

CAL-ALHFA

LEGISLATIVE UPDATE

May 7, 2024

BUDGET AND BOND UPDATE

Things got off to a bumpy start in the Legislature this year. Because of an unexpected budget deficit (caused by the delay in collecting taxes in 2023 and a decrease in the taxes received) the Governor originally estimated a \$38 million deficit. The Legislative Analyst's office increased the deficit to \$77 billion several weeks later. Finding ways to reduce the deficit has sent the Administration and the Legislature scrambling to find ways to reduce spending and increase savings.

In early April, Legislative leaders and the Governor identified \$12 billion to \$18 billion in funding "solutions" in the current budget that will trim a sizeable portion of the projected shortfall. Those cuts include reductions in housing and homeless funding.

In a year where housing advocates were anticipating big increases in housing resources through both the budget and housing bonds, this grim reality has forced the Legislature to think again about the wisdom of asking for increases in general funds or in issuing housing bonds.

Now, as the Legislature waits for the Governor to submit his May Revise of the Budget, due on May 14, advocates are becoming reconciled to a total bond package of no more than \$20 billion, to be divided primarily among climate, education, and housing.

In light of the current bond limitation, the future of two housing-related ballot measures is being revisited.

AB1657. Wicks. Big plans for issuing a \$10 billion housing bond to replenish existing housing programs like MHP, IIG, AHSC and others in the November 5th election are now being quietly whittled down to probably no more than \$2 to \$3 billion.
Status: Assembly Appropriations.

ACA1. Aguiar-Curry. The bill which lowers the voter threshold for local housing and infrastructure bonds from two-thirds to 55%, has been in the works for four years. It is scheduled to be on the November 5 ballot but is running into increasing opposition as it attempts to add more and more eligible activities to the bond measure.
Status: A new ACA is being developed to amend ACA1 to incorporate above-mentioned concerns.

PENDING LEGISLATION

The following is a summary of the bills CAL-ALHFA is watching this year. Status updates have been added. We have divided the bills into various categories as follows:

HOUSING PRODUCTION

AB1893. Wicks. For cities without compliant housing elements, this bill creates a pathway for abundant and streamlined affordable housing development and economically feasible market-rate projects in a manner that affirmatively furthers fair housing. It amends existing state law, commonly known as the “builder’s remedy,” that currently allows builders to downsize projects and not include any affordable units. Status: Assembly Appropriations.

AB2005. Ward. Establishes the California State University (CSU) Faculty and Employee Housing Act of 2024. The Act would allow tax credits to be used for CSU employees and faculty exclusively on lands owned by the CSU. Status: Assembly Appropriations. Suspense.

AB2243. Wicks. Updates, expands, and clarifies AB2001, passed in 2022. The bill expands the areas in which by-right development can be used and adds additional labor standards. Status: Assembly Appropriations.

AB2728. Gabriel. Written as a follow-up to SB4, passed last year, which allows by-right development on religious and higher education institution owned land, this bill requires cities and counties to develop a plan to incentivize and promote the production of affordable using SB4, and to include data around utilization in their Annual Plan. These data would be used develop useful information for prospective developers and landowners. Status: Assembly Appropriations. Recommended for Consent File.

AB2881. Lee. Creates the California Housing Authority to develop social housing - mixed-income housing that is affordable and financially self-sustaining. Modeled after social housing programs in other countries. Status: Assembly Appropriations.

SB1211. Skinner. Allows more detached ADUs on properties with multifamily housing, space permitting. If a carport was replaced with an ADU, the parking space would not have to be replaced. Status:

HOUSING PRESERVATION

AB1789. Quirk-Silva. Expands HCD’s Portfolio Reinvestment Program by authorizing the provision of loans and grants for rehabilitating projects that are at least 15 years old and have insufficient access to private/public resources to complete the necessary rehabs. Priority will be given to projects that have expired or nearly-expired covenants that are most at risk of conversion to market rate units. Status: Assembly Appropriations. Suspense.

AB2926. Kalra. Requires that a project with an expiring affordability covenant must sell to a qualified preservation buyer.
Status: Assembly Appropriations.

SB225. Caballero. Establishes the Community Anti-Displacement and Preservation Program (CAPP), a program to provide revolving short-term acquisition capital and long-term public subsidy to acquire unsubsidized affordable homes and preserve them as permanently affordable units.
Status: Two-year bill. Hearing will be scheduled later in the year.

SB1032. Padilla. Authorizes HCD to approve the forgiveness of a department loan made to specified affordable housing programs funded or monitored by HCD.
Status: Senate Appropriations. Suspense.

SB1212. Skinner. Increases homeownership opportunities by barring hedge funds and other corporate investment entities from buying single-family homes, defined as comprising one- or two-units in California, starting in 2025.
Status: April 30 hearing cancelled at request of author.

FINANCE

AB1053. Reduces the cost of affordable rental housing by allowing developers to receive HCD funds during the construction period, saving hundreds of thousands of dollars in construction period interest expenses.
Status: Two-year bill. Hearing will be scheduled later in the year.

AB1932. Ward. Eliminates the Mortgage Interest Deduction for second, redirects funding to MHP, Homeownership, and housing navigation for voucher holders. Variations of this bill have been introduced many times before, but this appears to have more support.
Status: Assembly Appropriations.

AB2945. Alvarez. Authorizes the formation of Reconnecting Communities Investment Agencies (RCIAs) to help local communities reconnect neighborhoods that were divided by the construction of highways.
Status: Assembly Appropriations.

AB3160. Gabriel. Funds the \$500 million State Housing Tax Credit for five years.
Status: Assembly Appropriations. Will probably also be negotiated in Budget Hearing. Advocates pushing hard for passage, but somewhat doubtful, due to budget deficits.

SB440. Skinner. Enables local government to join forces to create regional housing finance agencies to address the unique affordable housing need in their communities.
Status: Two-year Bill. Hearing will be scheduled at end of legislative session.

IMPACT FEES, UTILITY FEES, PROPERTY TAX EXEMPTIONS

AB1820. Schiavo. Authorizes a development proponent submitting a preliminary application to request an estimation of fees and exactions from the local agency within 20 days of submitting the preliminary application.

Status: Assembly Appropriations. This bill will also be affected by the current Supreme Court case (Sheetz v. County of El Dorado) involving impact fees.

AB2353. Ward. Ensures non-profit affordable rental housing developers can access the existing welfare property tax exemption without floating unnecessary tax payments while their application is under review, reducing the cost of constructing affordable housing.

Status: Assembly Appropriations.

AB2430. Alvarez. Prohibits local agencies from charging monitoring fees to developers on density bonus law compliance if monitoring is done by another entity, i.e., HCD and TCAC. Amendments accepted for certain locally funded projects.

Status: Assembly Appropriations.

AB2663. Grayson. Requires local agencies to post certain information regarding affordable housing impact fees on their websites.

Status: On Assembly floor. Ordered to consent calendar.

AB2729. Patterson. Removes the requirement on local agencies that fees must be paid prior to the date of final inspection or issuance of the certificate of occupancy, whichever comes first.

Status: On Assembly floor.

SB937. Wiener. Delays the payment of development fees imposed by a local government until the certificate of occupancy is used. Additionally, local governments may not charge interest on any deferred fees. Extends housing entitlements issued prior to January 1, 2024 and set to expire on or before December 31, 2025 by 18 months. The bill attempts to adequately balance the benefits to developers with the cost to local agencies.

Status: On Senate floor.

SB1037. Wiener. Enhances the Attorney General's ability to seek civil penalties against local governments that violate state housing law. Currently local agencies have no incentive to follow the law because they can wait for the state to sue, lose in court, and only then remedy their violation to avoid penalties. This bill would allow the Attorney General to seek penalties from the date the housing law violation began.

Status: Senate Appropriations. Set for hearing May 13.

SB1210. Skinner. Prohibits new housing connection fees and capacity charges from exceeding 1% of the reporting building permit value; requires public utilities to spread fees over ten years from the date of occupancy; and requires public utilities to prioritize new housing construction connections over other service connections.

Status: Senate Appropriations. Second Reading.