

CONCURRENCE IN SENATE AMENDMENTS

AB 1029 (Mullin)

As Amended July 9, 2021

2/3 vote. Urgency

SUMMARY

Adds preservation of affordable housing units as a pro-housing, local policy that the Department of Housing and Community Development (HCD) can consider in developing a pro-housing designation

Senate Amendments

Make a technical change and add a co-author.

COMMENTS

Preservation of Housing Affordability: A standard feature of publicly-subsidized affordable rental housing is an affordability covenant that restricts the unit to a certain affordability level for a certain amount of time. When affordability covenants expire, the owner is allowed to convert the development to market rate, resulting in the loss of affordable housing and the inevitable displacement of the current residents. Current practice is for funding agencies to require affordability covenants of at least 55 years. However, in the past, affordability covenants have been as short as 15 years. These shorter covenants are part of the reason that in the last 20 years the state lost at least 13,000 affordable units when affordability covenants expired and rents went to market rate. According to the California Housing Partnership, in the next 10 years, another 30,000 units are at moderate to high risk of losing their affordability, as the affordability covenants will expire and they are not owned by a mission-driven non-profit.

Preserving affordable housing is a key strategy for protecting our limited affordable housing stock and stabilizing the community. Such preservation typically occurs when the units are purchased by a government entity or non-profit that then extend the affordability covenants. This approach is cost-effective. 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.

Pro-housing Local Policies: In 2019, the Legislature enacted legislation (AB 101 (Budget Committee), Chapter 026, that required HCD to designate cities and counties as pro-housing if their local policies facilitate the planning, approval, or construction of housing. In June 2021, HCD adopted emergency regulations to fulfill this requirement to establish a pro-housing designation. These emergency regulations will need to be re-adopted within 12 months through the non-emergency regulatory adoption process, at which time they will become final.

HCD's pro-housing designation program works by assigning a point value to a range of pro-housing policies that jurisdictions might enact. If a jurisdiction's adopted policy suite scores enough points, HCD would grant them the pro-housing designation. HCD's scoring system focuses on policies that facilitate the development of housing at a range of income levels.

This bill would require HCD to consider making preservation of affordable housing into a pro-housing policy for purposes of their regulations. If HCD wanted to do so, they would have to revise their approach to the pro-housing designation, as the current scoring system does not give

credit for the preservation of affordable housing or other measures that keep housing affordable. Additionally, because this bill (and existing statute) only provide suggestions to HCD as to what to consider a pro-housing policy, it is possible for this bill to pass and for HCD to continue not including the preservation of affordable housing as a pro-housing designation.

According to the Author

"This bill simply 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."

Arguments in Support

Supporters of this bill are mostly cities that would like to receive credit for their preservation programs. They argue that this bill will help reward communities that are working to ensure that existing affordability covenants do not expire. According to the City of Foster City (the bill's sponsor), "We believe that adding preservation of existing affordable housing as a factor HCD must consider when determining which agencies are a pro-housing jurisdiction will enable Foster City to compete for state resources to ensure our most vulnerable residents can remain in their homes."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Appropriations Committee, one-time costs of \$87,000 (General Fund) 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.

VOTES:

ASM HOUSING AND COMMUNITY DEVELOPMENT: 6-1-1

YES: Chiu, Gabriel, Kalra, Maienschein, Quirk-Silva, Wicks

NO: Kiley

ABS, ABST OR NV: Seyarto

ASM LOCAL GOVERNMENT: 6-2-0

YES: Aguiar-Curry, Bloom, Boerner Horvath, Ramos, Luz Rivas, Robert Rivas

NO: Lackey, Voepel

ASM APPROPRIATIONS: 12-4-0

YES: Lorena Gonzalez, Calderon, Carrillo, Chau, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, Friedman, Stone

NO: Bigelow, Megan Dahle, Davies, Fong

ASSEMBLY FLOOR: 61-16-2

YES: Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bloom, Boerner Horvath, Bryan, Burke, Calderon, Carrillo, Cervantes, Chau, Chiu, Cooley, Cooper, Daly, Frazier, Friedman, Gabriel, Cristina Garcia, Eduardo Garcia, Gipson, Lorena Gonzalez, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Lee, Levine, Low, Maienschein, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, O'Donnell, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Stone, Ting, Villapudua, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

NO: Choi, Cunningham, Megan Dahle, Davies, Flora, Fong, Gallagher, Kiley, Lackey, Mathis, Nguyen, Patterson, Seyarto, Smith, Valladares, Voepel

ABS, ABST OR NV: Bigelow, Chen

SENATE FLOOR: 27-9-4

YES: Allen, Archuleta, Atkins, Becker, Bradford, Caballero, Cortese, Durazo, Eggman, Glazer, Gonzalez, Hueso, Hurtado, Kamlager, Laird, Leyva, Limón, McGuire, Min, Pan, Portantino, Roth, Rubio, Skinner, Stern, Umberg, Wiener

NO: Bates, Borgeas, Dahle, Grove, Jones, Melendez, Nielsen, Ochoa Bogh, Wilk

ABS, ABST OR NV: Dodd, Hertzberg, Newman, Wieckowski

UPDATED

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CONSULTANT: Steve Wertheim / H. & C.D. / (916) 319-2085

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