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# SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

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**Bill No:** AB 45 **Hearing Date:** July 12, 2017  
**Author:** Thurmond  
**Version:** June 29, 2017  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Ian Johnson

**Subject:** California School Employee Housing Assistance Grant Program

## SUMMARY

This bill requires the California Department of Housing and Community Development (HCD) to administer the California School Employee Housing Assistance Program, a predevelopment grant and loan program, to fund the creation of affordable housing for school district employees and teachers.

## BACKGROUND

Existing law:

- 1) Establishes various housing programs, such as the Multifamily Housing Program and Joe Serna Jr. Farmworker Housing Grant Program administered by the HCD and the Low-Income Housing Tax Credit Program administered by the Tax Credit Allocation Committee within the State Treasurer's Office, to help low-income families and other specified groups.
- 2) Defines "rental housing development" as a structure or set of structures with common financing, ownership, and management, and which collectively contain five or more dwelling units, including efficiency units. No more than one of the dwelling units may be occupied as a primary residence by a person or household who is the owner of the structure or structures.
- 3) Establishes the Teacher Housing Act of 2016 to facilitate the acquisition, construction, rehabilitation, and preservation of affordable rental housing for teachers, school district employees, and their families to allow teachers or school district employees to access and maintain housing stability.

## ANALYSIS

This bill:

- 1) Defines "affordable housing" to mean housing that serves persons and families that make up to 120 percent of the area median income.
- 2) Defines "qualified developer" to mean a developer that has partnered with a "qualified school district."

- 3) Defines "school district employee" to mean employees of a public or charter school district, including teachers located in the jurisdiction boundaries of the school district.
- 4) Defines "qualified school district" to mean a school district that satisfies all of the following:
  - a) Has acquired land from a school district, special district, or city that may be used to engage in a lease and development agreement, including but not limited to, a joint occupancy agreement for the purposes of design, construction, financing, and long-term operation of a housing development and amenities.
  - b) Demonstrates to the State Department of Education evidence which shows a trend, over a minimum of three years, that the school has a problem recruiting or retaining teachers, or both, using documented data, including, but not limited to, the following:
    - i) A high percentage of teachers not teaching in the academic subjects or grade levels that the teachers were trained to teach.
    - ii) A high percentage of teachers with emergency, provisional, or temporary certification or licensing.
    - iii) Exit interviews of school employees.
    - iv) High local rental housing costs.
    - v) High district costs associated with recruiting teachers.
    - vi) The median time of teachers being employed by the district.
  - c) Demonstrates to the State Department of Education that any project funded by a predevelopment grant is subject to a project labor agreement and is either a public work or is subject to a legally binding requirement that prevailing wages be paid to all workers.
- 5) Requires a school district seeking a predevelopment loan to apply to the State Department of Education for certification as a "qualified school district."
- 6) Requires the California Department of Housing and Community Development (HCD) to make predevelopment grants as follows:
  - a) Grants shall be awarded to qualified school districts and qualified developers in partnership.
  - b) Grants shall be based on the accomplishment of predevelopment milestones as determined by HCD.

- c) Priority shall be given to partnerships in which qualified school districts have 60 percent or more of the students participating in the National School Lunch Program.
- 7) Requires the affordability of units financed using predevelopment grants and loans be restricted for 55 years.
- 8) Requires the California Department of Housing and Community Development (HCD) to make loans to qualified developers using a project selection process that meets the following requirements:
  - a) Ensures, to the extent feasible, a reasonable geographic distribution of funds.
  - b) The proposed project is located within a reasonable proximity to public transportation and services.
  - c) Development costs for the proposed project are reasonable compared to the cost of comparable projects in the area.
  - d) The proposed project is feasible.
- 9) Provides that loans are for a term of not less than 55 years and principal and interest are due and payable upon completion of the loan. The loan shall bear simple interest at the rate of 3 percent per year on the unpaid principal balance.
- 10) Limits the loan amount per project to \$10 million.
- 11) Provides that implementation of the program is subject to a \$25 million appropriation in the Budget Act or another bill.
- 12) Provides that appropriations made to the Program are not deemed "General Fund revenues appropriated for school districts" for the purposes of Proposition 98.

## STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, "...there are two reasons why this bill is needed: lack of predevelopment financing and inadequate funding sources. The predevelopment process, which includes feasibility studies, entitlements, environmental impact reports, among other activities, requires funds that many cash-strapped school districts cannot cover up-front. This bill would provide funding necessary to begin development.

Furthermore, current funding for the development phase of such housing is inadequate for school districts in high-cost areas. State and federal subsidies are effectively capped at 60 percent Area Median Income (AMI), which for some school districts, is only slightly above the income for a starting teacher. The consequence of this threshold, as was experienced by the Los Angeles Unified School District, is that teachers in such districts would not qualify. This bill would

provide the development financing needed to subsidize units above the existing threshold of 60 percent area median income (AMI)."

- 2) ***Affordable housing programs in California.*** California has seen a decline in funding to support the construction of affordable housing for very low-, low- and moderate-income families. Historically, the state has invested in low- and moderate-income housing primarily by providing funding for construction. Because of the high cost of land and construction and the subsidy needed to keep housing affordable to residents, affordable housing is complicated to build. Developers typically use multiple sources of financing, including voter-approved housing bonds, state and federal low-income housing tax credits, private bank financing, and local matching dollars.

The California Housing Finance Agency (CalHFA) is the state's affordable housing bank, providing down payment assistance to qualified low- and moderate-income buyers through a loan secured on the property that is repaid when a home sells. In addition, CalHFA provides loans to multifamily housing developers to construct affordable housing. CalHFA does not receive funding from the General Fund and pays for its programs by issuing bonds which are then repaid from loan proceeds.

The California Department of Housing and Community Development (HCD) operates a variety of programs that support the acquisition, rehabilitation and construction of affordable housing to very low-, low- and moderate-income households. The Multifamily Housing Program (MHP) provides gap financing to affordable housing developers. Developments financed using MHP or CalHFA's multi-family loans agree to provide the housing for a term of 55 years. The loans are made for 55 years at 3 percent annual interest on the outstanding balance of the loan. The HCD also operates a predevelopment loan program that provides loans up to \$100,000 to non-profit housing developers, local governments, housing cooperates, or limited liability companies in which all the members are non-profits. The loans may be used for control, site acquisition for future low-income housing development, engineering studies, architectural plans, application fees, legal services, permits, bonding, and site preparation.

- 3) ***Legislative Analyst Office (LAO) report on housing costs.*** In its March 2015 report "California's High Housing Costs: Causes and Consequences", the LAO cites that "Housing in California has long been more expensive than most of the rest of the country. Beginning in about 1970, however, the gap between California's home prices and those in the rest of the country started to widen. Between 1970 and 1980, California home prices went from 30 percent above U.S. levels to more than 80 percent higher. This trend has continued. Today, an average California home costs \$440,000, about two-and-a-half times the average national home price (\$180,000). Also, California's average monthly rent is about \$1,240, 50 percent higher than the rest of the country (\$840 per month)."

The LAO also cites that California's housing problems warrant attention from state leaders and that the Legislature should, among other things, recognize the targeted role of affordable housing programs. According to the report, "These programs play an important role in assuring housing access for many

Californians with unmet housing needs. We note, however, that the scale of these programs—even if greatly increased—could not meet the magnitude of new housing required that we identify in this report. Accordingly, we recommend the Legislature consider how targeted programs could supplement more private housing construction by assisting those with limited access to market rate housing, such as people experiencing homelessness, those with mental and/or physical health challenges, and those with very low incomes.”

4) ***Double-referral.*** This bill was heard in the Senate Transportation and Housing Committee on June 27, 2017.

5) ***Related Legislation.***

SB 765 (Wiener) requires school districts seeking to sell, lease, or jointly occupy property for non-educational purposes to first offer the property to a charter school, except property intended to be used for teacher housing. SB 765 passed this Committee on April 26, 2017, and is currently pending before the Assembly Education Committee.

AB 1157 (Mullin) excuses school districts that sell, lease, or rent excess real property to be used for teacher or school district employee housing from being required to appoint an advisory committee related to surplus property, and allows school districts to use proceeds from the sale or lease of school district property to construct, reconstruct, or renovate rental housing facilities for teachers and school district employees. AB 1157 passed this Committee on June 28, 2017, and is currently pending before the Senate Governance and Finance Committee.

## **SUPPORT**

California Federation of Teachers (co-sponsor)  
 California Teachers Association (co-sponsor)  
 State Building and Construction Trades Council, AFL-CIO (co-sponsor)  
 California Apartment Association  
 California Association of Realtors  
 California School Employees Association  
 Common Sense Kids Action  
 Compton Unified School District  
 Contra Costa County  
 League of California Cities  
 San Francisco Unified School District  
 Santa Clara County Office of Education  
 The Arc  
 United Cerebral Palsy California Collaboration  
 United Teachers of Richmond  
 West Contra Costa Unified School District

## **OPPOSITION**

American Fire Sprinkler Association  
 Associated Builders and Contractors

Independent Roofing Contractors of California, Inc.  
Plumbing-Heating-Cooling Contractors Association of California  
Western Electrical Contractors Association

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