

AMENDED IN ASSEMBLY AUGUST 19, 2016

AMENDED IN ASSEMBLY AUGUST 15, 2016

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AMENDED IN ASSEMBLY JUNE 9, 2016

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AMENDED IN SENATE MARCH 30, 2016

SENATE BILL

No. 879

Introduced by Senator Beall

(Principal coauthor: Senator Glazer)

(Coauthors: Senators Allen, Cannella, Hill, Huff, and Monning)

(Coauthor: Assembly Member Chiu)

January 15, 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 879, as amended, 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.

The 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

1 number of people in families with chronic patterns of homelessness,
2 at 22,582 or 11 percent of the state's homeless family population.

3 (c) California is home to 21 of the 30 most expensive rental
4 housing markets in the country, which has had a disproportionate
5 impact on the middle class and the working poor. California
6 requires the third highest wage in the country to afford housing,
7 behind Hawaii and Washington, D.C. The fair market rent, which
8 indicates the amount of money that a given property would require
9 if it were open for leasing, for a two-bedroom apartment is \$1,386.
10 To afford this level of rent and utilities, without paying more than
11 30 percent of income on housing, a household must earn an hourly
12 "housing wage" of \$26.65 per hour. This means that a person
13 earning minimum wage must work an average of three jobs to pay
14 the rent for a two-bedroom unit. In some areas of the state, these
15 numbers are even higher.

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

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

28 (f) High housing costs and the shortage of housing stock in
29 California directly affect the future health of California's economy
30 and, given the staggering numbers indicated above, bold action is
31 necessary. Investment in existing and successful housing programs
32 to expand the state's housing stock should benefit California's
33 homeless and low-income earners, as well as some of the state's
34 most vulnerable populations, including foster and at-risk youth,
35 persons with developmental and physical disabilities, farmworkers,
36 the elderly, single parents with children, and survivors of domestic
37 violence. Investments should also be made in housing for Medi-Cal
38 recipients served through a county's Section 1115 Waiver Whole
39 Person Care Pilot program and family day care providers.

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

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

PART 16. AFFORDABLE HOUSING BOND ACT OF 2018

CHAPTER 1. GENERAL PROVISIONS

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

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

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

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

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

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

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

54006. The Affordable Housing Bond Act Trust Fund of 2018 is hereby created within the State Treasury. It is the intent of the Legislature that the proceeds of bonds deposited in the fund shall be used to fund the housing-related programs described in this chapter. The proceeds of bonds issued and sold pursuant to this

part for the purposes specified in this chapter shall be allocated in the following manner:

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

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

(1) ~~Three—Two~~ hundred million dollars—~~(\$300,000,000)~~ (\$200,000,000) to be deposited into the Transit-Oriented Development Implementation Fund, established pursuant to Section 53561, for expenditure, upon appropriation by the Legislature, pursuant to the Transit-Oriented Development Implementation Program authorized by Part 13 (commencing with Section 53560) to provide local assistance to cities, counties, cities and counties, transit agencies, and developers for the purpose of developing or facilitating the development of higher density uses within close proximity to transit stations that will increase public transit ridership. These funds may also be expended for any authorized purpose of this program.

(2) Three hundred million dollars (\$300,000,000) to be deposited in the Infill Infrastructure Financing Account, which is hereby created within the fund. Moneys in the account shall be available, upon appropriation by the Legislature, for infill incentive grants to assist in the new construction and rehabilitation of infrastructure that supports high-density affordable and mixed-income housing in locations designated as infill, including, but not limited to, any of the following:

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

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

1 (C) Transportation improvements related to infill development
2 projects.

3 (D) Traffic mitigation.

4 These funds may also be expended for any authorized purpose
5 of this program.

6 (3) *One hundred million dollars (\$100,000,000) to be deposited*
7 *into the Building Equity and Growth in Neighborhoods (BEGIN)*
8 *Program Fund, established pursuant to Section 50860, for*
9 *expenditure, upon appropriation by the Legislature, pursuant to*
10 *the BEGIN Program authorized by Chapter 14.5 (commencing*
11 *with Section 50860) of Part 2 to make grants to qualifying cities,*
12 *counties, or cities and counties that shall be used for downpayment*
13 *assistance to qualifying first-time home buyers or low- and*
14 *moderate-income buyers purchasing newly constructed homes in*
15 *a BEGIN project. These funds may also be expended for any*
16 *authorized purpose of this program.*

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

21 (1) Three hundred million dollars (\$300,000,000) to be deposited
22 in the Joe Serna, Jr. Farmworker Housing Grant Fund, established
23 pursuant to Section 50517.5, for expenditure, upon appropriation
24 by the Legislature, to fund grants or loans, or both, for local public
25 entities, nonprofit corporations, limited liability companies, and
26 limited partnerships, for the construction or rehabilitation of
27 housing for agricultural employees and their families or for the
28 acquisition of manufactured housing as part of a program to address
29 and remedy the impacts of current and potential displacement of
30 farmworker families from existing labor camps, mobilehome parks,
31 or other housing. These funds may also be expended for any
32 authorized purpose of this program.

33 (2) Three hundred million dollars (\$300,000,000) to be deposited
34 in the Local Housing Trust Matching Grant Program Account,
35 which is hereby created within the fund. Moneys in the account
36 shall be available, upon appropriation by the Legislature, to fund
37 competitive grants or loans to local housing trust funds that
38 develop, own, lend, or invest in affordable housing and used to
39 create pilot programs to demonstrate innovative, cost-saving
40 approaches to creating or preserving affordable housing. Local

1 housing trust funds shall be derived on an ongoing basis from
2 private contribution or governmental sources that are not otherwise
3 restricted in use for housing programs. These funds may also be
4 expended for any authorized purpose of this program.

5 (d) Three hundred million dollars (\$300,000,000) to be deposited
6 in the Home Ownership Development Account, which is hereby
7 created within the fund. The moneys in the account shall be, upon
8 appropriation by the Legislature, available for the CalHome
9 Program authorized by Chapter 6 (commencing with Section
10 50650) of Part 2, to provide direct, forgivable loans to assist
11 development projects involving multiple home ownership units,
12 including single-family subdivisions, for self-help mortgage
13 assistance programs, and for manufactured homes. These funds
14 may also be expended for any authorized purpose of this program.

15 54008. (a) The Legislature may, from time to time, amend
16 any law related to programs to which funds are, or have been,
17 allocated pursuant to this chapter for the purposes of improving
18 the efficiency and effectiveness of those programs or to further
19 the goals of those programs.

20 (b) The Legislature may amend this chapter to reallocate the
21 proceeds of bonds issued and sold pursuant to this part among the
22 programs to which funds are to be allocated pursuant to this chapter
23 as necessary to effectively promote the development of affordable
24 housing in this state.

25
26 CHAPTER 3. FISCAL PROVISIONS
27

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

1 54012. The bonds authorized by this part shall be prepared,
2 executed, issued, sold, paid, and redeemed as provided in the State
3 General Obligation Bond Law (Chapter 4 (commencing with
4 Section 16720) of Part 3 of Division 4 of Title 2 of the Government
5 Code), except subdivisions (a) and (b) of Section 16727 of the
6 Government Code to the extent that those provisions are
7 inconsistent with this part, and all of the provisions of that law as
8 amended from time to time apply to the bonds and to this part,
9 except as provided in Section 54028, and are hereby incorporated
10 in this part as though set forth in full in this part.

11 54014. (a) Solely for the purpose of authorizing the issuance
12 and sale, pursuant to the State General Obligation Bond Law, of
13 the bonds authorized by this part, the committee is continued in
14 existence. For the purposes of this part, the Housing Finance
15 Committee is “the committee” as that term is used in the State
16 General Obligation Bond Law.

17 (b) The committee may adopt guidelines establishing
18 requirements for administration of its financing programs to the
19 extent necessary to protect the validity of, and tax exemption for,
20 interest on the bonds. The guidelines shall not constitute rules,
21 regulations, orders, or standards of general application and are not
22 subject to Chapter 3.5 (commencing with Section 11340) of Part
23 1 of Division 3 of Title 2 of the Government Code.

24 (c) For the purposes of the State General Obligation Bond Law,
25 the Department of Housing and Community Development is
26 designated the “board” for programs administered by the
27 department, and the California Housing Finance Agency is the
28 “board” for programs administered by the agency.

29 54016. Upon request of the board stating that funds are needed
30 for purposes of this part, the committee shall determine whether
31 or not it is necessary or desirable to issue bonds authorized pursuant
32 to this part in order to carry out the actions specified in Section
33 54006, and, if so, the amount of bonds to be issued and sold.
34 Successive issues of bonds may be authorized and sold to carry
35 out those actions progressively, and are not required to be sold at
36 any one time. Bonds may bear interest subject to federal income
37 tax.

38 54018. There shall be collected annually, in the same manner
39 and at the same time as other state revenue is collected, a sum of
40 money in addition to the ordinary revenues of the state, sufficient

1 to pay the principal of, and interest on, the bonds each year. It is
2 the duty of all officers charged by law with any duty in regard to
3 the collections of state revenues to do or perform each and every
4 act which is necessary to collect that additional sum.

5 54020. Notwithstanding Section 13340 of the Government
6 Code, there is hereby appropriated from the General Fund in the
7 State Treasury, for the purposes of this part, an amount that will
8 equal the total of both of the following:

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

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

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

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

39 54026. The bonds may be refunded in accordance with Article
40 6 (commencing with Section 16780) of Chapter 4 of Part 3 of

1 Division 4 of Title 2 of the Government Code. Approval by the
2 electors of this act shall constitute approval of any refunding bonds
3 issued to refund bonds issued pursuant to this part, including any
4 prior issued refunding bonds. Any bond refunded with the proceeds
5 of a refunding bond as authorized by this section may be legally
6 defeased to the extent permitted by law in the manner and to the
7 extent set forth in the resolution, as amended from time to time,
8 authorizing that refunded bond.

9 54028. Notwithstanding any provisions in the State General
10 Obligation Bond Law, the maturity date of any bonds authorized
11 by this part shall not be later than 35 years from the date of each
12 such bond. The maturity of each series shall be calculated from
13 the date of each series.

14 54030. The Legislature hereby finds and declares that,
15 inasmuch as the proceeds from the sale of bonds authorized by
16 this part are not “proceeds of taxes” as that term is used in Article
17 XIII B of the California Constitution, the disbursement of these
18 proceeds is not subject to the limitations imposed by that article.

19 54032. Notwithstanding any provision of the State General
20 Obligation Bond Law with regard to the proceeds from the sale of
21 bonds authorized by this part that are subject to investment under
22 Article 4 (commencing with Section 16470) of Chapter 3 of Part
23 2 of Division 4 of Title 2 of the Government Code, the Treasurer
24 may maintain a separate account for investment earnings, may
25 order the payment of those earnings to comply with any rebate
26 requirement applicable under federal law, and may otherwise direct
27 the use and investment of those proceeds so as to maintain the
28 tax-exempt status of tax-exempt bonds and to obtain any other
29 advantage under federal law on behalf of the funds of this state.

30 54034. All moneys derived from premiums and accrued interest
31 on bonds sold pursuant to this part shall be transferred to the
32 General Fund as a credit to expenditures for bond interest;
33 provided, however, that amounts derived from premiums may be
34 reserved and used to pay the costs of issuance of the related bonds
35 prior to transfer to the General Fund.

36 SEC. 3. Section 2 of this act shall become operative upon the
37 adoption by the voters of the Affordable Housing Bond Act of
38 2018.

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

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

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