

MEMORANDUM

To: CalHFA Board of Directors Date: July 7, 2014

From: Di Richardson, Director of Legislation
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Legislative Report

Attached please find a list of bills currently pending before the Legislature. As always, if you have any questions or comments, please let me know.

Affordable Housing

AB 1765 (~~Jones-Sawyer~~ D) Personal income taxes: voluntary contributions: Habitat for Humanity Fund.
Last Amend: 6/4/2014
Status: 6/30/2014-Ordered to third reading – Senate Floor.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: This bill would create the Habitat for Humanity Fund (Fund) and would allow individual taxpayers to specify a voluntary contribution on California personal income tax returns to be deposited into the Fund. The bill would authorize the Department of Housing and Community Development (HCD) to award grants from the Fund to California-based Habitat for Humanity affiliates to underwrite zero-interest mortgages to assist low income families in purchasing homes. The bill would repeal the voluntary contribution program no later than five years after the check-off first appeared on the State personal income tax form (Form) or on January 1, 2021, whichever occurs first.

Notes: Per the author, with bond funding exhausted and redevelopment funds eliminated, California is facing virtually no state investment in affordable housing. At the same time, Habitat for Humanity, a faith-based nonprofit organization dedicated to building affordable homes for families with limited incomes, has built, rehabilitated, repaired or improved more than [800,000] houses worldwide, providing simple, decent and affordable shelter for more than [4] million people. However, redevelopment's [dissolution] in 2011 greatly impacted Habitat's ability to fulfill its mission. Allowing individuals to donate via their income tax [...] return can raise hundreds of thousands of dollars for Habitat for Humanity. This money will be used for the sole purpose of building affordable housing throughout California. In Louisiana, the only other state that has a voluntary income tax check off, the affordable housing fund raises an average of \$5 million annually.

AB 2135 (Ting D) Surplus land: affordable housing.
Last Amend: 6/9/2014
Status: Senate Appropriations Committee. 6/30/2014-Hearing postponed by Committee.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: Would require an entity proposing to use surplus land for developing low- and moderate-income housing to agree to make available not less than 25% of the total number of units

developed on the parcels at affordable housing cost or affordable rent for a period of at least 55 years to lower-income households, as those terms are defined in existing law. This bill would require a local agency to give first priority in disposing of the surplus land to an entity that agrees to these requirements.

Notes: According to the author, AB 2135 "would increase the supply of affordable housing in California by strengthening provisions of existing law that guarantees affordable housing projects first priority to obtain surplus land held by local governments." As the author explains, "this 'Right of First Refusal ' is especially critical in light of state and local priorities for transit oriented development – as transportation districts and other local agencies expand public transit, surplus land acquired in the process will provide valuable opportunities to create new affordable housing options within sustainable communities."

CalHFA

AB 1929

(Chau D) California Housing Finance Agency: MHSA funding: special needs housing for person with mental illness.

Last Amend: 6/26/2014

Status: 6/26/2014-Read second time and amended. Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: Would authorize a county mental health department to deposit with the California Housing Finance Agency funding received by the county under the MHSA for the development of housing to meet the special housing needs of persons with mental illness. The bill would authorize the agency to receive MHSA funding from a county to finance the acquisition, construction, rehabilitation, refinancing, or development of special needs housing for persons with mental illness.

Density Bonus

AB 2222

(Nazarian D) Housing density bonus.

Last Amend: 6/26/2014

Status: 6/26/2014-Read second time and amended. Ordered to third reading.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: Current law relating to the development of low income housing units generally requires continued affordability for 30 years or longer of all very low and low-income units that qualified an applicant for a density bonus. This bill would require continued affordability for 55 years or longer, of all very low and low-income units that qualified an applicant for a density bonus.

Housing Element

AB 1537 (Levine D) General plan housing element: regional housing need.
 Last Amend: 4/21/2014
 Status: 6/25/2014-From committee: Do pass and re-refer to Com. on APPR. (Ayes 8. Noes 1.) (June 24). Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: This bill would classify any county within the San Francisco-Oakland-Fremont Metropolitan Statistical Area (MSA) that has a population of less than 400,000 as “suburban” for purposes of residential densities deemed suitable for the development of housing affordable to lower income households. In addition, the bill would classify any city within such a county that has a population of less than 100,000 as suburban. The densities deemed suitable for the development of affordable housing are known as the “default densities.” This bill also would require any jurisdiction impacted by the bill to report to the Legislature and to the Department of Housing and Community Development regarding its progress in developing affordable housing. This bill includes a sunset date of December 31, 2023.

AB 1690 (Gordon D) Local planning: housing elements.
 Last Amend: 6/30/2014
 Status: 6/30/2014-Read second time and amended. Ordered to third reading.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: Would authorize a city or county to accommodate the very low and low-income housing need on sites designated for mixed uses if those sites allow 100% residential use and require that residential use occupy 50% of the total floor area of a mixed-use project.

Notes: per Housing CA - Under current law, localities that lack enough properly-zoned sites to meet their housing needs must rezone sufficient sites within three years of the housing element's adoption. At least 50 percent of the very low- and low-income need must be accommodated on sites zoned solely residential (i.e. no other use permitted). This requirement shields housing developers who are meeting core societal needs from competition for sites with much-better resourced commercial and industrial developers - although they still have to compete with market-rate housing developers. AB 1690 would eliminate this protection and instead allow local governments to meet the 50 percent requirement with sites zoned for mixed-use development.

SB 1033 (Torres D) Land use: local planning: housing elements.
 Status: 6/30/2014-Read second time. Ordered to third reading.

Desk	Policy	Fiscal	Floor	Des k	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: The Planning and Zoning Law requires a city or county to prepare and adopt a comprehensive, long-term general plan, and requires the general plan to include specified,

mandatory elements, including a housing element. That law requires the housing element, in turn, to contain, among other items, an identification and analysis of existing and projected housing needs and a statement of goals, policies, quantified objectives, financial resources, and scheduled programs for the preservation, improvement, and development of housing. This bill would revise references to redevelopment agencies within those housing element provisions to instead refer to successor housing agencies.

Housing Finance

AB 523 (Ammiano D) Department of Housing and Community Development: loans.

Last Amend: 6/23/2014

Status: 7/3/2014-In Senate. Held at Desk.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: Would authorize the Department of Housing and Community Development to reduce the interest rate on any loan issued by the department to a rental housing development to as low as 0.42% per annum, or a rate determined by the department that is sufficient to cover the costs of project monitoring, if the development meets specified requirements.

Landlord/Tenant/Rent Control

SB 1439 (Leno D) Residential real property: withdrawal of accommodations.

Last Amend: 6/12/2014

Status: 6/27/2014-Failed Deadline pursuant to Rule 61(b)(13). (Last location was A. JUD. on 6/18/2014)

Desk	Policy	Fiscal	Floor	Desk	Dead	Fiscal	Floor	Conf. Conc.	Enrolled	Vetoed	Chaptered
1st House				2nd House							

Summary: Would authorize the City and County of San Francisco to prohibit an owner of accommodations from filing a notice with a public entity of an intent to withdraw accommodations or prosecuting an action to recover possession of accommodations, or threatening to do so, unless all the owners of the accommodations have been owners of record for 5 continuous years or more, except as specified, or with respect to property that the owner acquired within 10 years after providing notice of an intent to withdraw accommodations at a different property.

Notes: According to the author and sponsors, this bill closes a loophole in the Ellis Act. The original Ellis Act was intended to allow long-term owners to exit the rental housing business, but now speculators are using the act to buy rent-controlled buildings, empty them of long-term tenants, and resell them at windfall profits. As a result, Ellis Act evictions have tripled to 300 units in San Francisco in the last year. A majority of these tenants are seniors and persons with disabilities, who cannot afford to relocate within San Francisco even with legally required cash payments. Owners with less than one year of ownership initiated fifty percent of these withdrawals. Serial evictors – owners who have used the Ellis Act to evict tenants in other properties – are responsible for 30% of withdrawn units. In addition, an owner’s threat of invoking the act leads many tenants to leave without the

formality of an Ellis Act notice. This bill will maintain the original intent of the Ellis Act while allowing San Francisco to stop misuse of the act and reduce the impact on renters.

Mortgage Lending

AB 1393 (Perea D) Personal income taxes: income exclusion: mortgage debt forgiveness.
 Last Amend: 6/15/2014
 Status: 7/3/2014-Urgency clause adopted. Senate amendments concurred in. To Engrossing and Enrolling.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: This bill would extend the provision of existing law that allows a borrower, whose lender agrees to forgive some or all of the borrower's mortgage debt, to exclude that forgiven debt from their state income tax from January 1, 2013 through January 1, 2014.

AB 1730 (Wagner R) Mortgage loan modification.
 Last Amend: 6/5/2014
 Status: 6/25/2014-From committee: Do pass and re-refer to Com. on APPR. (Ayes 6. Noes 1.) (June 24). Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: This bill would increase penalties to existing law prohibiting the collection of advanced fees for loan modifications.

Notes: According to the author, "Mortgage loan modification fraud is a huge issue, especially amongst unwitting senior citizens. Due to the deflation of real property values, either (1) the liens securing the promissory note(s) for principal residential property exceeds the value of the parcel or (2) the loans which were made have resulted in mortgage payments beyond the ability of the property owners to pay. As a consequence, individuals desperate to save their homes have paid what little money they may still have in advance to individuals who claim to be able to save the home by obtaining a loan modification. These individuals then take the money, abandon the homeowners, and allow the property to be sold at foreclosure." Under this bill, prosecutors would have the discretion to charge mortgage loan modification violations as a felony – rather than simply a misdemeanor, as permitted under existing. In other words, the existing crime would be made a "wobbler." In addition, wrongdoers would be subject to an additional civil penalty in an action by public prosecutors, as well as an enhanced civil penalty in any action involving seniors and persons with disabilities.

Perm Source

SB 391 (DeSaulnier D) California Homes and Jobs Act of 2013.

Last Amend: 8/8/2013

Status: 8/30/2013-Set, first hearing. Referred to APPR. suspense file. Hearing postponed by committee.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: Would enact the California Homes and Jobs Act of 2013. The bill would make legislative findings and declarations relating to the need for establishing permanent, ongoing sources of funding dedicated to affordable housing development. The bill would impose a fee, except as provided, of \$75 to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded.

PILOT AGREEMENTS

AB 1760 (Chau D) Property taxation: welfare exemption: rental housing and related facilities: payment in lieu of taxes agreement.

Last Amend: 6/11/2014

Status: 6/19/2014-Read second time. Ordered to third reading.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: Would, on or after January 1, 2015, prohibit a local government from entering into a payment in lieu of taxes (PILOT) agreement with a property owner of a low-income housing project, and would make any PILOT agreement entered into in violation of this provision void and unenforceable. This bill would presume that any payments made under any PILOT agreement entered into before January 1, 2015, are used to maintain the affordability of, or reduce the rents otherwise necessary for, the units occupied by lower income households.

SB 1203 (Jackson D) Property taxation: welfare exemption: rental housing and related facilities: payment-in-lieu-of-taxes agreement.

Last Amend: 7/2/2014

Status: 7/3/2014-Read second time. Ordered to third reading.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: Would prohibit an assessor from levying any escape or supplemental assessment as a result of the certification requirement, because of a property owner's certification concerning the use of funds that would have been necessary to pay property taxes and a payment-in-lieu-of-taxes agreement with a local government for which the assessor did not, prior to January 1, 2015, levy any assessment.

Redevelopment

AB 1582 (Mullin D) Redevelopment: successor agencies: Recognized Obligation Payment Schedule.
 Last Amend: 6/17/2014
 Status: 6/17/2014-Read second time and amended. Ordered to third reading.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc			
1st House				2nd House				.	Enrolled	Vetoed	Chaptered

Summary: The Community Redevelopment Law requires a successor agency to prepare a Recognized Obligation Payment Schedule for payments on enforceable obligations for each 6-month fiscal period. This bill would, commencing January 1, 2016, revise the timeline for the preparation of the required Recognized Obligation Payment Schedule to provide that the successor agency prepare a schedule for a 12-month fiscal period, with the first of these periods beginning July 1, 2016, and would authorize the Recognized Obligation Payment Schedule to be amended by the oversight board during a 12-month fiscal period if the amendment is approved at least 90 days before the date of the next property tax distribution.

Notes: This bill revises the timeline for preparation of a ROPS from every six months, to annually, prior to the annual fiscal period, and specifies that the ROPS shall be forward looking to the next fiscal year, for fiscal years beginning on or after January 1, 2015. This bill is author-sponsored. Supporters argue that the bill gives successor agencies additional funding flexibility, and that the current ROPS cycle causes difficulty for long-term funding calculations.

AB 1793 (Chau D) Redevelopment housing successor: report.
 Last Amend: 6/17/2014
 Status: 6/25/2014-From committee: Do pass and re-refer to Com. on APPR. with recommendation: to consent calendar. (Ayes 11. Noes 0.) (June 24). Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc			
1st House				2nd House				.	Enrolled	Vetoed	Chaptered

Summary: Current law requires a redevelopment housing successor annually to provide an independent financial audit of the fund to its governing body, and to post on its Internet Web site specified information. This bill would require that posted information to also include an inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.

AB 1963 (Atkins D) Redevelopment.
 Last Amend: 6/4/2014
 Status: 6/30/2014-Senate amendments concurred in. To Engrossing and Enrolling. (Ayes 78. Noes 0.).

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc			
1st House				2nd House				.	Enrolled	Vetoed	Chaptered

Summary: Would require the property of a former redevelopment agency to be disposed of according to law if the Department of Finance has not approved a long-range property management plan by January 1, 2016.

Notes: The author notes that "During the February 25, 2014 hearing of the Assembly Budget Subcommittee #6, DOF reported to Committee members that there are currently 230 long range property management plans that have been submitted to DOF, 65 of which have been approved. This means that 320 active successor agencies still need DOF approval by the end of 2014. This submission and review process may take longer than originally planned. Given the fact that the approval of the Plans is the key to preventing widespread "fire sale" of properties that Legislators were hoping to avoid through the passage of AB 1484, it is crucial that all successor agencies that are able to receive a finding of completion are able to get an approved plan."

AB 2280 (Alejo D) Community Revitalization and Investment Authorities.

Last Amend: 4/7/2014

Status: 6/25/2014-From committee: Do pass and re-refer to Com. on APPR. (Ayes 4. Noes 2.) (June 25). Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: This bill would authorize cities, counties, and certain special districts to create a Community Revitalization and Investment Authority (Authority) to carry out a community revitalization plan within a community revitalization area. The bill would permit an Authority to receive tax increment revenue with the consent of affected taxing entities. An Authority that receives tax increment revenue would be required to set aside 25 percent of that revenue for affordable housing purposes.

AB 2493 (Bloom D) Redevelopment dissolution: housing projects: bond proceeds.

Last Amend: 7/1/2014

Status: 7/1/2014-Read second time and amended. Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: Would authorize a successor housing entity to designate the use of, and commit, proceeds from indebtedness that was issued for affordable housing purposes prior to June 28, 2011, and would require the proceeds from bonds issued between January 1, 2011, and June 28, 2011, be used for projects meeting certain criteria established in this bill for projects, to be funded by successor agencies generally, from proceeds of bonds issued during the same period.

Notes: According to the author, "During the first half of 2011, prior to the dissolution of all redevelopment agencies, approximately 50 agencies legally issued bonds. Of those cities, 37 have outstanding bond proceeds that they are not allowed to use. The State has asserted that the vast majority of the 2011 redevelopment bonds must be defeased and their proceeds not spent on projects, however, over 90% of these bonds cannot be defeased for 10 years. During this ten-year period, nearly \$1 billion will be spent on the debt service payments for these bonds, and the bond proceeds will continue to go unused. If the proceeds were used for their intended purposes, the construction of these projects would generate over \$1.2 billion in statewide economic activity, more than the debt service payments during the ten-year period. The vast majority of these bonds were issued for public works projects such as infrastructure construction and repair, new public facilities and affordable housing. Bondholders who purchased tax-exempt bonds (approximately 70% of the bonds in question) for specific public works projects were promised tax-free returns. Per federal tax law, tax-exempt bond proceeds must be used for their intended purpose, or the bonds could be subject to losing their tax-exempt status. The author also notes that "various amendments have been added to provide assurance that successor agencies would only be able to use 2011 redevelopment

bond proceeds for projects which were actively being planned prior to January 1, 2011, and that the bill would "assure that cities who rushed to issue bonds, in order to "lock up" funds for future projects that there were not currently working on would not be able to use their 2011 bond."

SB 1129 (Steinberg D) Redevelopment: successor agencies to redevelopment agencies.

Last Amend: 5/27/2014

Status: 6/25/2014-From committee: Do pass and re-refer to Com. on APPR. (Ayes 5. Noes 1.) (June 25). Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf. Conc	Enrolled	Vetoed	Chaptered
1st House				2nd House				.			

Summary: The bill would make a number of changes to the authority given to successor agencies of the former redevelopment agencies and to the process by which successor agencies wind down the affairs of the redevelopment agencies. Specifically, this bill would authorize a successor agency to enter into new agreements or to amend existing agreements in connection with an enforceable agreement. This bill also would require a successor agency to utilize the proceeds of bonds issued during 2011 if the successor agency's oversight board determines that the use of the bond proceeds is consistent with an applicable sustainable communities strategy. In addition, this bill would delete the current requirement that a successor agency's long-range property management plan is ineffective if the Department of Finance (DOF) fails to approve a plan by January 1, 2015.

Notes: Per the author, local officials have identified ambiguities and obstacles in current law which prevent them from completing vital economic development projects that began before redevelopment agencies were dissolved. Because state law doesn't provide successor agencies any flexibility to adjust contracts for enforceable obligations in ways that don't affect tax increment, successor agencies may be unable to finance or complete long-term phased development projects that are already underway. State law offers successor agencies no good options for disposing of billions of dollars of unspent RDA bond proceeds. If the interest rates that a successor agency earns on securities it buys to defease bonds are significantly lower than the interest payments on the bonds, the agency will lose money on the transaction. As a result, successor agencies may choose to retain hundreds of millions of dollars of bond proceeds for extended periods of time, while paying debt service, without producing any new infrastructure or economic development. Some local officials see the requirement to enter into compensation agreements with other taxing entities for real property retained by a successor agency as an impediment to their ability to use these publicly owned properties for economic development purposes. By eliminating these types of ambiguities and obstacles, SB 1129 will support the completion of numerous development projects that have already received millions of dollars of public investments, support state policy goals, and benefit residents throughout California.

Veterans

AB 585 (Fox D) Department of Veterans Affairs: use of real property.

Last Amend: 1/21/2014

Status: 6/25/2014-From committee: Do pass and re-refer to Com. on APPR. (Ayes 5. Noes 0.) (June 24). Re-referred to Com. on APPR.

Desk	Policy	Fiscal	Floor	Desk	Policy	Fiscal	Floor	Conf.			
1st House				2nd House				Conc	Enrolled	Vetoed	Chaptered

Summary: Would require the Department of Veterans Affairs, by July 1, 2016, to develop a master plan for the use of unused or underutilized nonresidential real property owned by the department, for purposes that will benefit California veterans, as specified, and to make a preferred recommendation for use of the property. The bill would specify the required contents of the master plan.