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CITY COUNCIL STAFF REPORT

Meeting: March 7, 2017

Subject

State Senate bills supporting affordable housing.

Recommended Action

Adopt a position of support on Senate Bill 2 (Atkins): Building Homes and Jobs Act and SB 3 (Beall): Affordable Housing Bond Act of 2018, and authorize the Mayor to send letters in support of these bills.

Summary

These two bills generate short-term and ongoing funding for affordable housing in California. Senate Bill 2 (SB 2) would generate about \$500 million per year for affordable rental or ownership housing, supportive housing, emergency shelters, transitional housing and other housing needs through a modest recording fee on certain types of real-estate transactions, excluding real estate sales; while Senate Bill 3 (SB 3) would infuse \$3 billion into the affordable housing market on a one-time basis.

Discussion

With the dissolution of redevelopment agencies, dwindling federal resources for housing programs, and skyrocketing housing costs, Cupertino and many California cities have limited opportunities to make a significant impact on affordable housing issues. As described below, SB 2 and SB 3 would make a significant impact on the state's housing crisis.

Senate Bill 2 (Atkins): Building Homes and Jobs Act

SB 2 creates a permanent source of funding for the creation of affordable housing for low and moderate-income residents. The bill would impose a \$75 fee paid at the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded with a cap of \$225 per transaction. The fee would not be imposed on commercial and residential real estate transactions.

The fee is estimated to generate approximately \$500 million each year to support affordable housing with a geographically balanced distribution of funds, including a 50% direct allocation to local governments. The allocation of funds would be as follows:

1. 20% for “affordable owner-occupied workforce housing.”
2. 10% to address affordable homeownership and rental housing opportunities for agricultural workers.
3. 70% may be expended for the following purposes:
 - Development, acquisition, rehabilitation, and preservation of rental housing that is affordable to extremely-low, very-low, low, and moderate-income households, including necessary operating subsidies.
 - Affordable rental and ownership housing for those earning up to 120% of area median income (AMI).
 - Matching funds to local or regional housing trust funds.
 - Matching portions of funds available through the Low- and Moderate Income Housing Asset Fund.
 - Capitalized reserves for services connected to the creation of new permanent supportive housing.
 - Emergency shelters, transitional housing, and rapid rehousing.
 - Emergency accessibility modifications.
 - Efforts to acquire and rehabilitate foreclosed or vacant homes.
 - Homeownership opportunities.
 - Grants to local and regional agencies to assist in the development and updating of planning documents and zoning ordinances to accelerate housing production.
 - Fiscal incentives or matching funds to local agencies that approve new housing for extremely low, very low, low- and moderate-income households.

If approved, California would join 38 other states that already have housing trust funds with permanent ongoing revenues, including five (Missouri, Ohio, Oregon, Pennsylvania, and Washington) that have dedicated ongoing revenues generated by document recording fees.

Since the proposed fee is considered a tax under State law, SB 2 will need a two-thirds majority vote of the Legislature. The bill has significant early support among legislators, with 12 Senate co-authors in addition to the three Assembly co-authors. Local Bay Area co-authors include Senators Beall, Skinner, and Wieckowski, as well as Assemblymembers Bonta and Thurmond. SB 2 passed out of the Senate Transportation and Housing Committee and has been referred to the Governance and Finance Committee.

SB 3 (Beall): Affordable Housing Bond Act of 2018

SB 3 would authorize a \$3 billion general obligation bond to fund affordable housing programs and infill infrastructure projects. The programs in this bond specifically fund the construction, rehabilitation, and preservation of housing for those at risk of or currently experiencing homelessness and low-income earners, as well as create more homeownership opportunities for low- and moderate-income earners through existing programs as follows:

1. Multifamily Housing Program (\$1.5 billion)
2. Transit-Oriented Development Implementation Program (\$0.2 billion)
3. Infill Infrastructure Financing Grants (\$0.3 billion)

4. Joe Serna, Jr. Farmworker Housing Grant Program (\$0.3 billion)
5. Local Housing Trust Matching Grant Program (\$0.3 billion)
6. CalHome (\$0.3 billion)
7. Building Equity and Growth in Neighborhoods program (\$0.1 billion)

These existing programs were all funded previously by the Housing and Emergency Shelter Trust Fund Act of 2006 (Prop 1C bonds), which allocated \$2.85 billion in bond funds resulting in the creation of 92,000 housing units and 3,000 shelter spaces, with \$250 million remaining to be spent. Similarly, the 2001 Proposition 46 bond funds of \$2.1 billion resulted in 91,000 additional housing units. SB 3 is expected to provide a proportionate number of housing units.

As a bond measure, SB 3 will require a two-thirds majority vote and will be subject to voter approval. The bill is authored by our Senate representative Jim Beall and has 10 Senate co-authors. It recently passed out of the Senate Transportation and Housing Committee and has been referred to the Governance and Finance Committee.

Local Impact

With the passage of SB 2 and SB 3, Cupertino will have additional funding to more effectively address affordable housing shortages in our community, a priority of the City Council. The City of Cupertino is in one of the highest cost areas in the country with limited affordable housing options. Funding is critically needed to increase, preserve, and improve the City's affordable housing stock for the City's workforce.

For these reasons, staff recommends that the City Council adopt a position of support on SB 2 and SB 3, and authorize the Mayor to send letters in support of these important pieces of legislations.

Sustainability Impact

Building affordable housing near job centers, like Cupertino, would result in fewer vehicle miles traveled, lower greenhouse gas emissions and overall better quality of life for residents.

Fiscal Impact

The passage of SB2 and SB 3 would make short and long-term funding streams available to the City of Cupertino for local affordable housing projects.

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Approved for Submission by: David Brandt, City Manager

Attachments:

- A. Sample Letter of Support - SB 2
- B. Sample Letter of Support - SB 3