

Date of Hearing: April 19, 2017

ASSEMBLY COMMITTEE ON EDUCATION
Patrick O'Donnell, Chair
AB 45 (Thurmond) – As Amended April 6, 2017

[Note: 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: California School Employee Housing Assistance Grant Program

SUMMARY: Requires the California Housing Finance Agency (CalHFA) to administer the California School Employee Housing Assistance Program (Program), a predevelopment grant and loan program, to fund the creation of affordable housing for school district employees, including teachers. Specifically, **this bill:**

- 1) Defines "affordable housing" to mean housing that serves persons and families that make up to 120% of the area median income (AMI).
- 2) Defines "qualified developer" to mean a developer that has partnered with a "qualified school district."
- 3) 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) The State Department of Education has determined there is a high percentage of teachers with intern credentials, permits and waivers based on the most recent report published by the Commission on Teach Credentialing at the time that the school district submits its application; and
 - 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.
- 4) Requires a school district seeking a predevelopment loan to apply to the State Department of Education for certification as a "qualified school district."
- 5) Requires CalHFA 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 CalHFA; and

- c) Priority shall be given to partnerships in which qualified school districts have 60% or more of the students participating in the National School Lunch Program.
- 6) Requires the affordability of units financed using predevelopment grants and loans be restricted for 55 years.
- 7) Limits the amount that can be used for predevelopment grants to 20% of the total amount appropriated to the Program.
- 8) Authorizes CalHFA to use up to 5% of funding to reimburse the agency for administrative costs.
- 9) Authorizes an unspecified amount of funding to reimburse the State Department of Education for the cost of certifying qualified school districts.
- 10) Requires CalHFA 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; and
 - d) The proposed project is feasible.
- 11) 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% per year on the unpaid principal balance.
- 12) Requires CalHFA to require annual loan payments in a minimum amount necessary to cover the costs of project monitoring. For the first 30 years of the loan term, the amount of the required loan payments shall not exceed 0.42% per year.
- 13) Limits the loan amount per project to \$10 million.
- 14) Appropriates \$100 million from the General Fund to the California School Employee Housing Assistance Fund for the Program.
- 15) Provides that appropriations made to the Program are not deemed "General Fund revenues appropriated for school districts" for the purposes of Proposition 98.

EXISTING LAW: Establishes the Multi-family Housing Program (MHP) to provide loans at a rate of 3% simple interest per year to fund the acquisition, rehabilitation, and construction of multi-family housing for persons at or below 60% area median income. (c) Principal and accumulated interest is due and payable upon completion of the term of the loan. Department of Housing and Community Development (HCD) is authorized to forgive that portion of that loan that is used to cover costs of developing child care facilities. HCD requires annual loan payments in the minimum amount necessary to cover the costs of project monitoring. For the first 30 years

of the loan term, the amount of the required loan payments shall not exceed forty-two hundredths of 1 percent (.42%) per annum.

FISCAL EFFECT: Unknown

COMMENTS:

Purpose of the bill. According to information provided by the author's office, this bill is intended to help recruit and retain teachers in hard-to-staff districts and districts in high cost areas. Projects in North Carolina and West Virginia suggest that the availability of affordable housing influences the decision to teach in a district. Although some school districts in California (Los Angeles, Santa Clara, and San Francisco) have already building affordable housing for school employees or are in the process of doing so, the author's office argues that most districts cannot afford predevelopment costs, which includes feasibility studies, entitlements, and environmental impact reports. **This bill** provides financing for such costs.

Affordable housing in California. California has seen a drastic 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.

CalHFA, the state's affordable housing bank, provides 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.

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 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% interest per year on the outstanding balance of the loan. 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.

This bill requires CalHFA to create and administer the California School Employee Housing Assistance Program to provide both predevelopment grants and development loans to qualified school districts and developers for the creation of affordable rental housing for school employees, including teachers.

Determining eligibility. This bill defines a "qualified school district" as one that has acquired the necessary land from a school district, special district, or city and that has a high percentage of teachers with intern credentials, permits, and waivers (i.e., "underqualified teachers") based on

the most recent bi-annual report published by the California Commission on Teacher Credentialing (CTC). The presumption is that these are the districts that have the most difficulty recruiting and/or retaining fully credentialed teachers and that the lack of affordable housing may be a contributing factor.

Although the program established by this bill would provide affordable housing for 55 years, district eligibility is based on data from a single point in time. In some cases, a relatively high percentage of underqualified teachers in a district may be a temporary, short-lived condition, caused by circumstances such as a sudden increase in enrollment or an unusually large number of retirements. Accordingly, the committee may wish to consider if eligibility should be based on the prior two or three bi-annual CTC reports, instead of only the most recent one.

In addition, while the author's office states that a purpose of this bill is to assist school districts in areas with high housing costs, the local cost of housing is not a factor in determining eligibility. This means that, all other factors being equal, two districts with different housing costs would be equally eligible for assistance. This may be mitigated somewhat by the bill's requirement that priority be given to districts in which at least 60% of the students enrolled are eligible for free or reduced-price meals (FRPM—the statewide average is just under 60%). This is because some districts with a high FRPM enrollment also have high housing costs. But this is not always the case. Some districts with the highest housing costs in the state would not receive priority under this criterion. In addition, all districts that exceed 60% FRPM enrollment would have equal priority, even though they may have significantly different housing costs. For these reasons, the committee may wish to consider whether the bill should be amended to add local housing costs as a factor for determining eligibility.

Related legislation. This bill is substantially similar to last year's AB 2200 (Thurmond), which passed this committee with committee amendments with a vote of 5-0 and was held on the suspense file in the Assembly Appropriations Committee.

SB 1413 (Leno, Chapter 732, Statutes of 2016) established the Teacher Housing Act of 2016 to among other things make clear that housing provided exclusively for teachers could receive funding from the Low Income Housing Tax Credit program.

REGISTERED SUPPORT / OPPOSITION:

Support

California Federation of Teachers
Common Sense Kids Action
California School Employees Association
California Teachers Association
San Francisco Unified School District

Opposition

None received

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