

OVERSIGHT HEARING
JOINT HEARING OF THE ASSEMBLY HOUSING AND COMMUNITY DEVELOPMENT AND
SENATE TRANSPORTATION AND HOUSING COMMITTEE

Implementation of the 2017 Housing Package

Purpose

Last year, the Legislature passed and the Governor signed a package of 15 housing bills. This hearing will address the following: 1) How is the implementation of the 15 housing bills at the state level progressing and what additional work needs to be completed? 2) What steps are local governments taking to tackle homelessness and the housing crisis? 3) What is on the horizon for 2018 and beyond at the federal and state level?

Background

California is home to 21 of the 30 most expensive rental housing markets in the country, which has had a disproportionate impact on the middle class and the working poor. A person earning minimum wage must work three jobs on average to pay the rent for a two-bedroom unit. Housing units affordable to low-income earners, if available, are often in serious states of disrepair.

California also faces a housing shortage. Since the 1980s, California has failed to produce the estimated 180,000 new housing units per year to keep pace with the state's growing population, which has had a disproportionate impact on lower-income families. Roughly 2.2 million extremely low-income and very low-income renter households are competing for only 664,000 affordable rental homes. This leaves more than 1.54 million of California's lowest income households without access to housing.

As a result, low-income families are forced to spend more and more of their income on rent, which leaves little else for other basic necessities. Even more devastating is that high housing costs are a major driver for the increase in homelessness across California. In fact, from 2016 to 2017, California experienced the largest increase in the number of people experiencing homelessness in the country (16,136 people). In 2017, California had 134,278 homeless people, which accounted for 25% of the nation's homeless population. California also had the highest rate of unsheltered people at 68.2% (91,642 were unsheltered). While California has seen a recent rise in chronic homelessness, veterans' homelessness is down 15% since 2009.

The housing crisis is also impacting middle-income families as housing costs skyrocket and threaten our future and economy. Many young families must postpone or forego homeownership, live in more crowded housing, commute further to work, or, in some cases, choose to live and work elsewhere.

The 2017 Housing Package

Last year, the Legislature took a giant step to address this housing crisis with arguably the most productive legislative year on housing in decades. The package includes the following bills:

Create and Preserve Affordable Housing

- *SB 2 (Atkins) Building Jobs and Homes Act.* Imposes a fee on recording of real estate documents excluding sales, for the purposes of funding affordable housing. Provides that first year proceeds will be split evenly between local planning grants and Department of Housing and Community Development (HCD) programs that address homelessness. Thereafter, 70% of the proceeds will be allocated to local governments in either an over-the-counter or competitive process. Fifteen percent will be allocated to HCD, 10% to assist the development of farmworker housing and 5% to administer a program to incentivize the permitting of affordable housing. Fifteen percent will be allocated to the California Housing Finance Agency (CalHFA) to assist mixed-income multifamily developments.
- *SB 3 (Beall) Veterans and Affordable Housing Bond Act.* Places a \$4 billion general obligation bond on the November 2018 general election ballot. Allocates \$3 billion in bond proceeds among programs that assist affordable multifamily developments, housing for farmworkers, transit-oriented development, infrastructure for infill development, and homeownership. Provides matching grants for Local Housing Trust Funds and homeownership programs. Provides \$1 billion in bond proceeds to the Department of California Veterans Affairs (CalVet) for home and farm purchase assistance for veterans.
- *AB 1505 (Bloom) Inclusionary Ordinances.* Authorizes the legislative body of a city or county to require a certain amount of low-income housing on-site or off-site as a condition of the development of residential rental units.
- *AB 1521 (Bloom) Preserve the Existing Affordable Housing Stock.* Requires the seller of a subsidized housing development to accept a bona-fide offer to purchase from a qualified purchaser, if specified requirements are met. Gives HCD additional tracking and enforcement responsibilities to ensure compliance.
- *AB 571 (E. Garcia) Low Income Housing Credits for Farmworkers.* Makes modifications to the state's farmworker housing tax credit to incentivize their use. Authorizes HCD to advance funds to operators of migrant housing centers at the beginning of each season to allow them to get up and running. Extends the period of time that migrant housing centers may be occupied to 275 days.

Streamline Housing Development

- *SB 35 (Wiener) Streamline Approval Process.* Creates a streamlined approval process for developments in localities that have not yet met their housing targets through the regional housing needs assessment process, provided that the development is on an infill site and complies with existing residential and mixed use zoning. Participating developments must provide at least 10% of units for lower-income families. All projects over 10 units must pay prevailing wage and larger projects must provide skilled and trained labor.

- *AB 73 (Chiu) Streamline and Incentivize Housing Production.* Provides state financial incentives to cities and counties that create a zoning overlay district with streamlined zoning. Development projects must use prevailing wage and include a minimum amount of affordable housing.
- *SB 540 (Roth) Workforce Housing Opportunity Zones.* Authorizes the state to provide planning funds to a city or county to adopt a specific housing development plan that minimizes project level environmental review. Requires at least 50% of total housing units within that plan to be affordable to persons or families at or below moderate income, with at least 10% of total units affordable for lower income households. Development projects must use prevailing wage.

Accountability and Enforcement

- *AB 678 (Bocanegra)/SB 167 (Skinner) Strengthen the Housing Accountability Act (HAA).* Strengthens the HAA by increasing the documentation necessary and the standard of proof required for a local agency to legally defend its denial of low- to moderate-income housing development projects, and requiring courts to impose a fine of \$10,000 or more per unit on local agencies that fail to legally defend their rejection of an affordable housing development project.
- *AB 1515 (Daly) Reasonable Person Standard in the HAA.* States that a housing development conforms with local land use requirements if there is substantial evidence that would allow a reasonable person to reach that conclusion.
- *AB 72 (Santiago) Enforce Housing Element Law.* Authorizes HCD to find a jurisdiction out of compliance with state housing law at any time (instead of the during the scheduled 8-year review period), and refer any violations of state housing law to the Attorney General if it determines the action is inconsistent with the locality's adopted housing element.
- *AB 1397 (Low) Adequate Housing Element Sites.* Requires cities to zone more appropriately for their share of regional housing needs and in certain circumstances require by-right development (or ministerial review) on identified sites. Requires stronger justification when non-vacant sites are used to meet housing needs, particularly for lower income housing.
- *SB 166 (Skinner) No Net Loss.* Requires a city or county to identify additional low-income housing sites in their housing element when market- rate housing is developed on a site currently identified for low-income housing.
- *AB 879 (Grayson) and Related Reporting Bills.* Make various updates to housing element and annual report requirements to provide data on local implementation including number of project applications and approvals, processing times, and approval processes. Charter cities would no longer be exempt from housing reporting. Requires HCD to report to the Legislature on how local fees impact the cost of housing development.

Questions

- 1) What efforts are the state agencies using to engage the public and interested stakeholders in the development of guidelines and new programs (such as expenditure of SB 2 funds)?

- 2) What innovative tools are locals using to tackle homelessness? Are these uses permitted under existing state programs?
- 3) What are some potential uses of the new planning grant funds authorized under SB 2, aside from updating general plans? What are some of the local barriers developers face when trying to identify suitable sites for housing construction?
- 4) What impact is the federal tax plan having on the federal and state low-income housing tax credit? What potential impacts could this have on current and future state investments in housing construction?
- 5) Given the proposed additional cuts in the President's Proposed Budget, released last week, what more can the state do to invest in affordable housing construction?
- 6) What more can the state be doing regarding anti-displacement and land use policy to encourage more housing construction for moderate- and low-income housing?

Speaker Biographies

Ben Metcalf, Director, California Department of Housing and Community Development. Mr. Metcalf directs the department responsible for the state's affordable housing loan and grant portfolio as well as for housing policy development and oversight at both the state and local level. Recent accomplishments include collaborating with the state legislature to secure passage of the landmark 2017 Legislative Housing Package for which HCD is now implementing key bills that: provide more than \$250 million annually for affordable housing; greatly expand oversight of local zoning and permitting; and position HCD as a key technical resource for streamlining construction of new housing. Prior to HCD, Mr. Metcalf worked at the U.S. Department of Housing and Urban Development as Deputy Assistant Secretary for Multifamily Housing Programs. He also previously developed affordable housing at BRIDGE Housing Corporation, a California-based nonprofit. He earned his BA from Amherst College and his Master in Public Policy and Urban Planning from the Harvard Kennedy School.

Tia Boatman-Patterson, Executive Director, California Housing Finance Agency. Ms. Boatman Patterson promotes CalHFA's mission to create and finance progressive housing solutions by engaging mortgage lenders, affordable housing developers, state and local agencies, advocacy organizations, public officials and private financing markets so that more Californians will have a place to call home. Under her direction, CalHFA has increased its single family lending from essentially zero to nearly \$2 billion per year, and closed multifamily loans, including Mental Health Services Act and Conduit Issuance, worth more than \$700 million from 2014-2017. Ms. Boatman Patterson previously served on the CalHFA board of directors and as general counsel for the Sacramento Housing and Redevelopment Agency. She served as special assistant to the Speaker of the California State Assembly, providing policy expertise and advice on matters before the Assembly Committees on Housing and Community Development, and Jobs and Economic Development. Ms. Patterson has served on the Board of Directors for the National Council of State Housing Agencies since September 2015, and the NCSHA Board's Executive Committee since October 2017. She has also served on the Federal National Mortgage Association Affordable Housing Advisory Council since April 2015, chairing the Council from 2016-17, and on the BBVA Compass Bank Community Advisory Board since August 2015. Ms. Boatman Patterson received her Bachelor of Arts in Political Science from San Diego State University, and her Juris Doctorate from the University of Pacific, McGeorge School of Law.

Elaine De Coligny, Executive Director, EveryOneHome. Ms. De Coligny has worked to reduce and end homelessness in Alameda County since 1992, first as the director of an agency providing emergency shelter, transitional housing and permanent supportive housing to homeless women and their children

for 15 years as well as a member of the Countywide Continuum of Care (CoC) Council since 1997. She has served as EveryOne Home's Executive Director since its inception in 2008. Prior to joining the staff, Ms. De Coligny participated in developing the EveryOne Home plan in her role as Co-Chair of the County's CoC, a role in which she served from 2002 to 2007. She is an alumna of the LeaderSpring leadership development fellowship (2003), an inductee into the Alameda County Women's Hall of Fame (2005), and a recipient of the Corporation for Supportive Housing's California Supportive Housing Champion Award (2012). Currently she serves on the National Alliance to End Homelessness' Leadership Council.

Luke Brown, Merced Community Action Agency, Director of Housing and Community Services. Mr. Brown has over ten years of experience working in the homeless services field. He began his career providing supportive services in housing to individuals with serious mental illness. He spent numerous years in Detroit, Michigan doing street outreach to individuals experiencing homelessness, linking them to housing and other various resources in the community. He assisted in the establishment of Street Medicine Detroit, which provides healthcare to individuals living on the streets. Mr. Brown led Detroit's chronic homeless initiative strengthening their coordinated system of care through a collaborative effort amongst service providers, law enforcement, city officials, and the private sector. Through those efforts, Detroit has seen a 30% reduction in chronic homelessness. He is currently the Housing & Community Services Director for the Merced County Community Action Agency overseeing the operations of their homeless shelter and other housing programs.

Laura Archuleta, President, Jamboree Housing. Ms. Archuleta joined Jamboree Housing Corporation in 1999 as an assistant director before assuming the responsibilities of president in 2001. Under her leadership, Jamboree has grown from a small, Irvine-based local housing developer with 750 units to become one of the nation's largest nonprofit owners of affordable housing, having developed more than 8,300 homes in 88 communities. Since joining Jamboree, she and her management team have grown the company's asset portfolio to a market value of nearly \$1.1 billion. Ms. Archuleta has held positions in the public sector—including the cities of Garden Grove, Anaheim, Cypress, and Palmdale—as an advocate for the development and preservation of affordable homes throughout California. She chairs the Affordable Housing Advisory Council of the Federal Home Loan Bank of San Francisco, and is a member of the board of the California Housing Consortium, the Building Industry Association (BIA) of California and BIA of Orange County boards, the board of the Muzeo Museum and Cultural Center, the Urban Land Institute's Orange County/Inland Empire Women's Leadership Initiative Council, and is a frequent industry speaker at statewide events. She holds a bachelor's degree in criminal justice and a master's degree in public administration from California State University, Fullerton.

Kevin Wilson, Partner, Novogradac & Company. Mr. Wilson, CPA, is a partner with the accounting and consulting firm Novogradac & Company LLP. He has more than 15 years of experience specializing in affordable housing while serving an extensive array of clients that represent diverse stakeholder perspectives throughout the affordable housing and community development industry, including nonprofit organizations, real estate developers, and financial institutions. These experiences have given Mr. Wilson in depth understanding of many federal, state, and local programs that are utilized to create affordable housing, as well as the some of the nuanced subtleties that are necessary to successfully develop and maintain affordable housing. He is a California native who has lived extensively in both the southern and northern regions of the state. Mr. Wilson received his bachelor's degree in business economics with an accounting emphasis from the University of California, Santa Barbara and studied graduate level coursework in business administration at San Francisco State University.

Miriam Zuk, Director, Center for Community Innovation and the Urban Displacement Project, UC Berkeley. Miriam Zuk, Ph.D., is the director of the Center for Community Innovation and the Urban Displacement Project at UC Berkeley in affiliation with the Institute of Governmental Studies. She has over 15 years of experience in the field of equitable development. Dr. Zuk completed her doctorate at UC Berkeley in the Department of City and Regional Planning. She previously served as the Deputy Director of Air Quality Research for the Mexican Ministry of Environment. Dr. Zuk received her M.S. in Technology and Policy from MIT and her B.A. in Environmental Sciences from Barnard College.