## SENATE COMMITTEE ON HOUSING

## Senator Scott Wiener, Chair 2023 - 2024 Regular

**Bill No:** SB 482 **Hearing Date:** 4/18/2023

**Author:** Blakespear

**Version:** 2/14/2023 Introduced

**Urgency:** No **Fiscal:** Yes

Consultant: Mehgie Tabar

**SUBJECT:** Multifamily Housing Program: supportive housing: capitalized operating reserves

**DIGEST:** This bill would explicitly require the Department of Housing and Community Development (HCD) to offer capitalized operating reserves to supportive housing units developed under the Multifamily Housing Program (MHP).

#### **ANALYSIS:**

## Existing law:

- 1) Establishes a number of programs at HCD to make housing more affordable to California families and individuals including, but not limited to, the following:
  - a) Affordable Housing and Sustainable Communities Program (AHSC), which funds land-use, housing, transportation, and land preservation projects to support infill and compact development that reduce greenhouse gas emissions.
  - b) Home Investment Partnerships Program (HOME), which creates and retains affordable housing for lower-income renters or owners by funding housing rehabilitation, new construction, and acquisition/rehabilitation of single- and multifamily projects.
  - c) Infill Infrastructure Grant Program (IIG), which provides grant funding for infrastructure improvements that are an integral part of or necessary to facilitate new infill housing in residential and/or mixed-use projects.
  - d) MHP, which funds the new construction, rehabilitation, and preservation of permanent and transitional rental homes for lower income households through loans to local governments, non-profit developers, and for-profit developers.
  - e) No Place Like Home Program (NPLH), which funds the development of permanent supportive housing for persons who are in need of mental health

services and are experiencing homelessness, chronic homelessness, or at risk of chronic homelessness.

2) Requires all housing developments that seek HCD funding comply with HCD's Uniform Multifamily Regulations (UMR). The UMRs require an operating reserve for the purpose of defraying potential operating shortfalls arising from unforeseen circumstances, beyond the rent-up period.

#### This bill:

- 1) Allows HCD to offer capitalized operating reserves to supportive housing units in MHP.
- 2) Adds "supportive housing" to the list of definitions that apply to program activities in MHP.

#### **COMMENTS:**

- 1) Author's statement. "Capitalized Operating Subsidy Reserves (COSRs) are fundamental in guaranteeing that critically needed affordable housing development projects for homeless housing can be built. By requiring HCD to offer these COSRs through the Multifamily Housing Program, we can guarantee that more special needs units with life-changing supportive services are built and change the lives of our extremely low income neighbors for decades to come."
- 2) The Need for Operating Subsidies in Supportive Housing. Supportive services help extremely low-income (ELI) individuals (i.e., those earning less than 30% of the area median income) who suffer from homelessness stay stably housed. These supportive services can include intensive case management, medical and mental health care, substance abuse treatment, and employment services. These services are necessary for people formerly experiencing homelessness to retain housing, improve their physical and mental health, and live and work in their community. These services increase the operating costs for these types of developments. Because the rents are so low and the operating costs are higher, these developments often need a significant subsidy to pencil out.
- 3) Capitalized Operating Subsidy Reserve (COSR). COSRs provide an upfront subsidy to cover deficits in annual operating revenues for housing developments, primarily used for permanent supportive housing for ELI individuals. If a COSR is appropriated, the account is with HCD and HCD

approves disbursements as needed. Banks need to see that developers have these operating costs set aside before financing is approved.

4) Case Study. A 48-unit housing development in southern California offers permanent supportive housing, where half of the units are for individuals and families who are homeless or near homeless with a prioritization for veterans and their families. Some of the supportive services that residents have access to include case workers, adult education, mental wellness, and career building. Part of the funding for this development is through NPLH, which gave the housing development a COSR of \$4,875,000. Unfortunately, NPLH is running out of funds.

As the state transitions future permanent supportive housing developments for those experiencing homelessness to MHP, these developments must continue to get the funding needed to allow developers to build them. This bill would allow for a permanent supportive housing development, like the one mentioned above, to guarantee they have enough operating reserves to continue supportive services long-term.

## **RELATED LEGISLATION:**

**SB 948 (Becker, Chapter 667, Statutes of 2022)** — replaced individual project transition reserves in HCD affordable housing programs to a pooled reserve model to free up significant financial resources that can be utilized to create more housing.

**AB 434 (Daly, Chapter 192, Statutes of 2020)** — aligned six rental housing programs with MHP, to enable HCD to implement a single application and scoring system for making coordinated awards under all seven programs.

SB 3 (Beall, Chapter 365, Statutes of 2017) — enacted the Veterans and Affordable Housing Bond Act of 2018 and authorized the issuance of \$4 billion in general obligation bonds for housing programs, including: MHP, IIG, Transit Oriented Development Rental Housing Program, Joe Serna, Jr. Farmworker Housing Grant Fund, Local Housing Trust Fund Matching Grant Program, CalHome Program, Self-Help Housing Fund, and CalVet Home Loan Program.

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

# POSITIONS: (Communicated to the committee before noon on Wednesday, April 12, 2023.)

#### **SUPPORT:**

California Housing Partnership (Sponsor)

All Home

California Apartment Association

California Housing Consortium

Community Corporation of Santa Monica

Community Housing Improvement Program (CHIP)

**Community Housingworks** 

Corporation for Supportive Housing

Council of Infill Builders

**Danco Communities** 

Destination: Home

**EAH Housing** 

East Bay Asian Local Development Corporation

East Bay YIMBY

Grow the Richmond

Housing Authority of The City of Santa Barbara

Housing California

How to ADU

Merritt Community Capital Corporation

Mountain View YIMBY

Napa-Solano for Everyone

Non-Profit Housing Association of Northern California (NPH)

Northern Neighbors

Peninsula for Everyone

People for Housing - Orange County

Progress Noe Valley

Resources for Community Development

San Diego Housing Federation

San Francisco Housing Accelerator Fund

San Francisco YIMBY

San Joaquin Valley Housing Collaborative

San Luis Obispo YIMBY

Santa Cruz YIMBY

Santa Rosa YIMBY

Self-Help Enterprises

South Bay YIMBY

Southside Forward

# SB 482 (Blakespear)

Page 5 of 5

Ventura County YIMBY
Wakeland Housing and Development Corporation
YIMBY Action
YIMBY Democrats of San Diego County

# **OPPOSITION:**

1 Individual

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