

Date of Hearing: May 12, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 1029 (Mullin) – As Introduced February 18, 2021

Policy Committee:	Housing and Community Development	Vote: 6 - 1
	Local Government	6 - 2

Urgency: Yes      State Mandated Local Program: No      Reimbursable: No

**SUMMARY:**

This bill, an urgency measure, expands the list of policies the Department of Housing and Community Development (HCD) may consider pro-housing policies to include “preservation of affordable housing units through the extension of existing project-based rental assistance covenants to avoid the displacement of affected tenants and a reduction in available affordable housing units.”

**FISCAL EFFECT:**

One-time costs of \$87,000 (GF) annually for two years to HCD for one limited-term part-time position to update regulations, conduct the public comment process and work with the Office of Administrative Law.

**COMMENTS:**

- 1) **Purpose.** This bill seeks to preserve affordable housing stock about to convert to market rate. According to the author:

This bill seeks to encourage local governments to adopt policies to save units that are nearing the end of their affordability covenants. It is much easier to save a unit, which already exists, from converting to market rate, than to build a new unit. At the very least, the state of California ought to do everything in its power to avoid losing existing affordable units. AB 1029 simply seeks to preserve the scarce affordable stock that would otherwise convert to market rate.

- 2) **Background.** Preserving affordable housing is a key strategy for protecting the limited affordable housing stock. Such preservation typically occurs when existing affordable units are purchased by a government entity or non-profit who then extends the affordability covenants. The California Housing Partnership estimates the average cost to purchase an affordable housing unit and maintain the affordability is \$270,000, about half of the cost to build a new affordable housing unit.

Existing law requires HCD to designate cities and counties as pro-housing if their local policies facilitate the planning, approval or construction of housing. “Pro-housing” jurisdictions will receive a competitive advantage in applying for certain state programs, including, but not limited to, the Affordable Housing and Sustainable Communities Program,

Transformative Climate Communities Program and the Infill Incentive Grant Program. HCD is required to adopt emergency regulations by July 1, 2021, to implement this requirement.

Although existing law provides examples of pro-housing local policies, HCD has discretion over the final policies. This bill would add to the list of examples of pro-housing policies, the preservation of affordable units through the extension of affordability covenants.

**3) Related Legislation.**

AB 215 (Chiu), of this legislative session, would, among other things, require cities underperforming on their progress towards meeting regional housing needs to attain HCD's pro-housing designation. AB 215 is pending in this committee.

AB 1398 (Bloom), of this legislative session, would, among other things, add expedited provision of adequate sites to the list of pro-housing local policies for HCD to consider in its regulations. AB 1398 is pending in this committee.

- 4) Prior Legislation.** AB 101 (Committee on the Budget), Chapter 159, Statutes of 2019, among other things, required HCD to designate cities and counties as pro-housing if their local policies facilitate the planning, approval or construction of housing and enabled HCD to implement these through emergency regulations.

**Analysis Prepared by:** Jennifer Swenson / APPR. / (916) 319-2081