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

Bill No: AB 482 **Hearing Date:** 6/17/2021
Author: Ward
Version: 3/17/2021
Urgency: No **Fiscal:** No
Consultant: Alison Hughes

SUBJECT: Housing authorities: City of San Diego, County of San Bernardino, and County of Santa Clara: middle-income housing projects pilot program

DIGEST: This bill extends the sunset, from January 1, 2022 to January 1, 2026, for the City of San Diego, and the Counties of San Bernardino and Santa Clara, to implement a pilot program to develop and finance middle-housing projects.

ANALYSIS:

Existing law:

- 1) Authorizes a housing authority in San Diego, San Bernardino County, or Santa Clara County to implement a pilot program to develop and finance middle housing projects by allowing gap financing provided this funding is not used for units occupied at or above market rate, and funds must be approved by the housing authority's legislative body by resolution at a public hearing.
- 2) Requires a housing authority using the middle-income pilot program to report to Legislature on or before January 1, 2020 and on or before January 1, 2022:
 - a) The number of units produced using gap financing;
 - b) The amount of gap financing per regulated unit;
 - c) The levels of affordability of those units produced using gap financing; and
 - d) The term of affordability for those units produced using gap financing.
- 3) Defines the following terms for the purpose of the middle-income pilot program:
 - a) "Middle-income housing project" means a housing project that includes at least 40% of units that are affordable to and will be occupied by persons of

low-income, as well as at least 10% of units that are affordable to and will be occupied by persons and families of middle-income;

- b) “Persons of low-income” means persons and families whose income does not exceed 80% of Area Median Income (AMI);
- c) “Persons and families of middle income” means persons and families whose income does not exceed 150% AMI; and
- d) “Gap financing” means a loan from a housing authority to fund the remaining cost of development after other funds have been secured.

4) Sunsets the pilot program on January 1, 2022.

This bill extends the sunset to January 1, 2026, and requires the eligible jurisdictions to provide a report to the legislature every two years starting on January 1, 2022.

COMMENTS:

- 1) *Author’s Statement.* “The State’s housing crisis affects Californians at all income levels. There is a lack of adequate sources of financing available to encourage developers to develop, construct and operate a sufficient number of mixed-income projects to provide for the continuum of housing at various income levels. This measure promotes housing investments available to multiple levels of the income strata at no cost to the State. The Hillcrest project in San Diego was a success because of the provisions of AB 1637, but additional time is needed to fully study the value of the statute. Extending the sunset on this important measure will enable the pilot program to continue an additional four years.”
- 2) *Housing authorities generally.* Housing authorities are public entities that administer various federal, state, and local programs in a defined geographic region – often for a particular city or county. In the 1930s, the federal government authorized the creation of housing authorities to develop and manage public housing and carry out urban renewal initiatives. Housing authorities are responsible for administering the federal Housing Choice Voucher Program, formerly known as “Section 8 Vouchers.”

Additionally, California housing authorities can issue tax-exempt revenue bonds to finance the acquisition, construction, rehabilitation, refinancing, or development of multi-family rental housing. The amount of state tax-exempt bonds that can be issued in the state is capped and projects built with these

bonds are required to designate at least 20% of the units for households at 50% or less AMI. The remaining units could be of any income, including market rate. Housing authorities are prohibited from lending on any portion of a rental housing development with affordability levels of more than 80% AMI. However, housing authorities can accept financial or other assistance from any public or private source and spend those funds for the purpose and activities allowed under state law.

- 3) *Middle-Income Housing Projects Pilot.* In 2017, the Legislature passed and the Governor signed into law AB 1637 (Gloria, Chapter 801, Statutes of 2017), which created the middle-income pilot program. Under this program, certain local housing authorities are authorized to provide gap financing to develop housing projects in which at least 40% of the units are reserved for low-income individuals and a minimum of 10% are available to middle-income households. Presently, only the City of San Diego and the counties of San Bernardino and Santa Clara are authorized to use this program.

To build units for middle-income households, a housing authority may use funds from any unrestricted public or private source to finance the remaining units for middle-income households (up to 150% of AMI). This is referred to as “gap financing.” The pilot program requires use of such financing by a housing authority to first be approved by the authority’s legislative body following a public hearing.

To date, this committee is aware of one project that the City of San Diego’s housing authority is engaged in which uses the middle-income pilot program. Once completed, it will provide 36 units for lower income households, of which 12 will be set-aside for persons experiencing homelessness; four units will be affordable to moderate-income households; and five units will be affordable to above moderate-income households.

This bill would extend the authority to finance middle-income projects for another four years, to January 1, 2026. It would also extend the requirement for eligible jurisdictions to submit reports to the Legislature every two years, beginning on January 1, 2022.

- 4) *Opposition.* The State Building and Construction Trades are opposed because “the bill does not require AB 482-funded projects to pay construction workers at least the prevailing wage and to utilize a skilled-and-trained workforce to prevent developers from exploiting workers.”

RELATED LEGISLATION:

AB 1768 (Steinorth, Chapter 66, Statutes of 2018) — added San Bernardino County to the list of jurisdictions permitted to use the middle-income housing pilot for projects through its housing authority.

AB 1637 (Gloria, Chapter 801, Statutes of 2017) — authorized a housing authority in the City of San Diego and the County of Santa Clara to develop and finance middle-income developments in which 40% of the units are restricted to persons making 80% or less of AMI, and at least 10% are affordable to families with middle incomes.

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

POSITIONS: (Communicated to the committee before noon on Friday, June 11, 2021.)

SUPPORT:

City of San Diego (Sponsor)
City of San Bernardino
Southern California Rental Housing Association
Silicon Valley @ Home

OPPOSITION:

State Building and Construction Trades Council of California

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