

AMENDED IN ASSEMBLY JULY 3, 2017

AMENDED IN SENATE MARCH 28, 2017

AMENDED IN SENATE MARCH 14, 2017

SENATE BILL

No. 3

Introduced by Senator Beall

**(Coauthors: Senators Allen, Atkins, Cannella, Dodd, Glazer, Hill,
Leyva, McGuire, Mendoza, Monning, Roth, Skinner, and Wiener)**

(Coauthor: Assembly Member Kalra)

December 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 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.

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

1 indicates the amount of money that a given property would require
2 if it were open for leasing, for a two-bedroom apartment is \$1,386.
3 To afford this level of rent and utilities, without paying more than
4 30 percent of income on housing, a household must earn an hourly
5 “housing wage” of \$26.65 per hour. This means that a person
6 earning minimum wage must work an average of three jobs to pay
7 the rent for a two-bedroom unit. In some areas of the state, these
8 numbers are even higher.

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

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

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

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

1 income, \$503,000 in taxes and other revenue for local governments,
2 and 44 local jobs or .44 jobs per apartment.

3 (h) California has 109 federally recognized tribes and 723,000
4 residents with Native American ancestry, the largest number of
5 tribes and residents in the United States. Due to historic dislocation
6 and lack of housing choices, most do not live on tribal lands and
7 those who do live in severely substandard, overcrowded homes
8 lacking quality water and sewer services at rates greater than the
9 general population.

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

12

13 PART 16. AFFORDABLE HOUSING BOND ACT OF 2018

14

15 CHAPTER 1. GENERAL PROVISIONS

16

17 54000. This part shall be known, and may be cited, as the
18 Affordable Housing Bond Act of 2018.

19 54002. As used in this part, the following terms have the
20 following meanings:

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

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

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

30 54004. This part shall only become operative upon adoption
31 by the voters at the November 6, 2018, statewide general election.

32

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

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36 54006. The Affordable Housing Bond Act Trust Fund of 2018
37 is hereby created within the State Treasury. It is the intent of the
38 Legislature that the proceeds of bonds deposited in the fund shall
39 be used to fund the housing-related programs described in this
40 chapter. The proceeds of bonds issued and sold pursuant to this

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

3 (a) One billion five hundred million dollars (\$1,500,000,000)
4 to be deposited in the Multifamily Housing Account, which is
5 hereby created in the fund. Upon appropriation by the Legislature,
6 the moneys in the account may be appropriated for the Multifamily
7 Housing Program authorized by Chapter 6.7 (commencing with
8 Section 50675) of Part 2, to be expended to assist in the new
9 construction, rehabilitation, and preservation of permanent and
10 transitional rental housing for persons with incomes of up to 60
11 percent of the area median income (AMI). These funds may also
12 be used to provide technical assistance pursuant to Section 54007.

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

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

28 (2) Three hundred million dollars (\$300,000,000) to be deposited
29 in the ~~Infill Infrastructure Financing Account~~, *Regional Planning,*
30 *Housing, and Infill Incentive Account*, which is hereby created
31 within the fund. Moneys in the account shall be available, upon
32 appropriation by the Legislature, pursuant to the Infill Incentive
33 Grant Program of 2007 established by Section 53545.13 for infill
34 incentive grants to assist in the new construction and rehabilitation
35 of infrastructure that supports high-density affordable and
36 mixed-income housing in locations designated as infill, including,
37 but not limited to, any of the following:

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

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

3 (C) Transportation improvements related to infill development
4 projects.

5 (D) Traffic mitigation.

6 These funds may also be expended for any authorized purpose
7 of this program.

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

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

23 (1) Three hundred million dollars (\$300,000,000) to be deposited
24 in the Joe Serna, Jr. Farmworker Housing Grant Fund, established
25 pursuant to Section 50517.5, for expenditure, upon appropriation
26 by the Legislature, to fund grants or loans, or both, for local public
27 entities, nonprofit corporations, limited liability companies, and
28 limited partnerships, for the construction or rehabilitation of
29 housing for agricultural employees and their families or for the
30 acquisition of manufactured housing as part of a program to address
31 and remedy the impacts of current and potential displacement of
32 farmworker families from existing labor camps, mobilehome parks,
33 or other housing. These funds may also be expended for any
34 authorized purpose of this program. These funds may also be used
35 to provide technical assistance pursuant to Section 54007.

36 (2) Three hundred million dollars (\$300,000,000) to be deposited
37 in the ~~Local Housing Trust Fund Matching Grant Program Account,~~
38 *Affordable Housing Innovation Fund*, which is hereby created
39 within the fund. Moneys in the account shall be available, upon
40 appropriation by the Legislature, pursuant to the Local Housing

1 Trust Fund Matching Grant Program established by Section
2 50842.2 to fund competitive grants or loans to local housing trust
3 funds that develop, own, lend, or invest in affordable housing and
4 used to create pilot programs to demonstrate innovative,
5 cost-saving approaches to creating or preserving affordable
6 housing. Local housing trust funds shall be derived on an ongoing
7 basis from private contribution or governmental sources that are
8 not otherwise restricted in use for housing programs. These funds
9 may also be expended for any authorized purpose of this program.

10 (d) Three hundred million dollars (\$300,000,000) to be deposited
11 in the ~~Home Ownership Development Account~~, *Self-Help Housing*
12 *Fund*, which is hereby created within the fund. The moneys in the
13 account shall be, upon appropriation by the Legislature, available
14 for the CalHome Program authorized by Chapter 6 (commencing
15 with Section 50650) of Part 2, to provide direct, forgivable loans
16 to assist development projects involving multiple home ownership
17 units, including single-family subdivisions, for self-help mortgage
18 assistance programs, and for manufactured homes. These funds
19 may also be expended for any authorized purpose of this program.
20 *At least thirty million dollars (\$30,000,000) of the amount*
21 *deposited in the Self-Help Housing Fund shall be used to provide*
22 *grants or forgivable loans to assist in the rehabilitation or*
23 *replacement, or both, of existing mobilehomes located in a*
24 *mobilehome or manufactured home community.* These funds may
25 also be used to provide technical assistance pursuant to Section
26 54007.

27 54007. (a) (1) Notwithstanding any other provision of this
28 part, the Department of Housing and Community Development
29 may provide technical assistance to eligible counties and eligible
30 cities, or developers of affordable housing within eligible counties
31 and eligible cities, to facilitate the construction of housing for the
32 target populations for the following programs funded pursuant to
33 this part:

34 (A) The Multifamily Housing Program (Chapter 6.7
35 (commencing with Section 50675) of Part 2).

36 (B) The Joe Serna, Jr. Farmworker Housing Grant Program
37 (Chapter 3.2 (commencing with Section 50515.2) of Part 2).

38 (C) The CalHome Program (Chapter 6 (commencing with
39 Section 50650) of Part 2).

1 (2) Technical assistance pursuant to this section shall be
2 provided using the bond proceeds allocated pursuant to Section
3 54006 to the program for which the technical assistance is
4 provided.

5 (3) The Department of Housing and Community Development
6 shall not provide more than three hundred sixty thousand dollars
7 (\$360,000) total in technical assistance pursuant to this section,
8 and an eligible county or eligible city shall not receive more than
9 thirty thousand dollars (\$30,000) in technical assistance annually.

10 (b) For purposes of this section, the following definitions shall
11 apply:

12 (1) “Eligible city” means a city that is located within a county
13 with a population of 150,000 residents or fewer.

14 (2) “Eligible county” means a county with a population of
15 150,000 residents or fewer.

16 (3) “Technical assistance” includes engineering assistance and
17 environmental review related to an affordable housing project and
18 reimbursement of administrative costs related to developing a grant
19 proposal.

20 54008. (a) The Legislature may, from time to time, amend
21 any law related to programs to which funds are, or have been,
22 allocated pursuant to this chapter for the purposes of improving
23 the efficiency and effectiveness of those programs or to further
24 the goals of those programs.

25 (b) The Legislature may amend this chapter to reallocate the
26 proceeds of bonds issued and sold pursuant to this part among the
27 programs to which funds are to be allocated pursuant to this chapter
28 as necessary to effectively promote the development of affordable
29 housing in this state.

30 54009. Programs funded with bond proceeds shall, when
31 allocating financial support, give preference to projects that are
32 “public works” for purposes of Chapter 1 (commencing with
33 Section 1720) of Part 7 of Division 2 of the Labor Code and other
34 projects on which all construction workers will be paid at least the
35 general prevailing rate of per diem wages as determined by the
36 Director of Industrial Relations.

CHAPTER 3. FISCAL PROVISIONS

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

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

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

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

(c) For the purposes of the State General Obligation Bond Law, the Department of Housing and Community Development is designated the “board” for programs administered by the

1 department, and the California Housing Finance Agency is the
2 “board” for programs administered by the agency.

3 54016. Upon request of the board stating that funds are needed
4 for purposes of this part, the committee shall determine whether
5 or not it is necessary or desirable to issue bonds authorized pursuant
6 to this part in order to carry out the actions specified in Section
7 54006, and, if so, the amount of bonds to be issued and sold.
8 Successive issues of bonds may be authorized and sold to carry
9 out those actions progressively, and are not required to be sold at
10 any one time. Bonds may bear interest subject to federal income
11 tax.

12 54018. There shall be collected annually, in the same manner
13 and at the same time as other state revenue is collected, a sum of
14 money in addition to the ordinary revenues of the state, sufficient
15 to pay the principal of, and interest on, the bonds each year. It is
16 the duty of all officers charged by law with any duty in regard to
17 the collections of state revenues to do or perform each and every
18 act which is necessary to collect that additional sum.

19 54020. Notwithstanding Section 13340 of the Government
20 Code, there is hereby appropriated from the General Fund in the
21 State Treasury, for the purposes of this part, an amount that will
22 equal the total of both of the following:

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

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

28 54022. The board may request the Pooled Money Investment
29 Board to make a loan from the Pooled Money Investment Account,
30 in accordance with Section 16312 of the Government Code, for
31 purposes of this part. The amount of the request shall not exceed
32 the amount of the unsold bonds that the committee has, by
33 resolution, authorized to be sold, excluding any refunding bonds
34 authorized pursuant to Section 54026, for purposes of this part,
35 less any amount withdrawn pursuant to Section 54024. The board
36 shall execute any documents as required by the Pooled Money
37 Investment Board to obtain and repay the loan. Any amount loaned
38 shall be deposited in the fund to be allocated in accordance with
39 this part.

1 54024. For purposes of carrying out this part, the Director of
2 Finance may, by executive order, authorize the withdrawal from
3 the General Fund of any amount or amounts not to exceed the
4 amount of the unsold bonds that the committee has, by resolution,
5 authorized to be sold, excluding any refunding bonds authorized
6 pursuant to Section 54026, for purposes of this part, less any
7 amount withdrawn pursuant to Section 54022. Any amounts
8 withdrawn shall be deposited in the fund to be allocated in
9 accordance with this part. Any moneys made available under this
10 section shall be returned to the General Fund, plus the interest that
11 the amounts would have earned in the Pooled Money Investment
12 Account, from moneys received from the sale of bonds which
13 would otherwise be deposited in that fund.

14 54026. The bonds may be refunded in accordance with Article
15 6 (commencing with Section 16780) of Chapter 4 of Part 3 of
16 Division 4 of Title 2 of the Government Code. Approval by the
17 electors of this act shall constitute approval of any refunding bonds
18 issued to refund bonds issued pursuant to this part, including any
19 prior issued refunding bonds. Any bond refunded with the proceeds
20 of a refunding bond as authorized by this section may be legally
21 defeased to the extent permitted by law in the manner and to the
22 extent set forth in the resolution, as amended from time to time,
23 authorizing that refunded bond.

24 54028. Notwithstanding any provisions in the State General
25 Obligation Bond Law, the maturity date of any bonds authorized
26 by this part shall not be later than 35 years from the date of each
27 such bond. The maturity of each series shall be calculated from
28 the date of each series.

29 54030. The Legislature hereby finds and declares that,
30 inasmuch as the proceeds from the sale of bonds authorized by
31 this part are not “proceeds of taxes” as that term is used in Article
32 XIII B of the California Constitution, the disbursement of these
33 proceeds is not subject to the limitations imposed by that article.

34 54032. Notwithstanding any provision of the State General
35 Obligation Bond Law with regard to the proceeds from the sale of
36 bonds authorized by this part that are subject to investment under
37 Article 4 (commencing with Section 16470) of Chapter 3 of Part
38 2 of Division 4 of Title 2 of the Government Code, the Treasurer
39 may maintain a separate account for investment earnings, may
40 order the payment of those earnings to comply with any rebate

1 requirement applicable under federal law, and may otherwise direct
2 the use and investment of those proceeds so as to maintain the
3 tax-exempt status of tax-exempt bonds and to obtain any other
4 advantage under federal law on behalf of the funds of this state.

5 54034. All moneys derived from premiums and accrued interest
6 on bonds sold pursuant to this part shall be transferred to the
7 General Fund as a credit to expenditures for bond interest;
8 provided, however, that amounts derived from premiums may be
9 reserved and used to pay the costs of issuance of the related bonds
10 prior to transfer to the General Fund.

11 SEC. 3. Section 2 of this act shall become operative upon the
12 adoption by the voters of the Affordable Housing Bond Act of
13 2018.

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

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

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