



To: RCRC Board of Directors
From: Tracy Rhine, Legislative Advocate
Date: June 12, 2018
Re: Senate Bill 3 (Beall) – Veterans and Affordable Housing Bond Act of 2018
– **ACTION**

Summary

This memo provides an overview of Senate Bill 3 (Beall), which authorizes the issuance of \$4 billion in General Obligation (GO) bonds for affordable housing. SB 3 will appear on the November 2018 General Election ballot for consideration. RCRC staff is recommending the RCRC Board of Directors adopt a “Support” position on this measure.

Background

California has historically issued GO bonds, those that require voter approval, to finance infrastructure projects, such as roads, bridges and levees. According to the State Treasurer, as of June 2016, California had \$74.9 billion outstanding GO bonds issued, with another \$27.6 billion in bonds authorized, but unissued.

In 2002 and 2006, voters approved bonds totaling \$4.95 billion for the financing of affordable housing options. However, nearly all of those funds have been awarded.

Last year, with increasing attention on California’s housing shortage, Governor Brown signed into law a 15-measure housing package aimed at increasing housing production by streamlining regulatory barriers and providing funding for more affordable housing construction. Two bills in the housing package created funding to address the housing production shortfall: Senate Bill 2 (Atkins) created a permanent source of funding for affordable housing through a recording fee on documents; and, SB 3 provided for new bond funding to finance multiple state housing programs.

Issue

As passed by the Legislature, SB 3 provides for the issuance of \$3 billion in bond funding for seven established affordable housing programs, and an additional \$1 billion for funding of the CalVet Loan Program administered by the Department of Veterans Affairs.

Specifically, bond proceed distribution is outlined below.

| Program | Purpose of Program | Funding Amount |
|---|--|---|
| Multifamily Housing Program | Construct, rehabilitate and preserve rental housing for persons with incomes of up to 60% of area median income. | \$1.5 billion |
| Transit-Oriented Development Implementation Program | Low-interest loans and grants for rental housing that includes affordable units that are located within one-quarter mile of a transit station. | \$150 million |
| Infill Incentive Grant Program of 2007 | Construction and rehabilitation of high density, affordable and mixed income housing in infill designated locations. | \$300 million |
| Home Purchase Assistance Program | Assist low and moderate income homebuyers qualify for home purchase. | \$150 million |
| Joe Serna, Jr. Farmworker Housing Grant Fund | Finance the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households. | \$300 million |
| Local Housing Trust Fund Matching Grant Program | Competitive grants and loans to local housing trust funds for affordable housing. | \$300 million |
| CalHome Program | Forgivable loans to assist development of multiple home ownership units, including manufactured homes. | \$300 million |
| CalVet Home Loan Program | Low cost funding of loans for eligible military veterans. | \$1 billion |
| HCD Technical Assistance | Provide technical assistance to counties with 150,000 or fewer residents, and to cities within those counties, to facilitate construction of housing for targeted populations. | \$360,000 total; up to \$30,000 annually per entity |

According to a 2018 California Department of Housing and Community Development report, California produces, on average, less than 80,000 new homes annually – far less than the estimated 180,000 needed each year. Though the most acute need for increased housing production is projected in urban areas of the state, rural communities also struggle with inadequate affordable housing options. Increased transportation costs incurred by those living in rural areas can exasperate cost-of-living pressures, including the income-to-rent ratio needed to afford housing.

Although a number of the programs proposed to be funded in SB 3 focus on urban development in order to create housing opportunities close to employment centers, many of the remaining programs can be utilized in rural areas. Additionally, the technical assistance funding is specifically designed to support rural counties with projects under the Multifamily Housing Program, the Joe Serna, Jr. Farmworker Housing Grant Program, and the CalHome Program.

RCRC did not take a formal position on SB 3 when it was being considered in the legislative process.

Staff Recommendation

RCRC staff recommends the RCRC Board of Directors adopt a “Support” position on SB 3. While most funding will go toward urban areas for development, this proposal provides much-needed funding opportunities for member counties and the continued availability of CalVet loans for military veterans. This measure is generally seen as complementing the ongoing efforts of increasing affordable housing production in all areas of the state while not imposing further regulatory requirements on local governments.

Attachment

- Copy of Senate Bill 3 (Beall)