

State of California

MEMORANDUM

To: CalHFA Board of Directors

Date: 12 January 2013

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

Subject: Legislative Report

This report will not be substantively different from the report provided end of year last year, except I have removed chaptered and vetoed bills. This past week was the first full week the Legislature had returned, and the flurry of bill introductions has not yet really taken place. This list is mostly comprised of bills that were introduced last year that are still in play. As always, please let me know if you have any questions.

Cap and Trade

AB 1051 (Bocanegra D) Housing.

Last Amend: 4/8/2013

Status: 5/24/2013-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 5/16/2013)

Summary: Would state findings and declarations of the Legislature relating to transportation and residential housing development, as specified. The bill would create the Sustainable Communities for All program, which would begin operations on January 1, 2015, to fund transit-related projects through competitive grants and loans, as specified. The Sustainable Communities for All program would not be implemented until the Legislature appropriates funds for the program.

Notes: Sponsored by Housing California. According to the proponents of AB 1051, California's transportation sector is responsible for 38% of the state's greenhouse emissions, the largest of any sector. Because transportation needs are driven in large part by where people want—and can afford—to live, housing affordability affects the sector's emissions. Proponents view cap-and-trade revenue as a critical resource, since substantial reductions in transportation and housing funding threaten the ability of communities to achieve AB 32 and SB 375 goals. Therefore, they are proposing to allocate a significant percentage of the cap-and-trade revenues to improve public transportation choices and build homes affordable to lower-income households near transit. They note that policymakers have made it a priority to avoid and mitigate the disproportionate impacts of

climate change and cap-and-trade on disadvantaged communities and households. They argue that funding and policies that avoid displacement of existing residents where transit investments are made are paramount to achieving both environmental and social equity goals. Opponents of this bill argue that questions remain regarding the cap-and-trade program and that it would be premature to develop a program to spend auction proceeds. According to opponents:

- 1) ARB's legal authority to auction cap-and-trade allowances is still in question.
- 2) ARB is currently undertaking a multi-year analysis of the potential leakage impact of the program's cost to the economy and adjustments may need to be made in the amount of withholding necessary to minimize leakage (therefore the amount of money that will be available for investments is uncertain).
- 3) ARB's is still in the process of developing its final investment plan and will be updating the AB 32 scoping plan; therefore, it is unclear what strategies ARB may recommend in this next iteration of the plan to reach AB 32 goals and to invest auction proceeds

Homeless

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

Last Amend: 1/6/2014

Status: 1/6/2014-From committee chair, with author's amendments: Amend, and re-refer to Com. on H. & C.D. Read second time and amended. Re-referred to Com. on H. & C.D. Re-referred to Com. on RLS. pursuant to Assembly Rule 96. From committee: Be re-referred to Com. on V.A. Re-referred. (Ayes 9. Noes 0.) (January 6). Re-referred to Com. on V.A.

Summary: Under current law, the Department of Veterans Affairs has specified powers and duties relating to various programs serving veterans. The department constitutes a public corporation that is authorized to hold property on behalf of the state. This bill would require the department, by January 1, 2015, to develop a master plan for the use of unused or underutilized 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.

Housing Finance

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

Last Amend: 9/3/2013

Status: 9/13/2013-Failed Deadline pursuant to Rule 61(a)(14). (Last location was INACTIVE FILE on 9/12/2013)

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, as specified, if the development meets specified requirements. The bill would authorize the department to change the current interest rate for any loan for which it receives a loan extension request associated with an award of federal or state low-income housing tax credits made on or after January 1, 2014, to the most recently published applicable federal rate, as specified, and to forgive an amount of accrued interest if the total amount of debt and accrued interest at the end of the loan term would be greater after making this change than it would have been under the original interest rate.

Notes: HCD has worked with proponents to develop language agreeable to everyone. Bill will likely be amended and move forward reflecting that agreement.

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.

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.

Mortgage Lending

AB 42 (Perea D) Taxation: cancellation of indebtedness: mortgage debt forgiveness.

Last Amend: 4/8/2013

Status: 5/24/2013-In committee: Set, second hearing. Held under submission.

Summary: The Personal Income Tax Law conforms to specified provisions of federal law relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from an individual's income if that debt is discharged after January 1, 2007, and before January 1, 2013, as provided. The federal American Taxpayer Relief Act of 2012 extended the operation of those provisions to debt that is discharged before January 1, 2014. This bill would conform to the federal extension. This bill contains other related provisions.

Notes: A recent opinion issued by the Franchise Tax Board make the current contents unnecessary in its current form.

SB 30 (Calderon D) Taxation: cancellation of indebtedness: mortgage debt forgiveness.

Last Amend: 8/13/2013

Status: 8/30/2013-Set, second hearing. Held in committee and under submission.

Summary: The Personal Income Tax Law conforms to specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007. The federal Emergency Economic Stabilization Act of 2008 extended the operation of those provisions to debt that is discharged before January 1, 2013. This bill would

extend the operation of the exclusion of the discharge of qualified principal residence indebtedness to debt that is discharged on or after January 1, 2013, and before January 1, 2014. The bill would become operative only if SB 391 is enacted and takes effect. This bill contains other related provisions.

Notes: A recent opinion issued by the Franchise Tax Board make the current contents unnecessary in its current form.

Perm Source

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

Last Amend: 8/8/2013

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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.

Redevelopment

AB 471 (Atkins D) Local government: redevelopment: successor agencies to redevelopment agencies.

Last Amend: 1/6/2014

Status: 1/9/2014-Re-referred to Com. on GOV. & F.

Summary: Current law prohibits an infrastructure financing district from including any portion of a redevelopment project area. This bill would delete that prohibition and would authorize a district to finance a project or portion of a project that is located in, or overlaps with, a redevelopment project area or former redevelopment project area, as specified.

AB 981 (Bloom D) Redevelopment dissolution.

Status: 5/24/2013-Failed Deadline pursuant to Rule 61(a)(5). (Last location was APPR. SUSPENSE FILE on 5/15/2013)

Summary: Current law provides for the transfer of housing assets and functions previously performed by a dissolved redevelopment agency to one of several specified public entities. This bill would authorize that entity to designate the use of, and commit, indebtedness obligation proceeds that were issued prior to June 28, 2011.

Notes: According to the author, the following agencies are currently unable to use 2011 bond funds: Blythe, Brea, Calexico, Cudahy, Culver City, Davis, Fairfield, Folsom, Galt, Glendale, Goleta, Grand Terrace, Inland Valley

Development Agency (former Norton AFB), La Quinta, Lemoore, Lynwood, Monrovia, National City, Oakdale, Oakland, Reedley, Riverside County, City of San Bernardino, Santa Ana, Santa Clara, Santa Monica, Signal Hill, City of Sonoma, Stanton, Temecula, Twentynine Palms, Ukiah, Union City, Vernon, West Hollywood, Westminster, and Yorba Linda. Supporters argue that it is estimated that approximately \$650 million in 2011 redevelopment bond proceeds are currently sitting idle and cannot be used, and if these proceeds were spent on their intended projects, it is estimated that approximately 9,300 high wage construction and related jobs would be generated. Proponents contend that 90% of the bonds cannot be defeased for ten years, during which time nearly \$1 billion must be spent on debt service payments for the bonds without any economic offset.

AB 1080 (Alejo D) Community Revitalization and Investment Authorities.

Last Amend: 8/20/2013

Status: 8/30/2013-Failed Deadline pursuant to Rule 61(a)(11). (Last location was APPR. SUSPENSE FILE on 8/26/2013)

Summary: Would authorize certain public entities of a community revitalization and investment area, as described, to form a community revitalization plan within a community revitalization and investment authority (authority) to carry out the Community Redevelopment Law in a specified manner. The bill would require the authority to adopt a community revitalization plan for a community revitalization and investment area and authorize the authority to include in that plan a provision for the receipt of tax increment funds.

AB 1207 (Brown D) Community development.

Status: 5/10/2013-Failed Deadline pursuant to Rule 61(a)(3). (Last location was PRINT on 2/22/2013)

Summary: The Community Redevelopment Law authorized the establishment of redevelopment agencies in communities to address the effects of blight, as defined. Current law describes physical and economic conditions that cause blight. Current law dissolved redevelopment agencies as of February 1, 2012, and provides for the designation of successor agencies, as defined, to wind down the affairs of the dissolved redevelopment agencies. This bill would make technical, nonsubstantive changes to the provision regarding the causes of blight.

AB 1320 (Bloom D) Redevelopment: allocation of property tax: pass-through payments.

Last Amend: 4/10/2013

Status: 1/6/2014-In committee: Set, second hearing. Hearing canceled at the request of author.

Summary: Current law establishes a public school financing system that requires funding for each county superintendent of schools and school district to be calculated pursuant to a revenue limit, as specified, and requires the revenue limit and general-purpose entitlement for a school entity to be composed of, among other things, certain types of revenues, including ad valorem property tax revenues. This bill would provide that a specified amount of ad valorem property tax revenues allocated to a school entity, defined with reference to former pass-through payments made by a redevelopment agency, will not be included as ad valorem property tax revenues counted against the revenue limit for that entity.

Notes: According to the author of this measure, "a significant portion, or in

some cases all pass-through funds are restricted for facilities use, pass-through payments (or portions thereof) are not treated as local property taxes for purposes of determining per-student funding levels that support school operations. This historic treatment of pass-through payments as a revenue stream on top of the state's Proposition 98 revenue limit (pre-student funding level) is the mechanism that provides that fiscal stability on which school districts and county offices of education rely. Moreover school districts and county offices of education have reasonably anticipated that this funding stream would continue through the contemplated life of the redevelopment project plan."

SB 1 **(Steinberg D) Sustainable Communities Investment Authority.**

Last Amend: 9/3/2013

Status: 9/13/2013-Failed Deadline pursuant to Rule 61(a)(14). (Last location was INACTIVE FILE on 9/12/2013)

Summary: Would authorize certain public entities of a Sustainable Communities Investment Area to form a Sustainable Communities Investment Authority (authority) to carry out the Community Redevelopment Law in a specified manner. The bill would require the authority to adopt a Sustainable Communities Investment Plan for a Sustainable Communities Investment Area and authorize the authority to include in that plan a provision for the receipt of tax increment funds provided that certain economic development and planning requirements are met.

Notes: Per the proponents, eliminating redevelopment agencies did not eliminate the need for California communities to build more affordable housing, eliminate blight, foster business activity, clean up contaminated brownfields, and create jobs. SB 1 establishes a new approach to local economic development and housing policy that is focused on building sustainable communities and creating high skill, high wage jobs. SB 1 fosters collaboration between cities and counties on local economic development efforts and mitigates the zero-sum competition for scarce property tax revenues among cities, counties, and school districts. The bill offers local governments flexibility by allowing an Authority to use a variety of tools, including tax increment financing, Community Redevelopment Law powers, local sales taxes, infrastructure financing districts, and the ability to leverage public pension fund investments.

SB 133 **(DeSaulnier D) Redevelopment.**

Last Amend: 8/6/2013

Status: 9/13/2013-Failed Deadline pursuant to Rule 61(a)(14). (Last location was INACTIVE FILE on 9/10/2013)

Summary: Would require each redevelopment agency to include additional information relating to any major audit violations, as defined, any corrections to those violations, and planning and general administrative expenses of the Low and Moderate Income Housing Fund. The bill would authorize the Controller to conduct quality control reviews of independent financial audit reports and require the Controller to publish the results of his or her reviews. The bill would require the Controller to comply with certain notification and referral provisions in the event that the audit was conducted in a manner that may constitute unprofessional conduct.