



CITY MANAGER'S OFFICE

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LEGISLATIVE REVIEW COMMITTEE STAFF REPORT

Meeting: June 25, 2019

Subject

Consider adopting a position on SB 5 (Beall) – Affordable Housing and Community Development Investment Program

Recommended Action

Adopt a position supporting Senate Bill 5 and authorize the Mayor to send a letter of support to the State Legislature

Summary

SB 5 establishes the Affordable Housing and Community Development Investment Program to assist local agencies with the funding of affordable housing and housing-related infrastructure. The measure also Establishes the Affordable Housing and Community Development Investment Committee (Committee), comprised of nine specified state department representatives and legislative appointees and gives it responsibility for reviewing and approving or denying local agency plans for projects proposed to be funded under the Program.

SB 5 requires that at least 50% of overall program funding, and 50% of each plan's funding, is used on the construction of affordable housing. Other eligible use of the funding are: transit oriented development; construction or rehabilitation of infill infrastructure that supports affordable and mixed-income housing; revitalizing and restoring neighborhoods including housing infrastructure and public facilities; and protecting communities from the effects of climate change.

Upon appropriation by the Legislature, SB 5 allows the Committee to approve no more than \$200 million in any year from July 1, 2021 to June 30, 2026, and no more than \$250 million in any year from July 1, 2026 to June 30, 2020, resulting in a total state investment of \$2 billion. The Committee would direct a county auditor to transfer an amount of property tax revenue to the approved applicant from the county ERAF fund and the State General Fund would then backfill the amount of lost property tax to local schools.

Status

Passed the Senate 31-4. The measure has been referred to the Assembly Housing and Community Development Committee and is scheduled to be heard on July 3rd.

Support

According to the author, "Nearly 130,000 men, women, and children lived on California's streets in 2018. A major driver for the increase in homelessness is high housing costs and underproduction of housing units, especially for those with the lowest income. Since the 1980s, California has failed to produce the estimated 180,000 necessary new housing units per year. According to HCD, California has a 1.5 million unit shortage of housing available to our lowest income households, who are most at risk of becoming homeless. The state must act with urgency to address the shortage of affordable housing units. SB 5 makes the state a long-term partner and provides much needed money to build affordable housing construction across the state. It provides a significant ongoing investment, ramping up to \$2 billion annually over time, and offers an effective finance tool lost when the state dissolved redevelopment agencies. The intent of this bill is to respond to the needs of the cities and counties and get funds out the door to construct affordable housing units quickly. It creates desperately needed housing opportunities for hard-working Californians and will also help alleviate poverty, create jobs, and meet our statewide environmental goals without affecting school funding."

Other supporters point to the fact that California is in the midst of a serious housing crisis, largely due to a shortage of housing stock, primarily for lower-income households. This bill creates an ongoing revenue source for locals to create affordable housing and housing-related infrastructure by indirectly requiring the General Fund to backfill any reductions to the ERAF. It also states that the backfills shall ensure that schools receive the same level of revenue as they would have in absence of the bill.

Supporters of the measure include: American Planning Assn, Associated Builders and Contractors Northern California Chapter, Bay Area Council, California Apartment Assn, California Assn of Housing Authorities, California Contract Cities Assn, California Labor Federation, California State Council of Laborers, California State Pipe Trades Council, Cities Assn of Santa Clara County, Housing Trust Silicon Valley, League of California Cities, Non-Profit Housing Assn of Northern California, San Jose/Silicon Valley Branch of the NAACP, South Bay Cities Council of Governments, Southern California Association of Governments, and over 50 individual cities.

Opposition

While the provisions of SB 5 require the State to backfill ERAF funding that would otherwise go to schools, opponents feel that this measure could potentially result in less State funding available to schools. Since the funding contained in this bill is subject to appropriation by the Legislature, and could be adjusted year to year by the Legislature, an additional concern with the measure is that it could make it difficult for applicants to plan for the issuance of bonds.

Opponents of the measure include: California Teachers Assn

Potential Impact

SB 5 would establish a program through which the City could apply for funding for affordable housing and housing-related infrastructure. The bill does not require a city to apply for funding, nor does it prescribe how the funding must be spent other than at least half must go to affordable housing. Additionally, in creating a new funding source for local governments, SB 5 holds schools harmless and ensures that the State will backfill property tax funding that would otherwise go to schools. This measure would allow the City to determine how best to address housing within the City and then provide a potential source of funding to implement the locally created plan.

Prepared by: Townsend Public Affairs

Attachments:

A- Draft SB 5 Support Letter