CITY COUNCIL ACTION REQUEST

Department(s): Housing  
Date: 12/21/2016  
Coordination: City Attorney’s Office, City Manager’s Office

Dept. Approval: /s/ Jaclcy Morales-Ferrand

CMO Approval:

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

RECOMMENDED POSITION: Support

RECOMMENDED ACTION: Support

1. Adopt a position of support for SB 3 (Beall) - Affordable Housing Bond Act of 2018.

2. Recommend a one-week turnaround, to the January 10, 2017 City Council Meeting, so that the City’s Legislative Advocates in Sacramento can indicate a support position for SB 3 (Beall).

BILL SYNOPSIS:

SB 3 is a reintroduction of SB 879, which the City of San José voted to support in 2016. SB 3 authorizes a $3,000,000,000 State general obligation bond to be placed on the November 6, 2018 statewide ballot for the purposes of funding various types of affordable housing development. Of the total $3,000,000,000 bond, the proposed funding allocations provide $1,500,000,000 for the Multifamily Housing Program which is used to construct, rehabilitate, and preserve rental housing for low-income households with incomes of up to 60 percent of the area median income (AMI). The remaining $1,500,000,000 will be allocated to programs supporting affordable homes for special needs residents, homeownership programs, transit-oriented residential development, and infrastructure development related to affordable apartments and for-sale homes.

Funds raised by the bond issuance will be administered by the California Department of Housing & Community Development (HCD) who will award bond funds to developments through competitive processes, likely through many of HCD’s existing programs. The administrative process to manage this program will mirror the 2006 Proposition 1C $2,900,000,000 Housing Bond, which created 92,000 units of affordable housing in California.

As a fiscal bill, SB 3 must receive a two-thirds majority vote in each house of the Legislature to move forward for the Governor’s signature. If signed into law, the bond will be placed on the November 6, 2018 Statewide ballot as a proposition that will require a simple majority approval by the voters.

IMPACTS TO CITY OF SAN JOSE:

To understand the possible impact to the City of San José, it is helpful to look back on the local impact of Proposition 1C funds. Proposition 1C allocated funding to four housing programs that have greatly benefitted San José: Multifamily Housing Program (MHP), Transit-Oriented Development (TOD), Infill Infrastructure Grant (IIG), and the Veteran’s Homeless Housing Program (VHHP). More than $128,000,000 has been awarded to support the construction of 13 affordable multifamily rental developments in San José, which helped create 1,472 new affordable apartments here since 2006. These figures include the award of $8,500,000 in VHHP to support First Community Housing’s North San Pedro Apartments development. This development will provide 134 affordable studios and one-bedroom apartments, with 49 designated for chronically homeless veterans, 60 for special needs individuals, and 25 for other small households earning 30-50% of Area Median Income.
In addition to its significant support of affordable homes in San José, $24,160,000 in Proposition 1C funds also are funding infrastructure in San José’s Downtown, supporting approximately 800 new market-rate rental and for-sale homes. This grant from the IIG Program is being used to build new sidewalks, reconstruct streets, remove the Julian “S” curve creating a new street grid, add new streetlights and traffic signals, and create new parks within the formerly isolated and industrial North San Pedro area of Downtown San José. The IIG Program will receive a $600,000,000 allocation if the proposed bond is approved.

Prop 1C also infused tens of millions of dollars into HCD’s BEGIN homebuyer down payment assistance loan program. Since the BEGIN program was created in 2002, the Department of Housing helped facilitate the award of $27,800,000 in competitive grant funding to benefit developments close to transit and trails. This was the second most of all cities in the State. Of these awards, the City closed approximately $11,700,000 in homebuyer loans that allowed approximately 290 low- and moderate-income households to buy homes in San José. Currently, the City has no resources to support homebuyer loans for this population.

SB 3 will provide roughly $150,000,000 more for affordable housing programs than was provided by Proposition 1C. An infusion of $3,000,000,000 of new money into the housing market is significant.

**POLICY ALIGNMENT:**

This bill aligns with the Council-approved *2016 and proposed 2017 Legislative Guiding Principles and Priorities* to:

- Support legislation and secure funding sources to end homelessness to benefit unhoused veterans, youths, families, individuals with mental and/or physical disabilities, and victims of domestic violence, and
- Seek and maximize federal, State and regional funding for housing and infrastructure resources, especially those that prioritize funding to cities that facilitate their fair share residential needs in accordance with Housing Element law.

**SUPPORTERS/OPPONENTS:**

Support: SB 3 does not yet have listed supporters.

Opposition: SB 3 does not yet have listed opponents.

**STATUS OF BILL:**

SB 3 was introduced on December 5, 2016 and is awaiting Committee referral. The bill, a fiscal bill, requires a two-thirds majority vote and must pass out of the Senate by June 2. September 15 is the last day for bills to pass out of both Houses for consideration by the Governor.

**FOR QUESTIONS CONTACT:** Jacky Morales-Ferrand, Housing Director, 408-535-3851