

- 4) Establishes the Strategic Growth Council (SGC) and sets forth its powers and duties relating to developing and administering the Affordable Housing and Sustainable Communities Program (AHSC) for the purpose of reducing greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development and that support other related and coordinated public policy objectives, including, among others, preserving and developing affordable housing for lower income households.

This bill:

- 1) Removes AHSC from the prescribed programs for which HCD may award additional points.
- 2) Specifies that additional points or preference resulting from a prohousing designation shall be awarded only for the qualifying infill area portion of the IIG of 2007.
- 3) Adds the qualifying infill area and catalytic qualifying infill area portions of the IIG of 2019 as one of the specified state programs for which additional points or preference is awarded due to a prohousing designation.
- 4) Specifies that additional bonus points from a prohousing designation can be awarded to other state programs when already allowable under state law only when local governments are the sole or primary applicants.
- 5) Removes qualifying infill projects in large jurisdictions from consideration by HCD when reviewing and ranking applications for the IIG of 2019.
- 6) Prohibits AHSC program guidelines from disqualifying a project applicant that is a nonprofit or for-profit housing developer if the jurisdiction the project is proposed to be located in has not been found by HCD to be in substantial compliance with specified law.
- 7) Makes other technical, clarifying changes.

COMMENTS:

- 1) *Author's statement.* "SB 341 unlocks state funding for affordable housing developments by undoing perverse penalties that prevent private developers from accessing these incentives only because the cities or counties they plan to

develop in have fallen out of compliance with state housing law or chosen not to be designated "prohousing."

There are many penalties for jurisdictions with noncompliant housing elements. One penalty that goes a step too far is preventing affordable housing *developers* from accessing certain state funding when pursuing projects in noncompliant areas. Incentivizing local governments to implement policies that facilitate an overall increase in housing production is a laudable goal. However, requiring highly competitive programs to award more points to applications from pro-housing jurisdictions has the unintended consequence of penalizing developers who have taken on the arduous task of building much-needed affordable housing in less housing-friendly areas and rewarding anti-housing attitudes.

SB 341 will adjust the "pro-housing" designation law to make clear that the incentives should apply only to programs for which local governments are the sole eligible applicants. This will ensure affordable housing developments in all areas of the state are not be leveraged as a bargaining chip and are instead treated fairly when pursuing these funds."

- 2) *Bonus points in state housing programs.* HCD offers additional points or preference in scoring of certain program applications if a jurisdiction has an adopted housing element that has been found in compliance and has been designated prohousing. The programs in which applicants in prohousing jurisdictions can receive these additional points or preference in scoring include: the Affordable Housing and Sustainable Communities (AHSC) Program, the Transformative Climate Communities (TCC) Program, the Infill Incentive Grant Program of 2007 (IIG of 2007), and other state programs when already allowable under state law, pursuant to regulations adopted by HCD.

A prohousing designation can be earned from HCD by demonstrating that the city or county is promoting climate-smart housing in a variety of ways, including but not limited to: streamlining multifamily housing development, up-zoning in places near jobs and transit to reduce emissions, and creating more affordable homes in places that historically or currently exclude households earning lower incomes and households of color. As of February 3, 2023, there are 6 cities and 2 counties designated as prohousing.

Bonus points are intended to incentivize local governments to seek compliance with state housing law, but may have unintended penalties for housing developers and advocates working in cities and counties that do not have an approved housing element or prohousing designation. Some cities that have not adopted a substantially compliant housing element are adverse to housing

development overall and are arguably the cities that need housing the most. Preventing developers from accessing funds in these exclusionary areas could thwart state goals to affirmatively further fair housing. This bill would remove these penalties in state housing programs with the intent to encourage more statewide housing production in jurisdictions that have traditionally excluded housing production for multifamily affordable housing.

- 3) *Expanding eligibility but limiting incentives.* There are a limited number of programs the State can leverage to incentivize adoption of prohousing policies. Applicants to the AHSC program are typically collaborations between local governments, housing developers, and other agencies. By allowing developers working in non-compliant jurisdictions to apply for these funds, it would further remove penalties on developers and encourage more housing production in jurisdictions that have traditionally excluded housing production for multifamily affordable housing. However, it would also limit state ability to incentivize adoption of prohousing policies by local governments. By expanding access to AHSC funding to developers regardless of housing element compliance, local jurisdictions can reap the benefits of these program funds without needing the prerequisite compliant housing element.
- 4) *Removing QIPs from review and ranking criteria.* By removing qualifying infill projects from consideration by HCD when reviewing and ranking applications for the IIG of 2019, it is the intent of the author to make statute consistent with HCD's existing implementation guidelines.

RELATED LEGISLATION:

SB 1094 (Becker, 2022) — would have made several changes to housing element law, and would have eliminated certain preferences and penalties in specified housing and infrastructure programs that are based upon a local jurisdiction's compliance with housing element law and its establishment of pro-housing policies, as specified. *This bill was held on suspense in Senate Appropriations Committee.*

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

POSITIONS: (Communicated to the committee before noon on Wednesday, March 15, 2023.)

SUPPORT:

California Housing Partnership Corporation (Sponsor)
California Coalition for Rural Housing
Community Housing Improvement Program (CHIP)
Community Housingworks
Danco Communities
EAH Housing
East Bay Asian Local Development Corporation
Housing Authority of The City of Santa Barbara
Many Mansions
Merritt Community Capital Corporation
Resources for Community Development
San Diego Housing Federation
San Francisco Housing Accelerator Fund
San Joaquin Valley Housing Collaborative
Self Help Enterprises
Wakeland Housing and Development Corporation

OPPOSITION:

None received.

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