Notes from Presentation by Thomas Witzel
Field Representative for Senator McGuire
January 24, 2019

1. Housing Background

A. Housing Crisis

- California is facing an affordable housing crisis which threatens the long-term financial viability of our state and local communities.
- We need to be building about 180,000 new homes a year, and over the last 10 have only been doing around 80,000, per the California Department of Housing and Community Development.
- California will need more than 1.8 million additional homes by 2025 to keep pace with the state's ever-growing population.
- California's current population of 39 million people live in 13 million households.
- The state's population is expected to swell to 50 million by 2050.
- 2016 McKinsey Global Institute Study found that CA ranked 49th out of all 50 states in terms of per capita housing.
- Market will build high income housing, we see it happening- but market almost never tackles low income or affordable housing- seniors, veterans, low-income families.
- In 2014, the California's home-ownership rate stood at 53.7 percent — the third-lowest in the nation.

2. Last Session

A. Historically, state funded housing programs through sales of general obligation bonds and from redevelopment funds.

- Prop 46 in 2002, 2.1 billion bond
- Prop 1C in 2006, 2.85 billion dollar bond
  - These two funds financed the construction, rehabilitation and preservation of 183,000 units.
- HCD awarded almost all funds from the props, and as we know, redevelopment agencies were eliminated, so a reliable source of funding is no longer available.

B. SB-2 (Atkins) Senate President Pro Tempore- Building Homes and Jobs Act

- Senator McGuire voted for it in Trans and Housing, Gov and Fi, and Senate Floor
- Part of a 15 bill housing package signed by Governor Brown that was aimed at addressing the state's housing shortage and high housing costs.

C. Established a permanent source of Funding

- Every document relating to real estate that is recorded will require an additional recording fee surcharge of $75.00, per document, per parcel of land, up to $225.
  - Some exceptions, including sales of residential and commercial property

- Estimated to bring around 200-250 million dollars a year, and with that money, will help to create 57,000 new jobs over 5 years.

D. First Year

- Money generated from Jan 1, 2018 through Dec. 31, 2018,
    - 50% of the money will go towards reducing homelessness throughout CA including, but not limited to, providing rapid rehousing, rental assistance, navigation centers, and the new construction, rehabilitation, and preservation of permanent and transitional rental housing.
- Fifty percent of the money shall be available to local governments to update planning documents and zoning ordinances in order to streamline housing production including but not limited to general plans, community plans, specific plans, sustainable communities strategies, and local coastal programs. In addition, funds may be used for new environmental analysis that eliminates the need for project-specific review and local process updates that improve and expedite local permitting.
    - Five percent of the funding shall be made available for technical assistance from HCD and the Governor's Office of Planning and Research (OPR) to jurisdictions updating specified planning documents;

E. Second Year and after

- After the first year, 70 percent of the revenue will go directly to communities to create affordable housing
    - Ninety percent of the moneys shall be allocated based on a formula
    - 10 percent will be within a competitive grant program,
        - priority given to a county with a population of 200,000 or less within the unincorporated areas of a county,
        - local government that did not receive an award based on a formula,
        - to a local government that pledges to use funds to assist persons experiencing or at risk of homelessness, including but not limited to providing rapid rehousing, rental assistance, navigation centers, and the new construction, rehabilitation, and preservation of permanent and transitional rental housing.
- 30 percent will fund existing state housing programs.
    - 5 Percent shall be used for state incentive programs, such as loan and grant programs administered by HCD
    - 10 Percent- address affordable homeownership and rental housing opportunities for ag workers and families.
    - 15 percent shall be continuously appropriated to CalHFA for the purpose of creating mixed income multifamily residential housing for low or moderate income households.

Supported by California Housing Consortium, Housing California, AARP, and many more

3. Enter Governor Newsom

- Came out in November in strong support of housing- 3.5 million new homes to get built by 2025 to help stem state's housing problems.
- Backed in up since he's been in office
    - Governor's budget proposal included 1.75 billion to spur housing development and promote economic growth.
        - 500 million allocated for incentives for localities that create new housing
        - $250 million to provide technical assistance to cities and localities to responsibly ramp up zoning and permitting processes
        - The budget also invests in housing solutions for the missing middle class that too often cannot find affordable housing near their jobs. This includes $500 million for tax credits and $500 million for home construction.
    - Executive Order signed on Jan 15th

    - Directs the Department of General Services (DGS) to take an inventory of all state-owned lands for potential development no later than April 30, 2019
    - HCD/ Housing Finance Agency will be directed to develop new screening tools to evaluate state lands and, where appropriate, state agencies can consider exchanging excess state land with local governments for other parcels, for affordable housing development
    - DGS consultation with the Department of Housing and Community Development, can issue Requests for Proposals on individual parcels and accept proposals from developers of affordable housing interested in entering into low-cost, long-term ground leases of parcels on the priority map.
- Newsom has showed that he's committed to address the housing issue.

4. Legislation this year

A. SB 5: Local-State Sustainable Investment Incentive Program

- Due to the financial crisis, more than 400 redevelopment agencies shut down In February of 2012.
    - Benefited state budget coffers but hobble local economic development and housing programs
    - At the time of dissolution, redevelopment was the largest single source of funds for affordable housing.
- SB-5 would allow local governments to collaborate on state-approved redevelopment plans, which would be funded by reduced contributions to local Education Revenue Augmentation Funds (ERAFs), awarded to state-approved projects.
    - ERAFs- a mechanism; enacted in July of 1992 by the State Legislature to shift local tax revenues from cities, counties, and special districts to a State controlled Education Revenue Augmentation Fund. The state uses this fund to reduce its obligation to the schools. ERAF funds have been used by the State to help school and community college districts meet minimum funding requirements
    - Annual state commitment: $1-2 billion
        - New projects suspended when the Legislature uses the "Rainy Day Fund."
    - Schools will be made whole, and there will be no impact to Prop 98, which requires a minimum percentage of the state budget to be spent on K-12 education.
    - Opt-in: No taxing entities are forced to participate.
    - Funding could be used for the following five purposes:
        - affordable housing
        - transit-oriented development
        - infill development
        - revitalizing and restoring neighborhoods
        - planning for sea level rise.
    - Local governments that that have a financial commitment to a project are eligible for a reduction of their ERAF contribution. At a minimum 50% of the program's funding % has to go to:
        - The construction of workforce and affordable housing. At least (60%) of the units for each project supported by these funds shall be used for workforce and affordable housing.
    - Other eligible uses of funding include:
        - Transit-oriented development in priority locations that maximize density and transit use, and contribute to the reduction of vehicle miles traveled and greenhouse gas emissions.
        - Infill development and equity by rehabilitating, maintaining and improving existing infrastructure that supports infill development and appropriate reuse and redevelopment of previously developed, underutilized land that is presently served by

    transit, street, water, sewer, and other essential services, particularly in underserved areas, and to preserving cultural and historic resources.
  - Promoting strong neighborhoods through supporting of local community planning and engagement efforts to revitalize and restore neighborhoods, including repairing infrastructure and parks, rehabilitating and building housing, promoting public-private partnerships, supporting small businesses and job growth for affected residents.
  - Protecting communities dealing with the effects of sea-level rise including the construction, repair, replacement, and maintenance infrastructure related to protecting communities from sea-level rise.
- Funds are not intended to be used to subsidize the construction of market rate housing units. Twenty percent of funds will be set aside for rural cities and counties.

5. State Oversight

A. Creates the Sustainable Investment Incentive Committee which shall be comprised of the following:

- The Chair of the Strategic Growth Council.
- The Chair of the State Infrastructure and Economic Development Bank.
- The Chair of California Workforce Investment Board.
- Director of the California Housing and Community Development Department.
- Two people appointed by the Speaker of the Assembly.
- Two people appointed by the Senate Rules Committee.
- One public member appointed by the Governor that has a background in land use planning, local government, or community development or revitalization.

B. The Committee shall review and approve or disapprove proposed projects. Each applicant that has received financing pursuant to the program for any fiscal year shall provide a report to the Committee. The Committee shall also provide an annual report to the Joint Legislative Budget Committee.