



COUNCIL AGENDA: 5-24-16  
ITEM: 2.28

# Memorandum

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**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Toni J. Taber, CMC  
City Clerk

**SUBJECT:** SEE BELOW

**DATE:** May 20, 2016

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**SUBJECT: SB 879 (Beall) – Affordable Housing Bond Act of 2016**

**RECOMMENDATION:** As recommended by the Rules and Open Government Committee on May 18, 2016:

- (a) Adopt a position of support for SB 879 (Beall).
- (b) Recommend a one-week turnaround so that the City's Legislative Advocate in Sacramento can indicate a support position for SB 879 (Beall).



**CITY COUNCIL ACTION REQUEST**

<b>Department(s):</b> Housing	<b>Date:</b> 5/12/16	<b>Coordination:</b> City Attorney's Office City Manager's Office	<b>Dept. Approval:</b> /s/ Jacky Morales-Ferrand
			<b>CMO Approval:</b> <i>D. D. Syl</i>

**SUBJECT:** SB 879. (Beall). Affordable Housing Bond Act of 2016

**RECOMMENDED POSITION:** Support

**RECOMMENDED ACTION:** Support

1. Adopt a position of support for SB 879 (Beall).
2. Recommend a one-week turnaround so that the City's Legislative Advocate in Sacramento can indicate a support position for SB 879 (Beall).

**BILL SYNOPSIS:**

SB 879 authorizes a \$3 billion dollar State general obligation bond to be placed on the November 8, 2016 statewide ballot for the purposes of funding various types of affordable housing development. Of the total \$3 billion dollar bond, the proposed funding allocations provide \$1.5 billion 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 \$1.5 billion 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 \$2.9 billion dollar Housing Bond, which created 92,000 units of affordable housing in California.

As a fiscal bill, SB 879 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 8<sup>th</sup> 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 million has been awarded to support the construction of 13 affordable multifamily rental developments in San José, which helped to create 1,472 new affordable apartments here since 2006. These figures include the most recent award in San José—in April, the State awarded \$8.5 million in VHHP to support First Community Housing's North San Pedro Apartments development, which 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, \$24.16 million in Proposition 1C funds also are funding the construction of 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 underground utilities, 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 million 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 with limited funds from Proposition 46, the Department of Housing helped to access total awards of \$27.8M—the second most of all cities in the State—in competitive grant funding to benefit developments close to transit and trails. Of these awards, the City closed approximately \$11.7 million 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 879 will provide roughly \$150 million more for affordable housing programs than Proposition 1C did. An infusion of \$3 billion dollars of new money into the housing market is significant. Working in concert with AB 2817 and SB 873, two bills that will increase the amount of low-income housing tax credits and improve the value of the sale of those credits respectively, these three bills will greatly facilitate the development of more affordable housing at deeper affordability levels. The City of San José has already listed its support of AB 2817 and SB 873.

**POLICY ALIGNMENT:**

This bill aligns with the Council-approved *2016 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: California Coalition for Rural Housing; California Housing Consortium; California Housing Partnership Corporation; Coachella Valley Housing Coalition; Community Economics; EAH Housing; Eden Housing; First Community Housing; Food Empowerment Project; Gubb and Barshay, LLP; Hello Housing; League of California Cities; Mammoth Lakes Housing; MidPen Housing Corporation; Non-Profit Housing Association of Northern California; Resources for Community Development; Silicon Valley Independent Living Center; Sonoma County Board of Supervisors; TLCS, Inc.; Marian Wolfe, Housing Advisory Commissioner, City of Berkeley.

Opposition: Howard Jarvis Taxpayers’ Association

**STATUS OF BILL:**

SB 879 was introduced on January 15, 2016 and was referred to the Senate Transportation & Housing Committee and then to the Senate Government & Finance Committee. The bill passed out of the Government & Finance Committee on May 11<sup>th</sup> and will be heard by the Senate Appropriations Committee. The bill, a fiscal bill, requires a two-thirds majority vote and must pass out of the Senate by June 3. August 31 is the last day for bills to pass out of both Houses for consideration by the Governor.

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