

SENATE BILL**No. 3**

Introduced by Senator BeallDecember 5, 2016

An act to add Part 16 (commencing with Section 54000) to Division 31 of the Health and Safety Code, relating to housing, by providing the funds necessary therefor through an election for the issuance and sale of bonds of the State of California and for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 3, as introduced, Beall. Affordable Housing Bond Act of 2018.

Under existing law, there are programs providing assistance for, among other things, emergency housing, multifamily housing, farmworker housing, home ownership for very low and low-income households, and downpayment assistance for first-time home buyers. Existing law also authorizes the issuance of bonds in specified amounts pursuant to the State General Obligation Bond Law and requires that proceeds from the sale of these bonds be used to finance various existing housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, and housing-related parks.

This bill would enact the Affordable Housing Bond Act of 2018, which, if adopted, would authorize the issuance of bonds in the amount of \$3,000,000,000 pursuant to the State General Obligation Bond Law. Proceeds from the sale of these bonds would be used to finance various existing housing programs, as well as infill infrastructure financing and affordable housing matching grant programs, as provided.

SB 3

— 2 —

This bill would provide for submission of the bond act to the voters at the November 6, 2018, statewide general election in accordance with specified law.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) California is experiencing an extreme housing shortage with
4 2.2 million extremely low income and very low income renter
5 households competing for only 664,000 affordable rental homes.
6 This leaves more than 1.54 million of California's lowest income
7 households without access to affordable housing.

8 (b) While homelessness across the United States is in an overall
9 decline, homelessness in California is rising. In 2015, California
10 had 115,738 homeless people, which accounted for 21 percent of
11 the nation's homeless population. This is an increase of 1.6 percent
12 from the prior year. California also had the highest rate of
13 unsheltered people, at 64 percent or 73,699 people; the largest
14 numbers of unaccompanied homeless children and youth, at 10,416
15 people or 28 percent of the national total; the largest number of
16 veterans experiencing homelessness, at 11,311 or 24 percent of
17 the national homeless veteran population; and the second largest
18 number of people in families with chronic patterns of homelessness,
19 at 22,582 or 11 percent of the state's homeless family population.

20 (c) California is home to 21 of the 30 most expensive rental
21 housing markets in the country, which has had a disproportionate
22 impact on the middle class and the working poor. California
23 requires the third highest wage in the country to afford housing,
24 behind Hawaii and Washington, D.C. The fair market rent, which
25 indicates the amount of money that a given property would require
26 if it were open for leasing, for a two-bedroom apartment is \$1,386.
27 To afford this level of rent and utilities, without paying more than
28 30 percent of income on housing, a household must earn an hourly
29 "housing wage" of \$26.65 per hour. This means that a person
30 earning minimum wage must work an average of three jobs to pay

1 the rent for a two-bedroom unit. In some areas of the state, these
2 numbers are even higher.

3 (d) Low-income families are forced to spend more and more of
4 their income on rent, which leaves little else for other basic
5 necessities. Many renters must postpone or forgo home ownership,
6 live in more crowded housing, commute further to work, or, in
7 some cases, choose to live and work elsewhere.

8 (e) California has seen a significant reduction of state funding
9 in recent years. The funds from Proposition 46 of 2002 and
10 Proposition 1C of 2006, totaling nearly \$5 billion for a variety of
11 affordable housing programs, have been expended. Combined with
12 the loss of redevelopment funds, \$1.5 billion of annual state
13 investment dedicated to housing has been lost, leaving several
14 critical housing programs unfunded.

15 (f) High housing costs and the shortage of housing stock in
16 California directly affect the future health of California's economy
17 and, given the staggering numbers indicated above, bold action is
18 necessary. Investment in existing and successful housing programs
19 to expand the state's housing stock should benefit California's
20 homeless and low-income earners, as well as some of the state's
21 most vulnerable populations, including foster and at-risk youth,
22 persons with developmental and physical disabilities, farmworkers,
23 the elderly, single parents with children, and survivors of domestic
24 violence. Investments should also be made in housing for Medi-Cal
25 recipients served through a county's Section 1115 Waiver Whole
26 Person Care Pilot program and family day care providers.

27 (g) Investment in housing creates jobs and provides local
28 benefits. The estimated one-year impacts of building 100 rental
29 apartments in a typical local area include \$11.7 million in local
30 income, \$2.2 million in taxes and other revenue for local
31 governments, and 161 local jobs or 1.62 jobs per apartment. The
32 additional annually recurring impacts of building 100 rental
33 apartments in a typical local area include \$2.6 million in local
34 income, \$503,000 in taxes and other revenue for local governments,
35 and 44 local jobs or .44 jobs per apartment.

36 SEC. 2. Part 16 (commencing with Section 54000) is added to
37 Division 31 of the Health and Safety Code, to read:

1 PART 16. AFFORDABLE HOUSING BOND ACT OF 2018

2
3 CHAPTER 1. GENERAL PROVISIONS

4
5 54000. This part shall be known, and may be cited, as the
6 Affordable Housing Bond Act of 2018.

7 54002. As used in this part, the following terms have the
8 following meanings:

9 (a) “Board” means the Department of Housing and Community
10 Development for programs administered by the department, and
11 the California Housing Finance Agency for programs administered
12 by the agency.

13 (b) “Committee” means the Housing Finance Committee created
14 pursuant to Section 53524 and continued in existence pursuant to
15 Sections 53548 and 54014.

16 (c) “Fund” means the Affordable Housing Bond Act Trust Fund
17 of 2018 created pursuant to Section 54006.

18 54004. This part shall only become operative upon adoption
19 by the voters at the November 6, 2018, statewide general election.

20
21 CHAPTER 2. AFFORDABLE HOUSING BOND ACT TRUST FUND
22 OF 2018 AND PROGRAM

23
24 54006. The Affordable Housing Bond Act Trust Fund of 2018
25 is hereby created within the State Treasury. It is the intent of the
26 Legislature that the proceeds of bonds deposited in the fund shall
27 be used to fund the housing-related programs described in this
28 chapter. The proceeds of bonds issued and sold pursuant to this
29 part for the purposes specified in this chapter shall be allocated in
30 the following manner:

31 (a) One billion five hundred million dollars (\$1,500,000,000)
32 to be deposited in the Multifamily Housing Account, which is
33 hereby created in the fund. Upon appropriation by the Legislature,
34 the moneys in the account may be appropriated for the Multifamily
35 Housing Program authorized by Chapter 6.7 (commencing with
36 Section 50675) of Part 2, to be expended to assist in the new
37 construction, rehabilitation, and preservation of permanent and
38 transitional rental housing for persons with incomes of up to 60
39 percent of the area median income (AMI).

1 (b) Six hundred million dollars (\$600,000,000) to be deposited
2 in the Transit-Oriented Development and Infill Infrastructure
3 Account, which is hereby created within the fund. The moneys in
4 the account shall be used for the following purposes:

5 (1) Two hundred million dollars (\$200,000,000) to be deposited
6 into the Transit-Oriented Development Implementation Fund,
7 established pursuant to Section 53561, for expenditure, upon
8 appropriation by the Legislature, pursuant to the Transit-Oriented
9 Development Implementation Program authorized by Part 13
10 (commencing with Section 53560) to provide local assistance to
11 cities, counties, cities and counties, transit agencies, and developers
12 for the purpose of developing or facilitating the development of
13 higher density uses within close proximity to transit stations that
14 will increase public transit ridership. These funds may also be
15 expended for any authorized purpose of this program.

16 (2) Three hundred million dollars (\$300,000,000) to be deposited
17 in the Infill Infrastructure Financing Account, which is hereby
18 created within the fund. Moneys in the account shall be available,
19 upon appropriation by the Legislature, pursuant to the Infill
20 Incentive Grant Program of 2007 established by Section 53545.13
21 for infill incentive grants to assist in the new construction and
22 rehabilitation of infrastructure that supports high-density affordable
23 and mixed-income housing in locations designated as infill,
24 including, but not limited to, any of the following:

25 (A) Park creation, development, or rehabilitation to encourage
26 infill development.

27 (B) Water, sewer, or other public infrastructure costs associated
28 with infill development.

29 (C) Transportation improvements related to infill development
30 projects.

31 (D) Traffic mitigation.

32 These funds may also be expended for any authorized purpose
33 of this program.

34 (3) One hundred million dollars (\$100,000,000) to be deposited
35 into the Building Equity and Growth in Neighborhoods (BEGIN)
36 Program Fund, established pursuant to Section 50860, for
37 expenditure, upon appropriation by the Legislature, pursuant to
38 the BEGIN Program authorized by Chapter 14.5 (commencing
39 with Section 50860) of Part 2 to make grants to qualifying cities,
40 counties, or cities and counties that shall be used for downpayment

1 assistance to qualifying first-time home buyers or low- and
2 moderate-income buyers purchasing newly constructed homes in
3 a BEGIN project. These funds may also be expended for any
4 authorized purpose of this program.

5 (c) Six hundred million dollars (\$600,000,000) to be deposited
6 in the Special Populations Housing Account, which is hereby
7 created within the fund. The moneys in the account shall be used
8 for the following purposes:

9 (1) Three hundred million dollars (\$300,000,000) to be deposited
10 in the Joe Serna, Jr. Farmworker Housing Grant Fund, established
11 pursuant to Section 50517.5, for expenditure, upon appropriation
12 by the Legislature, to fund grants or loans, or both, for local public
13 entities, nonprofit corporations, limited liability companies, and
14 limited partnerships, for the construction or rehabilitation of
15 housing for agricultural employees and their families or for the
16 acquisition of manufactured housing as part of a program to address
17 and remedy the impacts of current and potential displacement of
18 farmworker families from existing labor camps, mobilehome parks,
19 or other housing. These funds may also be expended for any
20 authorized purpose of this program.

21 (2) Three hundred million dollars (\$300,000,000) to be deposited
22 in the Local Housing Trust Matching Grant Program Account,
23 which is hereby created within the fund. Moneys in the account
24 shall be available, upon appropriation by the Legislature, pursuant
25 to the Local Housing Trust Fund Matching Grant Program
26 established by Section 50842.2 to fund competitive grants or loans
27 to local housing trust funds that develop, own, lend, or invest in
28 affordable housing and used to create pilot programs to demonstrate
29 innovative, cost-saving approaches to creating or preserving
30 affordable housing. Local housing trust funds shall be derived on
31 an ongoing basis from private contribution or governmental sources
32 that are not otherwise restricted in use for housing programs. These
33 funds may also be expended for any authorized purpose of this
34 program.

35 (d) Three hundred million dollars (\$300,000,000) to be deposited
36 in the Home Ownership Development Account, which is hereby
37 created within the fund. The moneys in the account shall be, upon
38 appropriation by the Legislature, available for the CalHome
39 Program authorized by Chapter 6 (commencing with Section
40 50650) of Part 2, to provide direct, forgivable loans to assist

1 development projects involving multiple home ownership units,
2 including single-family subdivisions, for self-help mortgage
3 assistance programs, and for manufactured homes. These funds
4 may also be expended for any authorized purpose of this program.

5 54008. (a) The Legislature may, from time to time, amend
6 any law related to programs to which funds are, or have been,
7 allocated pursuant to this chapter for the purposes of improving
8 the efficiency and effectiveness of those programs or to further
9 the goals of those programs.

10 (b) The Legislature may amend this chapter to reallocate the
11 proceeds of bonds issued and sold pursuant to this part among the
12 programs to which funds are to be allocated pursuant to this chapter
13 as necessary to effectively promote the development of affordable
14 housing in this state.

15

16

CHAPTER 3. FISCAL PROVISIONS

17

18 54010. Bonds in the total amount of three billion dollars
19 (\$3,000,000,000), exclusive of refunding bonds issued pursuant
20 to Section 54026, or so much thereof as is necessary as determined
21 by the committee, are hereby authorized to be issued and sold for
22 carrying out the purposes expressed in this part and to reimburse
23 the General Obligation Bond Expense Revolving Fund pursuant
24 to Section 16724.5 of the Government Code. All bonds herein
25 authorized which have been duly issued, sold, and delivered as
26 provided herein shall constitute valid and binding general
27 obligations of the state, and the full faith and credit of the state is
28 hereby pledged for the punctual payment of both principal of and
29 interest on those bonds when due.

30 54012. The bonds authorized by this part shall be prepared,
31 executed, issued, sold, paid, and redeemed as provided in the State
32 General Obligation Bond Law (Chapter 4 (commencing with
33 Section 16720) of Part 3 of Division 4 of Title 2 of the Government
34 Code), except subdivisions (a) and (b) of Section 16727 of the
35 Government Code to the extent that those provisions are
36 inconsistent with this part, and all of the provisions of that law as
37 amended from time to time apply to the bonds and to this part,
38 except as provided in Section 54028, and are hereby incorporated
39 in this part as though set forth in full in this part.

1 54014. (a) Solely for the purpose of authorizing the issuance
2 and sale, pursuant to the State General Obligation Bond Law, of
3 the bonds authorized by this part, the committee is continued in
4 existence. For the purposes of this part, the Housing Finance
5 Committee is “the committee” as that term is used in the State
6 General Obligation Bond Law.

7 (b) The committee may adopt guidelines establishing
8 requirements for administration of its financing programs to the
9 extent necessary to protect the validity of, and tax exemption for,
10 interest on the bonds. The guidelines shall not constitute rules,
11 regulations, orders, or standards of general application and are not
12 subject to Chapter 3.5 (commencing with Section 11340) of Part
13 1 of Division 3 of Title 2 of the Government Code.

14 (c) For the purposes of the State General Obligation Bond Law,
15 the Department of Housing and Community Development is
16 designated the “board” for programs administered by the
17 department, and the California Housing Finance Agency is the
18 “board” for programs administered by the agency.

19 54016. Upon request of the board stating that funds are needed
20 for purposes of this part, the committee shall determine whether
21 or not it is necessary or desirable to issue bonds authorized pursuant
22 to this part in order to carry out the actions specified in Section
23 54006, and, if so, the amount of bonds to be issued and sold.
24 Successive issues of bonds may be authorized and sold to carry
25 out those actions progressively, and are not required to be sold at
26 any one time. Bonds may bear interest subject to federal income
27 tax.

28 54018. There shall be collected annually, in the same manner
29 and at the same time as other state revenue is collected, a sum of
30 money in addition to the ordinary revenues of the state, sufficient
31 to pay the principal of, and interest on, the bonds each year. It is
32 the duty of all officers charged by law with any duty in regard to
33 the collections of state revenues to do or perform each and every
34 act which is necessary to collect that additional sum.

35 54020. Notwithstanding Section 13340 of the Government
36 Code, there is hereby appropriated from the General Fund in the
37 State Treasury, for the purposes of this part, an amount that will
38 equal the total of both of the following:

1 (a) The sum annually necessary to pay the principal of, and
2 interest on, bonds issued and sold pursuant to this part, as the
3 principal and interest become due and payable.

4 (b) The sum which is necessary to carry out Section 54024,
5 appropriated without regard to fiscal years.

6 54022. The board may request the Pooled Money Investment
7 Board to make a loan from the Pooled Money Investment Account,
8 in accordance with Section 16312 of the Government Code, for
9 purposes of this part. The amount of the request shall not exceed
10 the amount of the unsold bonds that the committee has, by
11 resolution, authorized to be sold, excluding any refunding bonds
12 authorized pursuant to Section 54026, for purposes of this part,
13 less any amount withdrawn pursuant to Section 54024. The board
14 shall execute any documents as required by the Pooled Money
15 Investment Board to obtain and repay the loan. Any amount loaned
16 shall be deposited in the fund to be allocated in accordance with
17 this part.

18 54024. For purposes of carrying out this part, the Director of
19 Finance may, by executive order, authorize the withdrawal from
20 the General Fund of any amount or amounts not to exceed the
21 amount of the unsold bonds that the committee has, by resolution,
22 authorized to be sold, excluding any refunding bonds authorized
23 pursuant to Section 54026, for purposes of this part, less any
24 amount withdrawn pursuant to Section 54022. Any amounts
25 withdrawn shall be deposited in the fund to be allocated in
26 accordance with this part. Any moneys made available under this
27 section shall be returned to the General Fund, plus the interest that
28 the amounts would have earned in the Pooled Money Investment
29 Account, from moneys received from the sale of bonds which
30 would otherwise be deposited in that fund.

31 54026. The bonds may be refunded in accordance with Article
32 6 (commencing with Section 16780) of Chapter 4 of Part 3 of
33 Division 4 of Title 2 of the Government Code. Approval by the
34 electors of this act shall constitute approval of any refunding bonds
35 issued to refund bonds issued pursuant to this part, including any
36 prior issued refunding bonds. Any bond refunded with the proceeds
37 of a refunding bond as authorized by this section may be legally
38 defeased to the extent permitted by law in the manner and to the
39 extent set forth in the resolution, as amended from time to time,
40 authorizing that refunded bond.

1 54028. Notwithstanding any provisions in the State General
2 Obligation Bond Law, the maturity date of any bonds authorized
3 by this part shall not be later than 35 years from the date of each
4 such bond. The maturity of each series shall be calculated from
5 the date of each series.

6 54030. The Legislature hereby finds and declares that,
7 inasmuch as the proceeds from the sale of bonds authorized by
8 this part are not “proceeds of taxes” as that term is used in Article
9 XIII B of the California Constitution, the disbursement of these
10 proceeds is not subject to the limitations imposed by that article.

11 54032. Notwithstanding any provision of the State General
12 Obligation Bond Law with regard to the proceeds from the sale of
13 bonds authorized by this part that are subject to investment under
14 Article 4 (commencing with Section 16470) of Chapter 3 of Part
15 2 of Division 4 of Title 2 of the Government Code, the Treasurer
16 may maintain a separate account for investment earnings, may
17 order the payment of those earnings to comply with any rebate
18 requirement applicable under federal law, and may otherwise direct
19 the use and investment of those proceeds so as to maintain the
20 tax-exempt status of tax-exempt bonds and to obtain any other
21 advantage under federal law on behalf of the funds of this state.

22 54034. All moneys derived from premiums and accrued interest
23 on bonds sold pursuant to this part shall be transferred to the
24 General Fund as a credit to expenditures for bond interest;
25 provided, however, that amounts derived from premiums may be
26 reserved and used to pay the costs of issuance of the related bonds
27 prior to transfer to the General Fund.

28 SEC. 3. Section 2 of this act shall become operative upon the
29 adoption by the voters of the Affordable Housing Bond Act of
30 2018.

31 SEC. 4. Section 2 of this act shall be submitted by the Secretary
32 of State to the voters at the November 6, 2018, statewide general
33 election.

34 SEC. 5. This act is an urgency statute necessary for the
35 immediate preservation of the public peace, health, or safety within
36 the meaning of Article IV of the Constitution and shall go into
37 immediate effect. The facts constituting the necessity are:

1 In order to maximize the time available for the analysis and
2 preparation of the bond act proposed by Section 2 of this act, it is
3 necessary that this act take effect immediately.

O