
THIRD READING

Bill No: SB 2
Author: Atkins (D), et al.
Amended: 5/26/17
Vote: 27 - Urgency

SENATE TRANS. & HOUSING COMMITTEE: 9-3, 2/28/17
AYES: Beall, Allen, Atkins, McGuire, Mendoza, Roth, Skinner, Wieckowski,
Wiener
NOES: Bates, Gaines, Morrell
NO VOTE RECORDED: Cannella

SENATE GOVERNANCE & FIN. COMMITTEE: 5-2, 3/15/17
AYES: McGuire, Beall, Hernandez, Hertzberg, Lara
NOES: Nguyen, Moorlach

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/25/17
AYES: Lara, Beall, Bradford, Hill, Wiener
NOES: Bates, Nielsen

SUBJECT: Building Homes and Jobs Act

SOURCE: California Housing Consortium
Housing California

DIGEST: This bill establishes the Building Homes and Jobs Act and imposes a \$75 fee on real estate transaction documents, excluding commercial and residential real estate sales, to provide funding for affordable housing.

ANALYSIS:

Existing law:

- 1) Establishes a number of programs at the Department of Housing and Community Development (HCD) and the California Housing Finance Agency

(CalHFA) to make housing more affordable to California families and individuals.

- 2) Authorizes a county to adopt an ordinance authorizing a fee for recording and indexing every instrument, paper, or notice required or permitted by law to be recorded. The base rate of the fee is \$10 for recording the first page and \$3 for each additional page.

This bill:

- 1) Establishes the Building Homes and Jobs Act (the Act). Beginning January 1, 2018, the Act imposes a \$75 fee on every real estate instrument, paper, or notice that is required or permitted by law, on each transaction per parcel of real property, excluding sale documents. The fee shall not exceed \$225. Defines “real estate instrument, paper, or notice” as a document relating to real property, including but not limited to the following: deed, grant deed, trustee's deed, deed of trust, conveyance, quit claim deed, fictitious deed of trust, assignment of deed of trust, request for notice of default, abstract of judgment, subordination agreement, declaration of homestead, abandonment of homestead, notice of default, release or discharge, easement, notice of trustee sale, notice of completion, Uniform Commercial Code financing statement, mechanic's lien maps, and covenants, conditions, and restrictions.
- 2) Requires that, upon appropriation by the Legislature, that 20% of the funds are expended for “affordable owner-occupied workforce housing”; 10% of the funds are expended to address affordable homeownership and rental housing opportunities for agricultural workers; and the remainder of the funds may be expended for, among other things, the following: development, acquisition, rehabilitation and preservation of rental housing that is affordable to extremely low, very low, low-, and moderate-income households, including necessary operating subsidies; matching funds to local or regional housing trust funds; emergency shelters, transitional housing, and rapid rehousing; homeownership opportunities; and grants to local and regional agencies to assist in the development and updating of planning documents and zoning ordinances to accelerate housing production.
- 3) Requires HCD, in consultation with CalHFA, the California Tax Credit Allocation Committee, and the California Debt Limit Allocation Committee to submit the Building Homes and Jobs Investment Strategy (investment strategy) as part of the 2018-19 Budget. HCD shall update the investment strategy every five years thereafter. Establishes the Building Homes and Jobs Trust Fund

Governing Board (governing board), which has the authority to review and approve HCD's recommendations for all funds distributed from the Fund, and made up of specified members.

- 4) Requires HCD to hold at least four public workshops in different regions of the state to inform the development of the investment strategy. The investment strategy shall do the following:
 - a) Identify the statewide needs, goals, objectives, and outcomes for housing for a five-year time period. Goals should include targets of the total number of affordable homes created and preserved with the funds.
 - b) Meet the following minimum objectives:
 - i) Encourage economic development and job creation by helping to meet the housing needs of those earning up to 120% area median income (AMI).
 - ii) Identify opportunities for coordination among state departments and agencies to achieve greater efficiencies, increase the amount of federal investment in production, services, and operating costs of housing, and promote energy efficiency in housing produced.
 - iii) Incentivize the use and coordination of non-traditional funding sources.
 - iv) Incentivize innovative approaches that produce costs savings to local and state services by reducing the instability of housing for frequent, high-cost users of hospitals, jails, detoxification facilities, psychiatric hospitals, and emergency shelters.
 - c) Provide for a geographically balanced distribution of funds, including a 50% direct allocation of funds to local governments. To receive an allocation, a local government shall:
 - i) Submit a plan to HCD detailing how allocated funds will be used by the local government consistent with this Act.
 - ii) Have a compliant housing element with the state, submit annual reports on the general plan, as required under existing law, and submit an annual report to HCD that provides ongoing tracking of the uses and expenditures of any allocated funds.

- iii) Emphasize investments that serve households that are at or below 60% AMI.
- 5) Requires the California State Auditor's Office to conduct periodic audits to ensure the annual allocation to individual programs is awarded by HCD in a timely fashion.

Background

- 1) Historically, the state has funded housing programs through the sale of general obligations bonds and through revenue generated by redevelopment agencies. With the elimination of redevelopment agencies and expenditure of existing bond funds, these sources of funding for affordable housing is no longer available. The Act creates a permanent and ongoing source of funding for housing to fill the gap in funding lost from the loss of redevelopment agencies and the exhaustion of prior bond funds.
- 2) *Investment Strategy.* The Act requires HCD, as part of the 2018-19 Budget, to submit an investment strategy and provide an update every five years, thereafter. The investment strategy must identify the statewide needs, goals, objectives, and outcomes for housing for a five-year period and meet a number of other minimum requirements. HCD must seek public input by holding at least four workshops across the state to inform the development of the investment strategy.
- 3) *Accountability and reporting requirements.* Local jurisdictions may only receive funds if they: (a) submit a plan detailing how funds will be used, (b) submit a compliant housing element as required under existing law, (c) submit an annual report on the General Plan as required under existing law, (d) submit an annual report to HCD that provides ongoing tracking and uses of the funds, and (e) emphasize investments that serve households at or below 60% AMI.

Additionally, HCD, as part of its annual Legislative Report, shall report how funds were allocated and expended pursuant to this Act, including efforts to promote geographically balanced distribution of funds. The report must assess the impact of the investment on job creation and the economy and an analysis of the effectiveness of allowing persons at risk of homelessness to remain permanently housed.

The Auditor's Office must conduct periodic audits to ensure the allocation to individual programs is awarded by HCD in a timely fashion consistent with the requirements in this Act.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- Unknown fee revenue gains, likely in the range of \$200 million to \$300 million annually depending on the volume of recorded documents (Building Homes and Jobs Trust Fund – BHJ Trust Fund).
- Unknown ongoing costs, likely in the millions annually beginning in 2018-19, for the HCD and CalHFA to administer the programs funded by new fee revenues deposited into the BHJ Trust Fund. The bill authorizes up to 5% of any funds allocated to state agencies to administer programs supported by the fee revenues, which could be as high as \$10 million to \$15 million annually using the revenue estimates noted above. All HCD and CalHFA administrative costs would be fully covered by fee revenues deposited into the BHJ Trust Fund.
- HCD costs of approximately \$228,000 and 1.5 PY of staff time in 2017-18 to develop the Building Jobs and Homes Investment Strategy, as specified. HCD would incur similar costs every five years for periodic updates of the investment strategy. Initial costs would be a General Fund obligation, while ongoing costs would be supported by BHJ Trust Fund revenues.
- Unknown costs, potentially in the low hundreds of thousands annually beginning in 2017-18, to support the activities of the 15-member Building Homes and Jobs Trust Fund Governing Board, including administrative staff support and expenses related to board meetings. (General Fund)
- Costs in the range of \$250,000 to \$350,000 (BHJ Trust Fund) in 2019-20 to the State Auditor's Office to conduct an initial audit. Ongoing periodic audit costs in the range of \$150,000 to \$250,000 (BHJ Trust Fund).
- Unknown local mandate costs, not state-reimbursable. This bill authorizes the county recorder to deduct actual and necessary costs to administer to collection of recordation fees prior to transmitting the balance to the state.

SUPPORT: (Verified 5/31/17)

California Housing Consortium (co-source)
Housing California (co-source)
State Controller Betty Yee
AARP
Abode Communities
Affirmed Housing
Affordable Housing NOW!
American Federation of State County, and Municipal Employees, AFL-CIO
American Planning Association, California Chapter
Alliance of Californians for Community
Empowerment
Allied Argenta
Aspiranet
Association of Regional Center Agencies
Bay Area Business Roundtable
Bay Area Council
Bishop Paiute Tribe
BRIDGE Housing
Burbank Housing Development Corporation
California Apartment Association
California Asset Building Association
California Association of Realtors
California Bicycle Coalition
California Building Industry Association
California Catholic Conference
California Church IMPACT
California Coalition for Rural Housing
California Collaborative for Long Term Services & Supports
California Community Economic Development Association
California Council for Affordable Housing
California Downtown Association
California Faculty Association
California Federation of Teachers
California Housing Partnership Corporation
California Infill Federation
California Labor Federation
California League of Conservation Voters
California PACE Association

California Police Chiefs Association
California Reinvestment Coalition
California School Employees Association
California State Association of Counties
California State Council of Laborers
California-Nevada Conference of Operating Engineers
Central City Association of Los Angeles
Century Housing Corporation
Charities Housing
Children's Defense Fund – California
Christian Church Homes
Cities Association of Santa Clara County
Cities of Alameda, American Canyon, Belmont, Carpinteria, Cloverdale, Daly City, Duarte, East Palo Alto, Fort Bragg, Glendale, Goleta, Hayward, Indio, Lake Elsinore, Los Angeles, Mill Valley, Napa, Oakland, Sacramento, San Jose, San Mateo, San Rafael, Santa Monica, Santa Rosa, Sebastopol, Ukiah, Union City, Walnut Creek, West Hollywood
Community Corporation of Santa Monica
Community Development Commission of Mendocino County
Community Economics, Inc.
Community Housing Improvement Program
Community Housing Improvement Systems & Planning Association, Inc.
Community Housing Opportunities Corporation
Community Housing Partnership
Congress of California Seniors
Corporation for Supportive Housing
Council of Community Housing Organizations
Council of Infill Builders
Democratic Party of Contra Costa County
Dignity Health
Downtown Sacramento Partnership
Downtown Women's Center
EAH Housing
East Bay Asian Local Development Corporation
East Bay Developmental Disabilities Legislative Coalition
Easy Bay Housing Organizations
Eden Housing
ElderFocus
Enterprise Community Partners

Family Care Network, Inc.
First Place for Youth
Greenbelt Alliance
Guidiville Indian Rancheria
Habitat for Humanity, California
Heffernan Insurance Brokers
Highridge Costa Companies
Housing Authority of the County of Santa Barbara
Housing Consortium of the East Bay
Housing Trust Silicon Valley
Innovative Housing Opportunities
John Stewart Company
Kennedy Commission
LeadingAge California
League of California Cities
League of Women Voters of California
Life Skills Training & Educational Programs, Inc. (LifeSTEPS)
LINC Housing
Little Tokyo Service Center
Los Angeles Business Council
Los Angeles Area Chamber of Commerce
Mammoth Lakes Housing, Inc.
Manzanita Services, Inc.
Marin County Council of Mayors and Councilmembers
Mayor Edwin M. Lee, City of San Francisco
Mayor Eric Garcetti, City of Los Angeles
Mayor Helene Schneider, City of Santa Barbara
Mayor Libby Schaaf, City of Oakland
Mayor Miguel Pulido, City of Santa Ana
Mayor Robert Garcia, City of Long Beach
Mayor Sam T. Liccardo, City of San Jose
Mental Health America of California
Mental Health Association of San Mateo County
Mercy Housing Management Group
Metropolitan Transportation Commission
MidPen Housing Corporation
Modac Lassen Indian Housing Authority
Monterey Bay Economic Partnership
Move LA

Mutual Housing California
Napa Valley Community Housing
National Association of Social Workers – California Chapter
Natural Resources Defense Council
Nonprofit Housing Association of Northern California
North Bay Leadership Council
North Orange County Chamber of Commerce
Northern California Community Loan Fund
Northern California Land Trust
Northern Circle Indian Housing Authority
Planning & Conservation League
PolicyLink
Promise Energy, Inc.
Public Advocates
Public Law Center
Resources for Community Development
RISE
Rise Together
Rural Community Assistance Corporation
San Diego and Imperial Counties Labor Council, AFL-CIO
San Diego Housing Federation
San Francisco Bay Area Rapid Transit District
San Francisco Chamber of Commerce
San Francisco Council of Community Housing Organizations
San Luis Obispo County Housing Trust Fund
Santa Clara County Board of Supervisors
Satellite Affordable Housing Associates
Self-Help Enterprises
Sierra Business Council
Sierra Club California
Silicon Valley Bank
Silicon Valley Leadership Group
Small Businesses for Affordable Housing in Petaluma
Sonoma County Community Development Commission
Southern California Association of Nonprofit Housing
State Building and Construction Trades Council, AFL-CIO
SV@Home
Tenants Together
Tenderloin Neighborhood Development

The Arc California
The Pacific Companies
Town of Danville
Tule River Indian Housing Authority
United Cerebral Palsy California
Valley Economic Development Center
Ventura Council of Governments
Wakeland Housing and Development Corporation
Western Center on Law & Poverty
Five individuals

OPPOSITION: (Verified 5/25/17)

American Resort Development Association
Butte County Board of Supervisors
California Business Properties Association
California Escrow Association
California Land Title Association
California Mortgage Association
California Pool & Spa Association
California Taxpayer Association
Community Associations Institute
County Recorders' Association of California
First American Financial Corporation
Howard Jarvis Taxpayers Association
Humboldt County Clerk-Recorder
Inyo County Board of Supervisors
National Federation of Independent Business
Orange County Board of Supervisors
Sierra County Board of Supervisors
Sutter County Board of Supervisors
United Trustees Association

ARGUMENTS IN SUPPORT: According to the author, California is facing a housing affordability crisis. Due to this housing shortage, 50% of moderate-income and 100% of low-income families in our state struggle to afford the cost of housing in their local communities. The most vulnerable of them risk joining the 118,000 Californians who are already homeless on any given night. This crisis affects more than just residents: the state also loses \$140 billion per year in output (or six percent of state gross domestic product) due to the lack of affordable housing. An

ongoing funding source for affordable housing is critical to stabilize the state's housing development and construction marketplace. With a sustainable source of funding in place, more affordable housing developers will take on the risk that comes with development and, in the process, create a reliable pipeline of well-paying construction jobs. The Act establishes a permanent funding source that will increase California's supply of affordable homes, creates jobs, and spur economic growth without incurring additional debt. The Act is estimated to generate hundreds of millions of dollars annually at a time when the need for this increased and ongoing funding source in California has never been more urgent.

ARGUMENTS IN OPPOSITION: According to the County Recorders' Association of California, this bill increases the minimum recording fee by 750% (*i.e.* from \$10 to \$75), which will impact small contractors recording mechanics liens or releases, customers releasing child support, tax or other liens to clear their credit; or a widow/widower recording an affidavit of their spouse's death. Further, this bill creates administrative challenges for County Recorders. The Inyo County Board of Supervisors argue that by exempting sales documents, this bill singles out those facing foreclosure and miners who are required to file annual proof of labor forms to keep their claims. The Board of Supervisors also state that this bill does not guarantee funds would be distributed to Inyo County specifically.

Prepared by: Alison Hughes / T. & H. / (916) 651-4121
5/31/17 13:35:31

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