SB 225 (Caballero, 2023)).

- 6) *Opposition.* The California Association of Realtors is opposed unless projects containing 1-4 unit are exempted.
- 7) *Double referral.* This bill was also referred to the Senate Governance and Finance Committee.

RELATED LEGISLATION:

SB 3 (Beall, Chapter 365, Statutes of 2017) — enacted the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1, 2018) and authorized the

issuance of \$4 billion in general obligation (GO) bonds for affordable housing programs and a veteran’s homeownership program, subject to approval by the voters in the November 6, 2018 election.

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

POSITIONS: (Communicated to the committee before noon on Wednesday, June 14, 2023.)

SUPPORT:

Supervisor Jaron E. Brandont, County of Tuolumne District 5
Abode Communities
American Planning Association, California Chapter
California Apartment Association
California Housing Consortium
California Housing Partnership Corporation
City of Camarillo
City of Concord
City of El Centro
City of Encinitas
City of Firebaugh
City of Fremont
City of Inglewood
City of San Jose
City of Santa Monica
City of Thousand Oaks
City of West Hollywood
Eah Housing
Eden Housing
Greenlining Institute
Habitat for Humanity California
Housing Action Coalition
Housing California
League of California Cities
Livable California
Mercy Housing California
Non-profit Housing Association of Northern California (NPH)
Resources for Community Development
Southern California Association of Non-profit Housing (SCANPH)
Supportive Housing Alliance

OPPOSITION:

California Association of Realtors

-- END --