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## SENATE COMMITTEE ON EDUCATION

Senator Connie Leyva, Chair

2021 - 2022 Regular

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<b>Bill No:</b>	SB 330	<b>Hearing Date:</b>	March 10, 2021
<b>Author:</b>	Durazo		
<b>Version:</b>	August 24, 2021		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Olgalilia Ramirez		

**Subject:** California Community Colleges: affordable housing.

**NOTE:** This bill was previously heard by this Committee on March 10, 2021, and was subsequently amended in the Assembly to significantly modify the contents of the bill.

### SUMMARY

This bill requires the Los Angeles Community College District (LACCD) to develop a pilot program to provide affordable housing to students or employees of LACCD. This bill further allows, for purposes of developing affordable housing, LACCD to enter into agreements with nonprofit or private entities to lease real property under certain conditions.

### BACKGROUND

Existing law:

- 1) Allows any community college district to enter into real property leases and agreements not exceeding 66 years to be used jointly by the district and any private person, firm, or corporation.
- 2) Allows any community college district to enter into school property leases and agreements not exceeding five years to be used (a) jointly by the district and any city and/or county or (b) solely by a private education institution.
- 3) Allows the governing board of a community college district to lease a property to any private person, firm, or corporation if the lease agreement requires the lessee to construct a building for the joint use of the district and the private person, firm, or corporation provided that (a) the titles for each portion of the building remain exclusive to each entity using the property, and (b) no rental fee or other charge for use of the building shall be paid by the district.
- 4) Prohibits the governing board of a community college district from doing either of the following:
  - a) Making a gift of district real property to any entity that is not an auxiliary organization created by the district to provide supportive services and specialized programs for the general benefit of its colleges.
  - b) Leasing real property for less than fair rental value to any entity, unless the entity meets one of the following conditions:

- i) It is an auxiliary organization created by the district.
- ii) It is a club, organization, or association formed for recreational, educational, political, economic, artistic, or moral reasons.
- iii) It was in existence on August 31, 1980, and has been or is subsequently recognized by the governing board of a community college district as having a formal relationship with, and working on behalf of, the district or a constituent college.

## ANALYSIS

This bill requires the Los Angeles Community College District (LACCD) to develop a pilot program to provide affordable housing to students or employees of LACCD. This bill further allows, for purposes of developing affordable housing, LACCD to enter into agreements with nonprofit or private entities to lease real property under certain conditions. Specifically it,

- 1) Allows LACCD to lease to a nonprofit or private entity real property it owns if LACCD requires the lessee to construct buildings on the property for joint use by LACCD during the term of the lease, but only if the following conditions are met:
  - a) The title of the portion of the building occupied by the entity belongs to the entity during the lease term, and the title occupied by LACCD “vests” into LACCD once the buildings are finished.
  - b) LACCD is charged no rental fee or other charge.
- 2) Allows LACCD and the entity to waive the provision that no rental fees or other charges are paid for the portion used for LACCD affordable housing, if a lease or agreement is entered into as described above, and the buildings are for affordable housing for low-income LACCD students and low- to moderate-income employees.
- 3) Allows LACCD to enter into a lease or agreement with a nonprofit or private entity for joint occupancy of the property and buildings owned by LACCD if the property and buildings are for affordable housing.
- 4) Specifies agreements and leases for joint occupancy for affordable housing shall not exceed 66 years.
- 5) Allows LACCD to lease property for less than fair rental value to a nonprofit or private entity that enters in to a lease or agreement with LACCD for joint occupancy to develop and operate affordable housing for LACCD.
- 6) Specifies a development will provide priority for affordable units to low-income students experiencing homelessness and authorizes a homeless service provider or an institution of higher education with knowledge of a person’s homeless status to verify a person’s status as homeless.

- 7) Requires LACCD to submit a report to the Legislature on the pilot by January 1, 2032.
- 8) Repeals the bill's provisions January 1, 2033.
- 9) Defines various terms for the purposes of the bill including:
  - a) "Affordable housing for students or employees" to mean a housing development with a majority of its rents restricted to levels that are affordable to low-income students or employees who are persons and families of low or moderate income.
  - b) "Low-income student" to mean a student whose income and asset level does not exceed the level required for the Cal Grant A award or Cal Grant B award.
  - c) "Persons and families of low or moderate income" has the same meaning as defined in Section 50093 of the Health and Safety Code.

## STAFF COMMENTS

- 1) *Need for the bill.* According to the author, "Current sections of the education code concerning joint property use of a community college's real property or facilities contain a number of prohibitions that limit a community college's ability to better utilize unused real property or facilities that have become too financially burdensome to operate for the purposes of constructing affordable housing.

"Specifically, SB 330 would create a pilot program for the Los Angeles Community College District (LACCD) to allow for the long-term leasing of the district's real property or facility for up to 66 years, for the purposes of affordable student or workforce housing development. Current law requires that for all joint occupancy developments, the third party developer must provide a district with a facility at no cost to the District. This requirement increases the overall development costs which in turn would increase the cost of housing for the student or workforce occupant.

"It would also allow LACCD to engage with a private entity to develop the housing, and allow the community college to lease real property to a private entity for less than 'fair market value' as currently required by law. This below 'fair market value' lease is conditioned that the lease provides for joint occupancy of the real property or buildings to develop and operate affordable housing for students or employees of the community college."

- 2) *Recent amendments.* This bill was significantly amended on August 19, 2021. When heard by the Senate, this bill expanded the ways in which *any* community college district can enter a joint occupancy agreement with a private person, firm, or corporation to provide its students and employees with affordable housing developments. The bill is essentially reduced to a pilot program and now *requires* the LACCD to develop the pilot program to provide affordable housing to

students or employees of that district under similar conditions. The bill additionally requires LACCD to report to the Legislature findings and recommendations on the success of the program.

- 3) *How community college joint use agreements can benefit students.* Community college districts commonly pursue creative ways of increasing their revenues by better utilizing their facilities through joint use agreements. Ventures such as performing arts centers, stadiums, shopping centers, restaurants, senior or child care facilities, or administrative spaces can generate significant revenue for colleges, are interesting to developers, and can benefit community college students. For example, a community college district could generate more than one million dollars per year by leasing unused acres of property to a hotel developer. Through the joint occupancy agreement, the project could generate opportunities for student internships, field work, and job placement opportunities. Students and staff could also make use of the project for educational, recreational, or business purposes.
- 4) *Housing barriers to college success.* According to the United States Department of Housing and Urban Development, children's life outcomes, including their success in school, are closely aligned with their housing and neighborhood conditions. Evidence also demonstrates that as students progress to postsecondary education, housing conditions continue to affect their educational success.

Students are disproportionately at risk to experience housing insecurity, and many struggle to find adequate, affordable housing near their campus. Students often lack a rental history, someone to act as a guarantor, or the savings for a security deposit. For many students, living costs exceed the cost of tuition and fees. At community colleges, room-and-board costs on average account for more than two-thirds of the cost. Low-income and some minority students are often reluctant to borrow when grants do not cover their costs, and many college counselors advise these students not to do so.

Colleges also appear to systematically underestimate students' off-campus living costs, limiting students' access to federal financial aid. While students can receive federal housing assistance such as Housing Choice Vouchers, specific restrictions apply to students. Students' eligibility may depend on their parents' income, whether the student is enrolled full time or part time, and whether the student's household wholly consists of students.

- 5) *On-campus student housing has not matched increased enrollment.* Most research on the interaction of housing and college success has considered the benefits of on-campus housing. Students appear to be more likely to graduate if they live on campus, particularly when the on-campus experience encourages student learning and engagement.

American college enrollment has surged over the past two decades. From 1990 to 2012, undergraduate enrollment at degree-granting postsecondary institutions increased by 48 percent, to 17.7 million students in the fall of 2012. About 10.5 million students attend four-year schools and 7.2 million attend two-year

institutions. Most undergraduate students live off campus. During the 2011–12 school year, 50.2 percent of undergraduates lived off campus separately from their families and 36.6 percent lived off campus with their families. By comparison, only 13.2 percent of undergraduates lived on campus.

Colleges' on-campus student housing stock has not kept pace with the increase in enrollment. According to Census Bureau data, the number of students living in college dormitories increased only 31 percent from 1990 to 2012, to a total of 2.6 million. At the same time, enrollment at degree-granting institutions increased by 48 percent. Institutions nationwide have long waitlists for on-campus housing, leaving students to search for options off campus. Private developers have filled some of the demand with new off-campus complexes, many of which are luxury buildings.

- 6) *Fiscal impact.* According to the Assembly Appropriations Committee this bill would have the following fiscal impact:
- 1) Proposition 98 General Fund (GF) cost pressures to LACCD over the life of the pilot. Costs would include staff time to a) procure and negotiate prior to entering into an agreement with a nonprofit or private entity and b) prepare a report for the Legislature. Examples of staff that could be involved are facilities division staff, procurement staff, legal staff and college staff. These staff would likely be redirected from current work to undertake this bill's tasks. If LACCD determines outside consultants or legal counsel is necessary for these activities, costs would likely be around \$100,000. Costs ultimately would depend on the number of projects and their scale.  
  
The state would need to reimburse these costs to LACCD, if the Commission on State Mandates determines the bill's requirements to be a reimbursable state mandate.
  - 2) Potential Proposition 98 GF cost pressures for LACCD to pay a rental fee or other charge to a nonprofit or private entity for LACCD's exclusive use of a portion of a building for affordable housing, to the extent LACCD and the entity agree to waive the condition that no rental fee or other charge is to be paid by LACCD.

## **SUPPORT**

Los Angeles Community College District (Sponsors)  
State Building and Construction Trades Council of California

## **OPPOSITION**

None received.

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