

Date of Hearing: April 26, 2017

ASSEMBLY COMMITTEE ON EDUCATION

Patrick O'Donnell, Chair

AB 1182 (Low) – As Amended April 20, 2017

[This bill was double-referred to the Assembly Committee on Housing and Community Development and was heard by that committee as it relates to issues under its jurisdiction.]

SUBJECT: Housing: Teacher Housing Assistance Pilot Program

SUMMARY: Establishes the Teacher Housing Assistance Pilot Program (pilot program) to be administered by the California Housing Finance Agency (CalHFA), subject to an appropriation for this purpose by the Legislature. Specifically, **this bill:**

- 1) Makes the following legislative findings and declarations:
 - a) The State of California is currently experiencing a shortage of qualified teachers;
 - b) A number of factors including the high cost of living affect a school district's ability to recruit the necessary number of teachers;
 - c) A high cost of living particularly affects recruitment in city and suburban districts;
 - d) According to a recent study, 89% of districts in cities and 69% of districts in suburban areas report experiencing a teacher shortage; and
 - e) San Francisco, San Diego, Santa Clara, and Los Angeles are among the counties with the highest cost of living in the state.
- 2) Declares the purpose of the pilot program is to assist new and experienced teachers, who are currently teaching or have committed to teach in a high-cost county to obtain housing within the county in which they are living or have committed to teach.
- 3) Defines an "eligible applicant" to mean a person who satisfies all of the following:
 - a) Holds a valid teaching credential;
 - b) Currently teaches or has committed to teach in a school district located in a high-cost county; and
 - c) Resides within the high-cost county in which the person is teaching or has committed to teach.
- 4) Defines "high-cost county" to mean a county where the median housing cost exceeds \$500,000 or the median rental cost exceeds \$3,000.
- 5) Provides that for purposes of the pilot program high cost county is limited to the City and County of San Francisco, the County of San Diego, the County of Santa Clara, or the County of Los Angeles.

- 6) Requires CalHFA to adopt regulations pursuant to the Administrative Procedures Act to implement the program.
- 7) Provides that eligible applicants may receive one-time down payment assistance subject to the following requirements:
 - a) The amount of the down payment assistance shall not exceed 10% of the home sale price and may not exceed 20% of the median home cost for the high-cost county that the eligible applicant resides in;
 - b) Down payment assistance shall be provided as a deferred-payment, low-interest, subordinate mortgage loan;
 - c) The amount of the down payment shall be due and payable at the end of the term or upon sale of or refinancing of the home; and
 - d) Requires as a condition of receiving down payment assistance, the applicant shall commit to teaching in the high-cost county that the applicant resides in for five years after the purchase of the house.
- 8) Requires an applicant to submit an application to the CalHFA for down payment assistance in the form and manner prescribed by the CalHFA including all of the following information:
 - a) The school that the applicant is teaching in or has committed to teach in is located in a high-cost county;
 - b) The type of financial assistance requested; and
 - c) Any other information that the agency determines is necessary to process the application.
- 9) Requires the agency to review any application to determine if the applicant is eligible for down payment assistance.
- 10) Requires CalHFA to give priority to eligible applicants holding a credential in the following high-need subject matter areas:
 - a) Bilingual education;
 - b) Science, technology, engineering, and mathematics; and
 - c) Special education.
- 11) Requires an eligible applicant who receives down payment assistance to submit, by January 1 of each year, a form to the agency that certifies that the applicant is employed at a school district that is located within the high-cost county in which the applicant committed to teach.
- 12) Creates the Teacher Housing Assistance Fund in the State Treasury and provides moneys shall be available for the program by appropriation of the legislature.
- 13) Requires on or before December 31, 2023, CalHFA must submit a report to the Assembly Committee on Appropriations and the Senate Committee on Appropriations that evaluates

the demand for the down payment assistance provided by the pilot program and the effectiveness of the program in addressing the state's teacher shortage.

- 14) Requires CalHFA to make a recommendation in the report as to whether or not the program should be continued.

EXISTING LAW:

- 1) Provides that CalHFA is administered by a board of directors and is supervised on a day-to-day basis by an executive director. (Health & Safety Code 50901, 50908)
- 2) Provides that the primary purpose of CalHFA is to meet the housing needs of persons and families of low or moderate income. (Health & Safety Code 50950)
- 3) Authorizes CalHFA to make loans to housing sponsors for housing developments and to qualified mortgage lenders, among others. (Health & Safety Code 51050)

FISCAL EFFECT: Unknown

COMMENTS:

Purpose of this bill: According to the author, "California is facing a teacher shortage crisis. According to a recent study, 89% of districts in the cities and 69% of districts in suburban areas report a teacher shortage. Due to the high cost of living, school districts have had difficulty not only attracting, but retaining teachers. Californians greatly value our public education system, and housing security is vital to the success of our schools. The affordable housing crisis and teacher shortage are not mutually exclusive. In Santa Clara County the average teacher income is \$80,000 - \$90,000 but the income required to own a single-family home is over \$170,000 a year. In the City and County of San Francisco, the average annual teacher income is approximately \$67,000, but the income required to purchase a single-family home is over \$200,000."

California Housing Finance Agency: The California Housing Finance Agency (CalHFA) is the state's affordable housing lender. Historically, CalHFA has funded its programs by issuing bonds and then repaying the bonds with loan proceeds. The agency provides down payment assistance through the MyHome Program to first-time low and moderate income homebuyers through a deferred payment, subordinate loan. Homebuyers receive between 3% and 6% of the down payment toward a home purchase that is secured against the home. The down payment assistance is paired with a CalHFA first loan mortgage and payment on the down payment assistance is due when the borrower pays off or refinances the first loan. Although CalHFA originally funded its down payment assistance program through bond funds, those funds have been exhausted and the agency is now using recycled funds to fund down payments. The agency has approximately \$150 million remaining which it projects will last for another two years. CalHFA offers down payment assistance statewide, including the four counties targeted in this bill. In high cost counties, the sales price of a home that can qualify for MyHOME is capped at approximately \$650,790.

Income restrictions: To qualify for a down payment from MyHOME, homebuyers must have a qualifying income. In high cost areas, incomes are capped at 140% of the area median income and a homebuyer can receive up to \$15,000 in assistance. AB 1182 does not place any income restrictions on a qualifying homebuyer or the homebuyer's household. **Staff recommends** that

the bill be amended to apply the CalHFA income limits (140% of area median income) to the teacher assistance pilot program.

Potential "doubling up?" The pilot program would award mortgage assistance to qualifying individuals, but does not specifically address situations in which a household has two qualifying individuals, such as teachers who are married or are domestic partners. Although it is not the author's intent, both individuals would technically qualify for separate 10% grants. Accordingly, **staff recommends** an amendment to clarify that the maximum grant is 10% per loan.

Teachers who don't fulfill their commitment. This bill requires teachers who receive down payment assistance to annually verify to the agency that they are teaching in the district that they committed to. However, the bill does not provide an authority or mechanism for the agency to recover down payment assistance from recipients who do not fulfill their five-year commitment. The author's office has informed committee staff that they are looking in whether CalHFA has an existing process to recover loans that may be used for this purpose.

REGISTERED SUPPORT / OPPOSITION:

Support

San Diego County Office of Education
Santa Clara County Office of Education
San Francisco Unified School District
2 Individuals

Opposition

None

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