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**SENATE COMMITTEE ON HOUSING**  
**Senator Scott Wiener, Chair**  
**2021 - 2022 Regular**

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**Bill No:** SB 490 **Hearing Date:** 4/15/2021  
**Author:** Caballero  
**Version:** 2/17/2021  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Alison Hughes

**SUBJECT:** Housing acquisition and rehabilitation: technical assistance

**DIGEST:** This bill creates the Housing Acquisition and Rehabilitation Technical Assistance Program (HARTAP) at the Department of Housing and Community Development (HCD) for the purposes of providing technical assistance (TA) to specified entities.

**ANALYSIS:**

Existing law establishes several housing programs that finance housing rehabilitation, including but not limited to the following:

- 1) Multifamily Housing Program (MHP) – administered by HCD, assists the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower-income households.
- 2) Joe Serna Jr., Farmworker Housing Grant Program – administered by HCD, finances the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower-income households.
- 3) Affordable Housing and Sustainable Communities Strategies (AHSC) – administered by the Strategic Growth Council (SGC) and implemented by the HCD, funds land-use, housing, transportation, and land preservation projects to support infill and compact development that reduce greenhouse gas emissions.

**This bill:**

- 1) Defines “qualified entities” as an entity that conducts acquisition-rehabilitation projects, including but not limited to:

- a) An eligible non-profit corporation, including affordable housing developers, community development corporations, and community-based organizations.
  - b) Community land trusts.
  - c) Public housing authorities.
  - d) Nonprofit, limited-equity, or workforce housing cooperatives.
  - e) Resident associations or organizations.
  - f) Local and regional governmental agencies.
- 2) Defines “acquisition-rehabilitation project” as a project to acquire and preserve unsubsidized housing units an attaching long-term affordability restrictions on the housing units, while safeguarding against the displacement of current residents.
- 3) Creates HARTAP in HCD for the purpose of providing technical assistance to qualified entities. Requires HCD to develop, implement, and administer the program.
- 4) Requires HCD to develop TA tools to do the following:
- a) Training modules.
  - b) Acquisition-rehabilitation specific financing templates and guidance, such as proformas and worksheets.
  - c) Best practice guides for engaging tenants before and after property acquisition, managing safe accessible rehabilitation of occupied buildings, facilitating resident ownership and any other topic deemed appropriate by the department.
- 5) Requires HCD to contract with third party consultants to assist with the development, implementation, and administration of HARTAP. The department shall contract with consultants possessing specific areas of expertise, including but not limited to the following:
- a) Resident engagement and education.
  - b) Property assessment and due diligence.
  - c) Affordable housing operations management.
  - d) Acquisition-rehabilitation project financial assistance.
  - e) Construction and property management.
  - f) A spectrum of ownership and stewardship models, including rental housing, homeownership, community land trusts, limited-equity housing cooperatives, workforce housing cooperative trusts, and nonprofit affordable housing cooperatives.
  - g) Capacity and experience in advancing racial equity.

- 6) Appropriates \$800,000 from the General Fund to the HARTAP Fund for the purposes of administering HARTAP.

## COMMENTS

- 1) *Author's Statement.* "The overwhelming majority of low-income Californians live in unsubsidized rental housing. Over the last several decades, the supply of this housing at rents that are affordable to low-income households has sharply declined, forcing residents out of their neighborhoods in order to find affordable housing. It has been demonstrated that acquiring this housing, removing it from the speculative market, and preserving it as affordable, communities are able to keep vulnerable residents housed, reduce displacement, and grow the supply of deed-restricted affordable housing. Because this is a relatively new and innovative strategy, many local jurisdictions and organizations lack the necessary capacity and expertise needed to do this work effectively and equitably across the state. SB 490 responds to this need by creating a statewide capacity building and technical assistance (TA) program. The program will support public sector partners and mission-driven organizations – often small, community development corporations, community land trusts, and other organizations led by and serving people of color, to carry out this type of acquisition and preservation. SB 490 builds off the State's investments in TA to build the capacity of local partners and support them to secure resources for communities across the state helping to stabilize communities."
- 2) *Housing Preservation.* Since the 1960s, developers have constructed at least 425,000 units of affordable rental housing in California with the assistance of federal, state, and local subsidies that require owners to maintain rents at affordable levels for specified periods of time. Examples of such subsidy programs include: federal project-based Section 8, Federal Housing Administration (FHA) mortgages, low-income housing tax credits (LIHTC), state housing programs, and city and county redevelopment funds. The affordability restrictions on assisted units typically last 30 to 55 years, depending on the program. Once affordability obligations expire, owners may preserve the affordability of the units by renewing assistance or by refinancing with new public subsidies, or they may convert the development to market rate. Under some federal programs, owners can also terminate affordability restrictions early by prepaying the underlying mortgage or opting out of the rental assistance contract.

The California Housing Partnership Corporation (CHPC) annually assesses the loss and the risk of loss of affordable rental properties that receive public

financing. As of February 2021<sup>1</sup>, between 1997 and 2020, California lost 18,043 affordable homes with project-based rental assistance contracts and/or loans from the US Department of Housing and Urban Development (HUD), the California Housing Finance Agency (CalHFA), and HCD, or LIHTCs due to owner decisions to opt out, sell, or allow their developments to convert to market rate. Another 30,102 affordable rental homes – or 7% of the total current supply – are at risk of conversion in the next 10 years, and 6,785 homes may no longer be affordable as soon as next year. Homes at very high, high, and moderate risk of losing affordability have the following characteristics: 43% serve seniors, 43% serve families, and 34% are concentrated in the counties of Los Angeles, Orange, Santa Clara, San Francisco, and San Diego.

- 3) *Existing state financing of acquisition-rehabilitation.* According to one of the sponsors, Enterprise Partners, in recent decades, most preservation efforts have focused on extending the affordability of subsidized or income-restricted affordable housing in need of capital improvements and/or nearing the expiration of affordability restrictions. This is primarily accomplished through the re-syndication of LIHTCs, refinancing with special-purpose loan funds and products, and renewing rental subsidies such as Section 8 vouchers. More recently, both housing practitioners and residents (including nonprofits, affordable housing developers, community land trusts, and other community-based organizations and tenant associations) have shown a growing interest in the acquisition and rehabilitation of unsubsidized affordable housing currently on the private market as a means to create or preserve affordable housing. The sponsors maintain that acquisition-rehabilitation in practice is a direct anti-displacement strategy that is fast, effective, flexible, and long-term.

While several existing state programs (mostly notably the MHP program at HCD) finance the acquisition and rehabilitation of affordable housing units, these programs are more targeted towards the new construction and acquisition-rehabilitation of existing deed-restricted affordable housing that is approaching the expiration of its affordability term, and not for unsubsidized housing. According to the sponsors, some of the reasons for the narrower focus in existing state programs is that they are limited to buildings with five or more units and specific project types, such as large family, special needs, senior, supportive housing, and high risk. It is unlikely that a building acquired from the private market, with existing tenants, would meet these existing requirements.

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<sup>1</sup> Danielle M. Mazzella, *Affordable Homes At Risk: How Many of California's Affordable Rental Homes Have Converted to Market Rate? How Many are Still at Risk?* (California Housing Partnership Corporation, February 2021) <https://chpc.net/wp-content/uploads/2021/02/Affordable-Homes-At-Risk-Report-2021.pdf>

- 4) *Unique challenges for acquisition-rehabilitation projects.* According to the sponsors, occupied acquisition-rehabilitation projects present challenges. First, interested entities need to compete on the private market against investors that have more access to capital and are less reliant on public resources. Second, performing any rehabilitation work with tenants requires technical expertise to identify structural needs and ongoing communication with residents. Additionally, acquisition-rehabilitation projects are often smaller scale developments that are more difficult to manage and sustain financially. Because this is a newer practice for even experienced developers, acquisition-rehabilitation projects may require new skills to support tenant engagement and property management, particularly with a scattered site model.

This bill will create the HARTAP at HCD specifically for unsubsidized acquisition-rehabilitation projects. In addition to the new technical assistance program, the sponsors are working on a corresponding budget request of \$500 million to finance the capital funding to acquire and preserve acquisition-rehabilitation projects.

- 5) *Other TA Units in State Government.* The committee is aware of TA assistance units at other state financing programs. For example, SB 136 (Leyva, Chapter 766, Statutes of 2017) authorized HCD, as part of the Mobilehome Park Rehabilitation and Resident Ownership Program (MPRRP), to contract directly with, and provide grants to, nonprofit corporations for providing TA to participants of that program. The SGC also contracts with a team of consultants across the state for its AHSC technical assistance program. The TA program provides direct application assistance to teams that are applying for funding and capacity building services for potential applicants to the AHSC Program. Additionally, the Governor in his 2021 January budget has proposed to finance the creation of a new Housing Law unit at HCD to assist local jurisdictions in housing element and other state housing law compliance.

#### **RELATED LEGISLATION:**

**SB 791 (Cortese, 2021)** — creates a Surplus Land Unit within HCD to facilitate the development and construction of housing on local surplus property. *This bill will be heard in the Senate Housing Committee on April 29, 2021.*

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

**POSITIONS:** (Communicated to the committee before noon on Friday, April 9, 2021.)

**SUPPORT:**

Enterprise Community Partners (Co-Sponsor)  
Housing California (Co-Sponsor)  
Affordable Housing Network of Santa Clara County  
Beverly-Vermont Community Land Trust  
Bill Sorro Housing Program  
Brilliant Corners  
California Apartment Association  
California Coalition for Rural Housing  
California Housing Partnership Corporation  
California Rural Legal Assistance Foundation  
Council of Community Housing Organizations  
East Palo Alto Community Alliance Neighborhood Development Organization  
Lanterman Housing Alliance  
Legal Aid of Sonoma County  
Local Initiative Support Corporation Bay Area  
Local Initiative Support Corporation Los Angeles  
Local Initiative Support Corporation San Diego  
Non-profit Housing Association of Northern California  
Public Advocates  
Sacramento Community Land Trust  
Silicon Valley Community Foundation  
SOMOS Mayfair  
South Bay Community Land Trust  
The San Francisco Housing Accelerator Fund  
Western Center on Law & Poverty  
Working Partnerships USA

**OPPOSITION:**

None received

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