

SB 2 (ATKINS): BUILDING HOMES AND JOBS ACT

POSITION: The Chamber's Infrastructure, Housing & Land Use Committee voted to SUPPORT this bill on February 21, 2017, and the Public Policy Committee voted to SUPPORT on March 14, 2017.

STATUS: SB 2 was introduced by Senator Toni Atkins on December 5, 2016. It was heard in the Senate Committee on Transportation & Housing on February 28th and passed on a 9-3 vote. It will be heard in the Senate Governance & Finance Committee on March 15th.

AT-A-GLANCE

SB 2 would establish a permanent funding source for affordable housing by implementing a \$75 fee on real estate transactions, capped at \$225.

SUMMARY

SB 2 establishes a permanent funding source for affordable housing by implementing a \$75 fee on real estate transaction recordings (excluding real estate point of sale documents), but capped at \$225 per parcel and per transaction. These funds would be distributed to the Building Homes and Jobs Fund within the State Treasury. More specifically, 20 percent of the funds would go to affordable workforce housing via local government incentives, and 10 percent would be allocated for farmworker housing, with the remainder being distributed by competitive grants.

The fee is estimated to generate between \$230 and \$260 million dollars to be distributed as described above.

ANALYSIS

SB 2 is a reintroduction of AB 1335 by then-Speaker Emeritus Atkins, which the Chamber supported. The bill was developed to address the housing supply shortage, particular the affordable housing supply shortage, in California. According to the author, California ranks 49th nationwide in housing units per capita. Estimates statewide indicate that over a third of homeowners, and almost half of renters in the state are cost-burdened by housing and that statistic remains true locally. In San Diego, the median home price is over half a million dollars, and average monthly rent is \$1,700. The high cost of housing, spurred by the lack of units being added to keep pace with demand, puts a significant strain on the economy and presents a challenge for employers looking to attract talent.

To look closer at the housing issue in California, it is worth noting that cost of housing, both rental and purchased, has increased steadily across the state while incomes have remained stagnant. As a result, the shortage in California is persistent, and particularly challenging in San Diego. Low income residents in California spend almost 70% of their income on rent, making it more difficult for them to get out of poverty, or find more stable financial footing. The cause for this significant spending on housing, despite a limited income, is partially due to the lack of housing available to them. For instance, in 2014, it was estimated that San Diego County needed 64,000 more low-cost units for the neediest families, not including families that simply qualified for housing subsidies.

Statewide, California needs approximately 1.5 million additional rental homes just to meet current demand. Without those units coming on-line, low-income families will continue to use homeless services,

dramatically overspend on rent and be left without options as higher-earners are forced into once-affordable units due to lack of options at all levels.

Policy experts, including cross-sector collaborative organizations such as California Forward, recognize that a stable source of viable funding for affordable housing is one of the obvious parts of a solution to the housing problem. When redevelopment agencies were dissolved in 2012, the funding source local governments relied upon to develop their requisite affordable housing was taken away. Since then, local governments have struggled to reach their goals, and have not kept pace with need. Today, affordable housing developers are putting together blended funding for projects with ten to twelve different funding streams, which not only prolongs the development and adds cost to such units, but makes the ultimate outcome uncertain. Furthermore, affordable housing often competes in the same arena as market rate units, struggles with high-land costs in San Diego, faces onerous regulatory hurdles and faces heightened community push-back. In sum, these challenges are exacerbated by the lack of funding for affordable housing that developers and local governments once relied upon.

If established, California would be one of 47 states with a housing trust fund. Nine of these states also rely on recording fees for affordable housing development. The investment strategy for the funds would be developed following at least four public workshops in different regions of the state for public engagement and must consult the California Housing Finance Agency, the California Tax Credit Allocation Committee, and the California Debt Limit Allocation Committee. It may be worth pursuing a public workshop in the San Diego region should the bill pass to ensure adequate light is shone on San Diego's housing crisis.

Concerns about distribution of funding from the fee established by SB 2 rightfully point out that there is not dedicated monies for the San Diego region. However, current programs administered by the state's Housing & Community Development agency do not distribute with the goal of geographic equity. SB 2 takes additional steps to equitably fund affordable housing for the Northern and Southern region of California. The language in the bill specifically calls out that the investment strategy must "provide for a geographically balanced distribution of funds" which requires further determination of whether this will be formula-based or competitive. It is specified that local agencies submitting for funds must be able to accept and distribute funds (not all localities have that ability); have a compliant housing element; and submit funds tracking. San Diego region cities, it should be noted, would be able to meet these requirements.

In summary, the already extensive waiting lists for housing vouchers, rental assistance and other programs are impacted, keeping Californians further away from safe, stable housing, and claiming billions of dollars that would otherwise be injected into the economy.

SUPPORT

- Housing California (sponsor)
- California Housing Consortium (sponsor)
- AARP
- California Police Chiefs Association
- Los Angeles Business Council
- San Diego Housing Federation
- San Francisco Chamber of Commerce
- Bay Area Business Roundtable
- California Association of Realtors
- California Apartment Association
- California Building Industry Association
- California Community Economic Development Association
- Housing Trust Silicon Valley
- League of California Cities
- Silicon Valley Leadership Group
- Habitat for Humanity
- North Orange County Chamber of Commerce

- Wakeland Housing and Development Corporation

OPPOSITION

- County Recorders' Association of California
- Inyo County Board of Supervisors
- Butte County Board of Supervisors
- American Resort Development Association