

Date of Hearing: May 11, 2022

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

AB 2053 (Lee) – As Amended April 6, 2022

Policy Committee: Housing and Community Development Vote: 6 - 2

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

SUMMARY:

This bill establishes the California Housing Authority (CHA) for the purposes of developing mixed-income social housing. Among this bill's provisions:

- 1) Creates the CHA as an independent entity within state government to develop social housing, defined as mixed-income rental and ownership housing that is publicly owned and permanently affordable, and provides specified protections for residents who have the right to participate in the operation and management of the units in which they reside.
- 2) Requires the CHA to prioritize development of specified property, including vacant parcels and parcels near transit, and would prescribe a process for the annual determination of required social housing units.
- 3) Prescribes the powers and duties of the CHA and the duties of the board that would govern the authority and would be composed of appointed members and members who are elected by residents of social housing developments, as specified.
- 4) Requires the CHA to use two leasing models in social housing developments, to be referred to as the rental model and the ownership model, and specifies the parameters of each model.
- 5) Prescribes labor participation requirements in the production, rehabilitation and maintenance of housing, including requiring the CHA to (a) enter into community workforce agreements, and (b) obtain an enforceable commitment from an entity undertaking work for the authority that the entity, and its contractors and subcontractors, employ a skilled and trained workforce and pay prevailing wages.
- 6) Requires the CHA's activities to be conducted according to revenue neutrality and states legislative intent to provide financing for the activities of the CHA through the issuance of general obligations (GO) bonds. This bill also authorizes CHA to issue revenue bonds from time to time to provide sufficient funds for financing social housing developments.

FISCAL EFFECT:

- 1) Estimated General Fund (GF) costs of an unknown amount, but likely in the tens of millions of dollars annually, to establish and operate a new state entity, the CHA, which would be responsible for the construction, acquisition and maintenance of mixed-income social housing developments. It is unclear how the CHA would interact with other departments with

overlapping missions such as the Department of Housing and Community Development (HCD) and the California Housing Finance Agency (CalHFA).

- 2) Estimated capital costs of an unknown amount, but likely in the low billions of dollars (GF and bond funds) for the construction and development of social housing units. This bill states legislative intent to issue general obligation (GO) bonds to finance the activities of the CHA, but no timeframe or dollar amount is indicated. In addition, the Legislature lacks the ability to issue GO bonds without voter approval and, thus, subsequent legislation would be needed to put a GO bond measure before the voters.

(The author is also pursuing this proposal in the legislative budget process.)

COMMENTS:

- 1) **Purpose.** This bill seeks to address the state's lack of affordable housing through the use of the social housing model. According to the author:

Social housing is an important tool to ensure housing is affordable to people of all income levels. Social housing is publicly backed, self-sustaining housing that accommodates a mix of household income ranges. Housing is protected from being sold to a private for-profit entity for the duration of its life, and residents are granted the same protections as tenants in private property, if not more.

- 2) **Background.** There are a variety of definitions of social housing, but generally it is distinguished from privately-owned, for-profit housing provided through market mechanisms. The Organization for Economic Cooperation and Development (OECD) defines social housing as “the stock of residential rental accommodations provided at sub-market prices and allocated according to specific rules rather than according to market mechanisms.”

Under this definition, there are an estimated 480,000 socially-rented (i.e., subsidized) housing units available for rent in California, or about 3.5% of the state's housing stock. These deed-restricted affordable rental units are generally built using a mix of public and private financing and residency is restricted to low-income households that make no more than 80% of county area median income (AMI). Other versions of social housing specify permanent affordability requirements and ownership by the government or a non-profit entity. Most of California's deed-restricted affordable housing is not publicly owned and the length of affordability requirements varies, though permanent affordability is not required in most cases.

According to data from the 2019 American Communities Survey, over half of the state's renter households are considered rent-burdened, which is defined as paying more than 30% of their income towards rent. For low-income renter households the share of cost-burdened families is 80%. To address the shortage of affordable housing options, HCD's most recent update of the Statewide Housing Plan calls for the production of over a million units of affordable housing units for lower-income households in the coming years.

This bill creates an independent state entity, CHA, to develop social housing in an effort to close the gap between a jurisdiction's current level of housing production and its housing needs.

3) **Arguments in Support.** The bill's co-sponsor, YIMBY Action writes:

The California legislature has attempted several measures trying to address the chronic housing shortage, funding various kinds of subsidized affordable housing, legalizing Accessory Dwelling Units, and strengthening the RHNA process to spur housing production at every income level. California Legislators have said over and over that an 'all of the above' strategy is needed, and yet have been hesitant to look at successful housing models abroad. Now is the time to pursue a tried and tested model for social housing.

4) **Arguments in Opposition.** The California Association of Realtors, in opposition, writes, the bill "will create a new and expensive bureaucracy, as well as unintended adverse consequences for the housing market." The association argues this bill "runs contrary to the Legislature's recent efforts to streamline housing programs" and would reduce local property tax revenue since CHA developments, including ones with market rate units, would presumably not pay property taxes.

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