
SENATE COMMITTEE ON HOUSING
Senator Scott Wiener, Chair
2019 - 2020 Regular

Bill No: SB 795 **Hearing Date:** 5/26/2020
Author: Beall
Version: 5/6/2020
Urgency: No **Fiscal:** Yes
Consultant: Alison Hughes

SUBJECT: Economic development: housing: workforce development: climate change infrastructure

DIGEST: This bill allocates \$10 billion over five years to several existing housing, homelessness, and pre-apprenticeship programs, as well as creating two new infrastructure financing programs at the Governor's Office of Business and Economic Development (Go-Biz)

ANALYSIS:

Existing law:

- 1) Authorizes local agencies to create Enhanced Infrastructure Financing Districts (EIFDs) to finance specified infrastructure projects and facilities.
- 2) Authorizes a local government to create Community Revitalization and Investment Authorities (CRIAs) to use tax increment revenue to improve infrastructure, assist businesses, and support affordable housing in disadvantaged communities.
- 3) Authorizes a local government to establish an Affordable Housing Authority (AHA) to fund affordable housing.
- 4) Establishes the Neighborhood Infill and Transit Improvements Act, or NIFTI, in EIFD law and allows the infrastructure financing plan to contain a provision for the addition of any increase of the total receipts of local sales and use taxes (SUTs) and attribute those taxes to the NIFTI.
- 5) Authorizes a local government to establish a transit village development district which addresses, among other things housing within ½ mile of the main entrance of a transit station.

This bill appropriates \$10 billion continuously without regard to fiscal years for five years. The funds shall be distributed in the following manner:

- 1) Requires the Controller to allocate and deposit \$1.805 billion each year to the following programs over five years:
 - a) \$500 million each year for five years to the Multifamily Housing Program at the California Department of Housing and Community Development (HCD). Projects funded under this program shall be deemed to be public works.
 - b) \$300 million each year for five years to the Infill Infrastructure Grant Program at HCD. Projects funded under this program shall be deemed to be public works.
 - c) \$200 million each year for five years to the Local Housing Trust Fund Matching Grant Program at HCD. Projects funded under this program shall be deemed to be public works.
 - d) \$75 million each year for five years to the CalHome Program at HCD.
 - e) \$75 million each year for five years to the Joe Serna Jr. Farmworker Housing Program.
 - f) \$650 million each year for five years to the Homeless Housing, Assistance, and Prevention program (HHAPP) at the Business Consumer Services and Housing Agency.
 - g) \$5 million each year for five years to the California Workforce Development Board for distribution to local agencies to participate in, invest in, or partner with new or existing pre-apprenticeship training programs.

- 2) Requires the Controller to allocate \$195 million each year, over five years, to Go-Biz to be used as follows:
 - a) \$100 million each year for five years to a new Climate, Sea Level, and Natural Disaster Program, for the purpose of protecting communities dealing with the effects of climate change, including but not limited to, sea level rise, wildfires, and flood protection.
 - b) \$95 million each year for five years to a new Community Economic Development Program, for the following purposes:
 - i) “Promoting strong neighborhoods through support of local community planning and engagement efforts to revitalize and restore neighborhoods, including repairing infrastructure, parks, and rehabilitating and building housing and public facilities.”
 - ii) Converting vacant and underutilized commercial property into housing affordable to families earning less than 120% of the area median income (AMI).

- iii) Developing on-campus or off-campus housing for students, faculty, and school employees of a campus of the University of California (UC), California State University (CSU), or California Community Colleges (CCC).
 - iv) Promoting “public private partnerships.”
 - v) Supporting small businesses and job growth for affected residents.
- 3) Requires Go-Biz to adopt guidelines for the allocation and use of funds allocated under (2). The guidelines shall provide the following:
- a) Eligible applicants include: a city, county, city and county, joint powers authority (JPA), EIFD, AHA, CRIA, transit village development district, UC, CSU, or CCC.
 - b) In order to be eligible to receive funds, an applicant shall comply with the following requirements:
 - i) The applicant has a compliant housing element.
 - ii) The applicant has not been found to have violated the Housing Accountability Act or Density Bonus Law within the past five years, or after January 1, 2021, whichever is more recent.
 - iii) The applicant has not taken any of the following actions, whether by legislative body of the applicant or electorate exercising its local initiative or referendum power, that has the following effects:
 - (1) Established or implemented any provision that: i) limits the number of land use approvals or permits necessary for the approval and construction of housing, ii) caps the number of housing units that can be approved or constructed, or iii) limits the population of the applicant jurisdiction.
 - (2) Imposes a moratorium or enforces an existing moratorium on housing development.
 - (3) Requires voter approval of any updates to the housing element.
 - (4) Downzones a parcel or parcels within an existing zoning district below what was allowed under the general plan and zoning ordinances of the applicant jurisdiction in effect on January 1, 2018.
 - c) An applicant for funding shall submit to Go-Biz a plan for outreach to, and retention of, women, minority, disadvantaged youth, formerly incarcerated and other underrepresented subgroups in coordination with the California Workforce Investment Board and local boards, to increase their representation and employment opportunities in the building and construction trades.

- d) Requires an applicant to certify that a skilled and trained workforce will be used to complete the projects as specified. This provision shall not apply to any of the following: a housing project that is 100% affordable, exclusive of any legally required manager's units, to households earning 80% AMI or below, housing projects consisting of 25 units or less, or housing projects located in a county with a population of 100,000 or fewer, or the housing project is for student or faculty housing.
- e) Requires projects funded by either program to be considered a public work.

COMMENTS

- 1) *Author's Statement.* According to the author, "These unprecedented times call for urgent action to help protect our most vulnerable. Keeping people in their homes and building more affordable housing must be at the top of our priority list. COVID-19 illuminates what we already knew: there is a dramatic shortfall of 1.5 million units of affordable housing. With unemployment rates skyrocketing, more and more Californians are facing housing insecurity. While rent moratoriums provide a short-term reprieve, once they are lifted, an even greater number of families will be pushed into homelessness.

SB 795 creates a sustainable state fund source, with the sole purpose of tackling the affordable housing crisis. The bill invests in existing programs to quickly get local governments the funding they need to address and prevent homelessness and jumpstart the construction of affordable housing, especially among low-income renters. A long-term investment in housing production is difficult in today's fiscal climate, but we can't continue to operate business as usual. We need a stimulus measure to boost our economy and get people back to work. SB 795 strategically invests in a continuum of emergency and permanent affordable housing to get and keep Californians off our streets while generating high wage jobs."

- 2) *Recent affordable housing and homelessness investments.* California is in the midst of a serious housing crisis, largely due to a shortage of housing stock, most notably for lower-income households. The Legislature has enacted numerous measures to facilitate affordable housing production and address the housing shortage. The housing package of 2017 made an effort to promote higher density housing, streamline housing approval processes, and increase zoning for housing while providing more state enforcement power. That package included SB 2 (Atkins), which required recorders to collect a \$75 fee on every real estate instrument, paper, or notice. Once collected, these fees will fund various housing programs. The package also included SB 3 (Beall), which placed a \$4 billion bond before voters on the November 2018 ballot, which

voters approved, \$3 billion of which fund existing affordable housing programs at HCD. Additionally, in 2018, the voters approved Proposition 2, which provides \$2 billion for housing construction for chronically homeless persons experiencing a mental illness.

- 3) *Housing program descriptions.* This bill proposes new funding for several existing programs, which are described below along with the funding proposed in this bill. These programs all received funding under Prop 1 (2018).
- a) Multifamily Housing Program (\$500 million each year for five years) — The Multifamily Housing Program assists the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower income households through loans to local governments and non- and for-profit developers. The bill further requires that projects that receive these funds shall be deemed to be public works. There is currently \$839 million in available funds for this program.
 - b) Infill Infrastructure Financing Grants (\$300 million each year for five years) — this program assists in the new construction and rehabilitation of infrastructure that supports higher density affordable and mixed-income housing in locations designated as infill, such as water and sewer extensions. The bill further requires that projects that receive these funds shall be deemed to be public works. There is currently \$284 million in available funds for this program.
 - c) Joe Serna, Jr. Farmworker Housing Grant Program (\$75 million each year for five years) — this program finances the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households. There is currently \$240 million in available funds for this program.
 - d) Local Housing Trust Matching Grant Program (\$200 million each year for five years) — this program provides matching grants to local governments and non-profits that raise money for affordable housing. The bill further requires that projects that receive these funds shall be deemed to be public works. There is currently \$227 million in available funds for this program.
 - e) CalHome (\$75 million each year for five years) — this program provides grants to local public agencies and nonprofit developers to assist individual households through deferred-payment loans. The funds would provide direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions. This money would also be available to self-help mortgage assistance programs and manufactured homes. There is currently \$227 million in available funds for this program.

- 4) *Homeless program investments.* This bill proposes to invest \$650 million each year for five years to the HHAPP at the Business Consumer Services and Housing Agency. HHAPP is a new program established as part of the 2019 budget, aimed to build on the Homeless Emergency Aid Program (HEAP) which was created in the 2018 budget. HHAPP provides additional funds to help local jurisdictions combat homelessness. Under HHAPP, \$650 million in one-time General Fund monies was directed to 13 of California's largest cities, the 44 CoCs, and all 58 counties. HHAPP requires applicants for funds to demonstrate efforts at regional coordination in their application, and to demonstrate how the requested fund will close existing gaps in addressing homelessness. Eligible uses are defined as evidence-based solutions that address and prevent homelessness, including rental assistance and rapid rehousing; operating subsidies in affordable or supportive housing units, shelters, and navigation centers; incentives to landlords; outreach and coordination to help vulnerable populations access permanent housing and supportive housing; systems support for regional partnerships; innovative solutions such as hotel and motel conversions; diversion to permanent housing; and new shelters and navigation centers based on demonstrated need. All HHAPP funds must be expended by May 31, 2023.

In Governors' May Revise budget, the Governor proposed \$750 million in federal funding and directs the use of those funds to purchase hotels and motels to be owned and operated by local governments and non-profits for purposes of sheltering vulnerable populations experiencing homelessness. The funds will also be used to provide technical assistance to local governments and others seeking to purchase and operate these hotels and motels to address homelessness.

As noted above, the Governor has proposed this year to restructure the overall approach to homeless funding. Additionally, the Homeless Coordinating and Financing Council is statutorily required to develop a state strategy to address homelessness; it may be prudent to base any ongoing funding on that strategy.

- 5) *New infrastructure program investments.* This bill also creates two new infrastructure programs at GoBiz. The first is the Climate, Sea Level, and Natural Disaster Program, which provides funds to local governments and specified local financing districts for the purposes of financing the construction, repair, replacement, and maintenance of infrastructure related to protecting communities from the effects of climate change. This program receives \$100 million per year for five years. The second program, the Community Economic Development Program, funds a variety of uses, including converting vacant and underutilized property into affordable housing, developing college student and

faculty housing, promoting public private partnerships, and supporting small businesses and job growth for affected residents. The program also specifies that the funds may be used to “[p]romot[e] strong neighborhoods through support of local community planning and engagement efforts to revitalize and restore neighborhoods, including repairing infrastructure, parks, and rehabilitating and building housing and public facilities.”

Eligible applicants include cities and counties, local financing districts, and specified universities and colleges. Projects funded under these programs will be public works and require a skilled and trained workforce, except for specified housing projects.

In order to create a truly state-local partnership, this bill provides that jurisdictions that have passed any anti-housing or slow growth measures, failed to adopt a compliant housing element or found to be in violation of specific state housing laws in the prior five years shall be ineligible to receive funds from these programs.

- 6) *Opposition.* Associated Builders and Contractors Northern California Chapter are opposed unless amended to remove the provision that provides funding for union-only pre-apprenticeship programs. Specifically, the bill provides \$5 million per year for five years to the California Workforce Development Board which follows the multi-craft core curriculum. According to the opposition, this excludes other “nationally recognized curriculum and training programs used by state and federally approved apprenticeship programs.”
- 7) *Double-referral.* Due to the COVID-19 Pandemic and the unprecedented nature of the 2020 Legislative Session, all Senate Policy Committees are working under a compressed timeline. This timeline does not allow this bill to be referred and heard by more than one committee as a typical timeline would allow. The Senate Business, Professions, and Economic Development Committee continues to monitor this bill.

RELATED LEGISLATION:

SB 5 (Beall, 2019) — would have created the Affordable Housing and Community Development Investment Program to fund affordable housing and housing-related infrastructure. *This bill was vetoed by the Governor.*

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 (GO) bonds for affordable housing programs and a veteran’s

home ownership program, subject to approval by the voters in the November 6, 2018 election. The voters approved these bonds as Proposition 1.

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

POSITIONS: (Communicated to the committee before noon on Wednesday, May 20, 2020.)

SUPPORT:

Affordable Housing Network of Santa Clara County
All Home
Bay Area Council
Bill Wilson Center
California Community Builders
Catholic Charities of Santa Clara County
Chan Zuckerberg Initiative
First Community Housing
League of California Cities
LifeMoves
Los Angeles County Business Federation (BIZFED)
Orange County Council of Governments
San Francisco Foundation
San Jose/Silicon Valley NAACP
Silicon Valley Leadership Group
Working Partnerships USA

OPPOSITION

Associated Builders and Contractors Northern California Chapter

-- END --