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**SENATE COMMITTEE ON HOUSING**

**Senator Scott Wiener, Chair**

**2021 - 2022 Regular**

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<b>Bill No:</b>	AB 1695	<b>Hearing Date:</b>	6/21/2022
<b>Author:</b>	Santiago		
<b>Version:</b>	4/18/2022		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
<b>Consultant:</b>	Andrew Dawson		

**SUBJECT:** Affordable housing loan and grant programs: adaptive reuse

**DIGEST:** This bill requires the Department of Housing and Community Development (HCD) to allow for adaptive reuse as an eligible activity for any notice of funding availability (NOFA) for an affordable multifamily housing loan.

**ANALYSIS:**

*Existing law:*

- 1) Establishes the Multifamily Housing Program (MHP) to assist in the new construction, rehabilitation, and preservation of permanent and transitional rental housing for persons with incomes of up to 60% of the area median income (AMI).

**This bill:**

- 1) Requires any NOFA issued by HCD for an affordable multifamily housing loan to allow for adaptive reuse as an eligible activity.
  - a) Defines adaptive reuse as the retrofitting and repurposing of an existing building to create new residential units.

**COMMENTS:**

- 1) *Author's Statement.* According to the author, "It is California's responsibility to address the current affordable housing crisis as it will only continue to grow if it does not make adaptive reuse a substantial part of its housing development mosaic. It is vital that adaptive reuse become a well-regarded and frequently used tool in our ongoing loan and grant housing programs administered by HCD. To help California build desperately-needed affordable housing in a more

efficient and cost-effective manner, AB 1695 would require that any notice of funding availability issued by HCD for an affordable multifamily housing loan and grant program state that adaptive reuse of a property for affordable housing purposes is an eligible activity.”

- 2) *California Housing Crisis*. The lack of supply for households at all income levels is the primary factor underlying California’s housing crunch. The state Department of Housing and Community Development (HCD) estimates that California needs to build 180,000 new homes a year to keep up with population growth.<sup>1</sup> More recently, HCD noted in its statewide housing plan that California must plan for more than 2.5 million homes over the next eight-year cycle, and no less than one million of those homes must meet the needs of lower-income households. This represents more than double the housing planned for in the last eight-year cycle.<sup>2</sup>

The median home price in California is \$771,270 in 2022 which is double the nationwide median.<sup>3</sup> It is second to Hawaii, and Washington is third with a median price of \$592,400.<sup>4</sup> In terms of rental markets, California has all ten of the top ten most unaffordable counties for a two-bedroom apartment and holds eight of the top ten most unaffordable metropolitan areas.<sup>5</sup> In addition, almost three million enter households, almost half of rental households in California, are low-income (50-80% AMI), very low income (30-50% AMI), or extremely low income (0-30% AMI).<sup>6</sup> As a result, many Californians are rent burdened (spend more than 30% of their income on rent): almost 90% of extremely low-income, 85% of very low-income, and 63% of low-income households.<sup>7</sup>

This bill allows adaptive reuse projects to obtain funding for development, which would create more housing.

- 3) *Multifamily Housing Program*. MHP is the state’s flagship rental housing program to fund construction of deed-restricted, affordable rental housing for

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<sup>1</sup> California’s Housing Future: Challenges and Opportunities. (California Department of Housing and Community Development, February 2018). [https://www.hcd.ca.gov/policy-research/plans-reports/docs/sha\\_final\\_combined.pdf](https://www.hcd.ca.gov/policy-research/plans-reports/docs/sha_final_combined.pdf)

<sup>2</sup> A home for every Californian. (Department of Housing and Community Development, March 2022). <https://statewide-housing-plan-cahcd.hub.arcgis.com/>

<sup>3</sup> California Department of Finance. Finance Bulletin March 2022.

<https://dof.ca.gov/forecasting/economics/economic-and-revenue-updates/>

<sup>4</sup> Redfin Housing Market Data Center and Dashboard. <https://www.redfin.com/news/data-center/>  
<https://app.dataherald.com/visualization/edit/62279ee97836569a37df1a8b>

<sup>5</sup> National Low Income Housing Coalition. 2021 California Housing Profile. [https://nlihc.org/sites/default/files/SHP\\_CA.pdf](https://nlihc.org/sites/default/files/SHP_CA.pdf)

<sup>6</sup> California Housing Partnership. California Affordable Housing Needs Report 2022.

<https://1p08d91kd0c03rlxhmhtydpr-wpengine.netdna-ssl.com/wp-content/uploads/2022/03/California-Affordable-Housing-Needs-Report-2022.pdf>

<sup>7</sup> National Low Income Housing Coalition. 2021 California Housing Profile. [https://nlihc.org/sites/default/files/SHP\\_CA.pdf](https://nlihc.org/sites/default/files/SHP_CA.pdf)

households at or below 60% of AMI. The program provides higher loan amounts for units that are for extremely low income households (those at or below 30% AMI). MHP has \$275 million of available funding in this year's funding.<sup>8</sup> In its NOFA, adaptive reuse projects are awarded scoring criteria points. These points are used to grade projects in which higher scores being more likely to receive funding. In this way, MHP incentives adaptive reuse projects.

- 4) *Similar Trailer Bill.* The Department of Finance proposed a trailer bill that authorizes HCD to provide grants for adaptive reuse projects.<sup>9</sup> The definition in the trailer bill for adaptive reuse is the process of adapting and rehabilitating unutilized or underutilized buildings to other purposes and can serve as a valuable tool to increase the supply of housing. This is slightly different than the definition provided in this bill: the retrofitting and repurposing of an existing building to create new residential units.
- 5) *Opposition.* Opposition would like this bill to include homeownership as well as rental units explicitly.

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

**POSITIONS:** (Communicated to the committee before noon on Wednesday, June 15, 2022.)

**SUPPORT:**

AIDS Healthcare Foundation (Sponsor)  
California Apartment Association  
Southern California Association of Governments (SCAG)

**OPPOSITION:**

California Association of Realtors

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<sup>8</sup> HCD SuperNOFA 2022. <https://www.hcd.ca.gov/sites/default/files/2022-04/NOFA-AB-434-3-30-New.pdf>

<sup>9</sup> Department of Finance. Adaptive Reuse Program. <https://esd.dof.ca.gov/trailer-bill/public/trailerBill/pdf/543>