

Date of Hearing: April 20, 2022

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Buffy Wicks, Chair

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

SUBJECT: The Social Housing Act

SUMMARY: Establishes the California Housing Authority (CHA) for the purposes of developing mixed-income social housing. Specifically, **this bill:**

- 1) Creates the CHA as an independent state entity with the mission of producing and acquiring social housing for all California residents, eliminating the gap between housing production and regional housing needs assessment targets, and preserving affordable housing.
- 2) Defines “social housing” to mean housing with the following characteristics:
 - a) Units owned by the CHA, a public entity, a housing authority, or a mission-driven not-for-profit private entity;
 - b) All social housing developed by the authority shall be owned by the authority;
 - c) If a housing unit is in a social housing development, the development contains housing units that accommodate a specified mix of household income ranges;
 - d) Units that are owned and managed by a mission-driven not-for-profit private entity shall have units that are permanently restricted by deed to be affordable;
 - e) Residents of CHA units are given, at a minimum, all protections granted to tenants in private property, as specified, but may be evicted for breaking community standards and for non-payment of rent last more than one month;
 - f) The housing units shall be protected for the duration of their useful life from being sold or transferred to a private for-profit entity or a public-private partnership; and
 - g) Residents of the housing units have the right to participate directly and meaningfully in decision making affecting the operation and management of their housing units.
- 3) Defines the following terms:
 - a) “Skilled and trained workforce” has the meaning provided in Section 2601 of the Public Contract Code;
 - b) “Prevailing wage rates” means the general prevailing rate of per diem wages for the craft, classification, or type of work within the locality and in the nearest labor market area, as defined, and the applicable prevailing apprentice wage rate;
 - c) “Community workforce agreement” means a project labor agreement, as specified, that provides opportunities for local and disadvantaged workers and contractors;

- d) “Revenue neutrality” means a system in which all monetary expenditures that result from the development and operation of CHA units are returned through rents, payments on leasehold mortgages, or other specified subsidies;
 - e) “Rent and mortgage cross-subsidization” means a system in which the below-cost rents and leasehold mortgages of certain units are balanced by above-cost payments on others within the same multiunit property;
 - f) “Limited equity arrangement” means an ownership model in which residents are extended a long-term lease, take out a subsidized leasehold mortgage from the CHA, make monthly mortgage payments, and commit to resell at a price designed to balance ongoing affordability and resident wealth generation;
 - g) “Regional housing needs assessment” or “RHNA” means a representation of housing needs for all income levels as specified;
 - h) “Underutilized parcel” means a parcel of property which contains fewer units than the maximum number of units permissible under local zoning regulations;
 - i) “Multifamily property” means a revenue-neutral collection of units featuring units dedicated to a range of affordability levels from extremely low-income to above-moderate income. It may be a single building, multiple buildings on the same or adjacent parcels, or multiple buildings across several blocks within a single jurisdiction, or may be defined by the CHA; and
 - j) “Board” means the CHA Board.
- 4) Specifies income definitions for the following categories, consistent with existing law: extremely low income, very low income, low income, moderate income, and above-moderate income.
- 5) Provides that CHA has various powers, including the ability to:
- a) Sue and be sued;
 - b) Have a seal and alter the same at its pleasure;
 - c) Make and execute contracts and other instruments;
 - d) Make rules with respect to its projects, operations, properties, and facilities;
 - e) Through its executive officer, appoint specified personnel and set various policies;
 - f) Acquire, through specified mechanisms and purchase real, personal, or mixed property or any interest therein and own, hold, clear, improve, rehabilitate, sell, assign, exchange, transfer, convey, lease, or otherwise dispose of it;

- g) By itself, or in partnership with others, undertake specified activities to construct, improve, alter, and repair any project;
 - h) Arrange or contract for the planning, replanning, opening, grading, or closing of streets, roads, roadways, alleys, or other places, or for the furnishing of facilities or for the acquisition of property or property rights, or for the furnishing of property or services in connection with a project;
 - i) Grant options to purchase any project or to renew any lease as specified;
 - j) Prepare, cause to be prepared, and modify project plans, specifications, designs, and estimates of certain costs for the construction, reconstruction, rehabilitation, improvement, alteration, or repair of any project;
 - k) Enter into community workforce and project labor agreements;
 - l) Provide advisory, consultative, training, and educational services, technical assistance, and related work as specified;
 - m) Contract for and accept funding from any public or private agency or other source;
 - n) Employ technical experts and officers, agents, and employees, permanent or temporary, as required;
 - o) Call upon the Attorney General for legal services as it may require; and
 - p) Contract with property managers which meet specified criteria.
- 6) Requires the CHA to submit an annual business plan to the Governor and the Legislature which must be made available for public comment at least 60 days before publication.
- 7) Specifies that the CHA board will consist of nine members who will elect a chair and make decisions by majority vote. The board membership will be as follows:
- a) An expert in housing development and finance;
 - b) An expert in housing construction;
 - c) An expert in property maintenance;
 - d) An appointee of the Speaker of the Assembly;
 - e) An appointee of the Senate Committee on Rules;
 - f) An appointee of the Governor; and
 - g) Three representatives of CHA residents, to be appointed initially by specified entities. Following the occupancy of CHA units, resident representatives are to be elected annually according to specified procedures.

- 8) Tasks the CHA board with the following duties:
 - a) Establish a strategy to eliminate the gap between housing production and acquisition and regional housing needs assessment targets; set objective and performance targets to this goal; and monitor CHA's success in achieving the targets;
 - b) The ability to hire, fire, and monitor performance of an executive officer;
 - c) Approving the annual budget prepared by the executive officer;
 - d) Integrating risk management into the authority's strategic planning process and notify the Governor and the Legislature of specified risks facing CHA;
 - e) Adopting and amend regulations, including on resident board elections; and
 - f) Holding biannual meetings with resident governance councils.
- 9) Provides that each CHA-owned multifamily social housing development must form a governance council with specified powers and responsibilities.
- 10) Requires that the CHA be bound to revenue neutrality and must recuperate the cost of development and operations over the life of its properties through rent cross-subsidization.
- 11) States that the CHA must prioritize development on vacant parcels, certain underutilized parcels with deed-restricted units, surplus public properties, and parcels near transit.
- 12) Specifies that if the development requires rehabilitation or demolition of covenanted affordable units, the new development must include a greater number of affordable units.
- 13) Requires that each multi-unit property must include a variety of mixed income units.
- 14) Provides that if the development of a property requires the removal of residents, the CHA must cover certain relocation costs and provide displaced residents with the right to live in the new CHA property for their previously rent or an affordable rent, whichever is lower.
- 15) Specifies that the CHA will make an annual determination of the required amount of social housing units to be produced as follows:
 - a) Annual regional housing needs assessment (RHNA) targets will be calculated as the total RHNA cycle targets for each jurisdiction divided by the length of the RHNA cycle;
 - b) On or before January 1, 2027, and each year thereafter, the CHA will determine the gap between the previous year's RHNA and actual housing construction; and
 - c) Within a given year, the CHA can construct at least the number of units to meet the gap between the previous year's construction of units and the RHNA targets.

- 16) Specifies that, in creating housing, the authority shall employ two different leasing models, the rental model and the ownership model, as specified.
- 17) Provides that, under the CHA rental model, one-year leases will be used, barring extraordinary circumstances.
- 18) Puts forth the following requirements for CHA ownership units:
 - a) The CHA will extend a 99-year limited equity arrangement lease to individuals who commit to five years of residence. After five years, residents can sell the unit, though the CHA will have first right of refusal to purchase. If the CHA does not purchase then it may be sold to an eligible buyer subject to requirements established by the CHA authority which give the seller a reasonable return on investment;
 - b) Upon the death of the owner, the unit may be transferred to the deceased's heir by devise or as any other real property may pass. If a transferee is not eligible to be a resident, the transferee shall sell the unit to the authority;
 - c) Rent payments will not be more than 30 percent of income and rent adjustments will be applied annually in a way that does not discourage increased earnings. If resident income changes, the property manager will rent to an appropriate income household;
 - d) Residents will pay a 15-percent down payment with the purchase price of the set to be affordable for the purchasing household; and
 - e) Properties will be sold at the price for which the owner purchased the property, plus documented capital improvements, and adjusted for inflation.
- 19) Puts forth the following requirements for CHA residency and occupancy and specifies penalties for failure to abide by them:
 - a) Unless an above-moderate income unit, it must be resident's sole residence;
 - b) Applicant must be living or working in California at the time of their application subject to specified rules;
 - c) Allows an applicant with a prior criminal record to reside in CHA units unless there is evidence a clear and manifest danger to the development or its residents;
 - d) Allows the CHA or the applicable governance council to allow subleasing of units;
 - e) Permits a resident to terminate their residency due to specified reasons including job relocation, change in household structure, and serious illness; and
 - f) Specifies that, with the exception of those displaced during construction, resident selection is by a lottery stratified by income category.
- 20) Provides that the CHA can conduct ground-up construction and rehabilitation of existing structures and may lease mixed-use space to small businesses and nonprofits.

- 21) Specifies that, when appropriate, the state can gift public lands to the CHA, though the CHA can also purchase land from other entities.
- 22) States that the CHA must accept a local government's preference on project location if certain conditions, including cost and community amenity access, are met. Also directs the CHA to seek input from the jurisdiction's governing body related to specific site development, height, number of units, and development timeline.
- 23) Requires the following labor standards for production and rehabilitation of CHA developments:
 - a) To the maximum extent feasible, the CHA must enter into community workforce agreements that apply to work it undertakes, assists, funds, and finances;
 - b) The CHA must obtain an enforceable commitment from any entity undertaking work it assisted, funded, or financed that all contractors and subcontractors will employ a skilled and trained workforce to perform the work, as specified; and
 - c) All work undertaken, assisted, funded, or financed by the CHA and performed by outside contractors is public work for which prevailing wages must be paid.
- 24) Specifies that CHA activities must be conducted according to revenue neutrality and further states that it is the intent of the Legislature to enact legislation to provide financing for the activities of the authority through the issuance of general obligations bonds.

EXISTING LAW:

- 1) Specifies that a housing authority may engage in a number of activities in order to provide housing to low income individuals, including:
 - a) Preparing, carrying out, acquiring, leasing and operating housing projects and developments for persons of low income;
 - b) Providing for the construction, reconstruction, improvement, alteration, or repair of all or part of any housing project;
 - c) Providing leased housing to persons of low income; and
 - d) Offering counseling, referral, and advisory services to persons and families of low or moderate income in connection with the purchase, rental, occupancy, maintenance, or repair of housing. (Health and Safety Code Section 34312)
- 2) Requires each city and county to prepare, adopt, and administer a general plan for their jurisdiction, which must include a housing element, to shape the future growth of its community. (Government Code Sections 65300 - 65404)
- 3) Specifies that each community's fair share of housing be determined through the regional housing needs allocation (RHNA) process, which involves three main stages: (a) the

Department of Finance and HCD develop regional housing needs estimates at four income levels: very low-income, low-income, moderate-income, and above moderate-income; (b) councils of government (COGs) use these estimates to allocate housing within each region (HCD is to make the determinations where a COG does not exist); and (c) cities and counties plan for accommodating these allocations in their housing elements. (Government Code Sections 65580 - 65589.11)

- 4) Establishes HCD oversight of the housing element process, including the following:
 - a) Local governments must submit a draft of their housing element to HCD for review;
 - b) HCD must review the draft housing element, and determine whether it substantially complies with housing element law, in addition to making other findings;
 - c) Local governments must incorporate HCD feedback into their housing element; and
 - d) HCD must review any action or failure to act by local governments that it deems to be inconsistent with an adopted housing element. HCD must notify any local government, and at its discretion the office of the Attorney General, if it finds that the jurisdiction has violated state law. (Government Code Section 65585)
- 5) Requires each city and county to submit an Annual Progress Report (APR) to the Governor's Office of Planning and Research (OPR) and HCD by April 1 of each year, including the following:
 - a) The report must evaluate the general plan's implementation, including the implementation of their housing element, and provide specified quantitative outcomes, such as number of applications for housing projects received and housing units approved;
 - b) Authorizes a court to issue a judgement to compel compliance should a city or county fail to submit their APR within 60 days of the statutory deadline; and
 - c) Requires HCD to post all city and county APRs on their website within a reasonable time after receipt. (Government Code Section 65400)

FISCAL EFFECT: Unknown

COMMENTS: *Author's statement:* According to the author, "Housing is too expensive for millions of Californians, where more than two in five households spend over 30% of their income on housing, and more than one in five households spend over 50% of their income on housing. Over 97% of cities and counties haven't produced enough affordable housing, and existing strategies to address the lack of affordable housing have not produced nearly enough to meet demand. Affordable housing relies on government subsidies, and there is much more demand for them than supply.

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. Residents can participate in decision making that affects housing management, such as providing the resident perspective to property management or hosting meetings to gather feedback from residents. Many countries throughout the world have successful social housing programs, and in the US, there are social housing developments such as in Montgomery County, Maryland using a similar model. Social Housing is how we provide and realize housing as a human right.”

Background on Social Housing: There is no widely shared consensus on how to define social housing. However, all definitions of social housing distinguish it in various ways from privately-owned, for-profit housing provided through market mechanisms. The Assembly Select Committee on Social Housing held an informational hearing on October 20, 2021 and Rob Weiner from the California Coalition for Rural Housing shared the Organization for Economic Cooperation and Development (OECD) definition of 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.”¹

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 percent 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 percent 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.

Another variation of social housing involves making accommodations available to all individuals regardless of their household income. In particular, Vienna, Austria is often held up as an example of a large city with widespread mixed-income social housing and an estimated 40 percent of the city’s housing stock is social housing. In the Viennese model higher income households pay market rate rents which then subsidize the below market rents for lower-income households. This mechanism is referred to as “cross-subsidization” and it is the same logic that underlies California’s density bonus law, a policy that allows residential developers to receive added density and other concessions and incentives from a local government in exchange for building a certain percentage of affordable units.

Planning for housing and the RHNA process: As noted above, with the exception of deed-restricted affordable housing, California generally relies on the private sector to build most housing accommodations. However, cities and counties are required to plan for a certain amount of housing development across various income categories. This happens through “general plans” for land use that each city and county’s legislative body adopts. Every general plan must include a “housing element” that details existing housing conditions within the jurisdiction, the need for new housing at various household income levels, and the strategy that the jurisdiction will use to address that need. The need for new housing is determined through the regional housing needs assessment (RHNA) process, which involves three main stages:

¹ <https://www.assembly.ca.gov/media/assembly-select-committee-social-housing-20211020/video>

- The Department of Finance and the Department of Housing and Community Development (HCD) develop regional housing needs estimates at four income levels: very low-income, low-income, moderate-income, and above moderate-income;
- Councils of Governments (COGs) use these estimates to allocate housing needs within each region to cities and counties (HCD makes the determinations where a COG does not exist); and
- Cities and counties plan for accommodating these allocations in their housing elements

Local governments must adopt a new housing element every eight years (though some rural jurisdictions must do so every five). These adopted housing elements must be approved by HCD, which must find them in “substantial compliance” with the law. Every eight years a new RHNA cycle begins and the process restarts. Currently the state is in the 6th RHNA cycle and housing element updates in this cycle will also need to include information on steps the local government is taking to affirmatively further fair housing objectives.

Each year, the local government’s planning agency must submit an Annual Progress Report (APR) to HCD and the Governor’s Office of Planning and Research (OPR) that documents implementation of its housing element and progress towards meeting its RHNA target. The APR must include information about all proposed and approved development projects, a list of rezoned sites to accommodate housing for each income level, and information on density bonus applications and approvals, among other provisions. The APRs provide statewide and local data across California’s 539 cities and counties which allow for tracking the amount, type, location, and affordability of new housing development. In addition to providing completed residential construction data in the jurisdiction, APRs also include data on the number residential developments which are still in the initial permitting and entitlement phases.

Planning vs. building affordable housing: While the RHNA process requires local governments to plan to address housing need in their jurisdiction, it does not mean housing will actually get built. A number of factors affect housing development and, in order to build affordable units for low-income and very low-income households, government subsidies are generally needed to make the project economically viable. According to the California Housing Partnership Corporation (CHPC), while California has more than doubled its production of deed-restricted affordable units in the prior three years, in 2021 the available public funding for affordable housing provided just 16 percent of the units that would be needed to meet the state’s targets for low-income homes².

The lack of affordable housing disproportionately impacts California’s most economically-vulnerable households. 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 percent of their income towards rent. For low-income renter households in the state the share of cost-burdened families is even higher at 80 percent. To address the shortage of affordable housing options, HCD’s most recent update of the Statewide Housing Plan call for the production of over a million units of affordable housing units for lower income households in the coming years³.

² <https://1p08d91kd0c03r1xhmhtydpr-wpengine.netdna-ssl.com/wp-content/uploads/2022/03/California-Affordable-Housing-Needs-Report-2022.pdf>

³ <https://statewide-housing-plan-cahcd.hub.arcgis.com/>

Creation of the California Housing Authority (CHA): This bill proposes to establish the California Housing Authority (CHA) as a new, independent entity within the state government to develop social housing, which is defined as mixed-income rental and ownership housing that is publicly owned and permanently affordable. The CHA’s mission would be to close the gap between a jurisdiction’s current level of housing production and their regional housing needs allocation (RHNA) amount while maintaining revenue neutrality. The CHA would be governed by a nine-member board consisting of: three resident representatives living in CHA accommodations, a housing development and finance expert, a housing construction expert, a property maintenance expert, an appointee of the Speaker of the Assembly, an appointee of the Senate Committee on Rules, and an appointee of the Governor. Decisions would be made by majority vote of the board and the board would also have the authority to appoint a board chair and an executive officer.

Development of CHA housing: This bill specifies that the CHA could build residential housing to make up the difference between a jurisdiction’s RHNA and the actual amount of housing built. These calculations would be made annually using each local government’s APR data beginning on January 1, 2027. Development would be prioritized on vacant parcels, surplus public properties, and parcels near transit, though the bill does not indicate a particular distance from transit or the frequency of transit service that would be required for a parcel to be considered “near transit”. Additionally, underutilized parcels (i.e., those containing fewer than the maximum number of allowable units per the jurisdiction’s zoning) would be prioritized for CHA developments so long as they do not contain rent controlled units or deed-restricted affordable housing.

This bill requires the CHA to seek input from the local government about certain aspects of a proposed development including the number of units and the timeline for completing the project. When the CHA has multiple potential sites for development in a jurisdiction it would need to defer to the local government on their preferred site if property acquisition costs and amenities are generally similar and if the site would allow the local government to meet its RHNA targets. If a CHA development would lead to the displacement of existing residents, those households would be eligible for relocation assistance and would have the first right of refusal to live in a CHA housing unit. CHA housing would use community workforce agreements to the maximum extent feasible. Additionally, all CHA housing production and rehabilitation work would require skilled and trained workforce and payment of prevailing wages.

CHA housing developments are required to be mixed-income housing developments, though the specific mix is not spelled out in the bill and there is no intent language indicating minimum proportions of affordable units nor the depth of affordability. The CHA also has the ability to develop mixed-use buildings with commercial space that could be leased to small businesses and nonprofits.

Policies governing residency in CHA-built housing: In CHA-built developments individuals could either rent or purchase a unit through an ownership model and the CHA unit would need to be the person’s sole resident unless they fall into the above-moderate income category. In the ownership model CHA provides the resident a 99-year lease and they would need to commit to a minimum of five years of residency in the CHA building. The ownership model requires a down payment of 15 percent of the purchase price. When a resident in the ownership model wishes to sell their unit, the CHA would have first right of refusal to purchase the unit. If the CHA declines to repurchase the unit then it can be resold to a qualified buyer in a manner that allows the

resident to have a reasonable return on investment. The bill states that ownership units would be sold for the original purchase price plus documented capital improvements and an adjustment for inflation.

Renters in CHA units would be required to commit to a year of residency, though exceptions would be allowed in some cases such as illness or employment changes. Renters living in CHA-owned properties are provided tenant protections including protection against termination of tenancy without just cause. Additionally, the bill specifies that each multifamily social housing development produced by the CHA will have a resident governance council elected by residents of the housing complex. Governance councils will host regular meetings, interact with property management, handle budgeting for development, and represent the community at biannual meetings with the CHA board. Though the bill specifies that the governance council is to be made up of no more than 10 percent of the overall population for development, it is unclear if this is per unit or per resident. In a 20-unit building with only individual per unit there would be only two members on the council, which would pose an issue for any decisions that the two members disagree on.

Should this bill advance through the legislative process the author may wish to further clarify provisions of the governance councils or drop provisions on resident governance councils until funding for the CHA is established and housing construction is under way. Since housing developments typically take several years to complete, policies related to governance councils could be determined in future legislation or through regulations promulgated by the CHA. One potential model could be the Davis-Stirling Act (Civil Code Section 4000 *et seq.*) which governs common interest developments and includes provisions on procedures for homeowner association board elections and the day-to-day operations of homeowners associations.

Financing start-up costs and revenue neutrality: This bill states that the CHA would operate according to principles of revenue neutrality, though it does not specify the time period over which revenue neutrality would be achieved. Presumably a significant amount of start-up capital would be needed to create the CHA and it would have ongoing expenses including the costs of developing and managing mixed-income housing, mortgage servicing, staff time, facilities, legal services, and IT. AB 2053 also includes language stating that it is the intent of the Legislature to fund the CHA's activities through the issuance of general obligations bonds, though no specific timeline or dollar amount for bond issuance is included in the bill text. However, because the Legislature lacks the ability to issue general obligation bonds without voter approval another bill would need to pass with a two-thirds vote of both houses of the Legislature to put the question of CHA general obligation bond issuance before the voters.

Given that there is no other bill this legislative session proposing to put a CHA general obligation bond measure to the voters, it is unclear where the initial funds for the CHA would originate from. The Governor did not specify any funding for social housing or for the creation of an entity like the CHA in his January 2022 budget. The bill also includes language giving the CHA the ability to issue revenue bonds that would ostensibly be secured with the rental income generated from CHA-provided housing, but such bonds could only be issued after a reliable stream of rental income is being generated from CHA-owned properties.

Policy considerations: Without further specificity on initial start-up costs and the timeframe for achieving revenue neutrality it is challenging – if not impossible – to predict the amount of housing the CHA could be reasonably expected to produce. It is also unclear how long it would

take for the first units of CHA housing to be built given that the state has not historically undertaken direct construction of rental or ownership housing. The state also generally does not manage rental or ownership housing outside of some limited exceptions, such as student housing for California State University campuses and employee housing for a small number of state parks employees.

The author may wish to consider further specifying the time horizon for achieving revenue neutrality and other aspects of CHA's work. While the bill includes some parameters the CHA would need to use for site selection for its developments (i.e., vacant parcels, ones near transit), the author may wish to consider further expanding these provisions. Since it is generally rare for a city or county to meet its RHNA goals the CHA could theoretically build in wide swaths of the state. However, it may be beneficial to prioritize CHA development in high-opportunity areas and locations that have been identified as beneficial for climate mitigation and adaptation goals. For example, urban infill locations with low existing per capita vehicle miles traveled would be preferable from a climate change mitigation perspective relative to more remote suburban or rural locations that are heavily dependent on automobiles.

Additionally, further consideration should be given to anti-displacement protections to ensure that CHA developments do not adversely impact vulnerable low and moderate-income communities. The bill currently contains protections for existing residents living on sites the CHA develops, but new housing can also affect neighboring residents and the larger community. To the extent CHA developments must include a high proportion of market rate units to achieve revenue neutrality, the result may be a program that disproportionately benefits moderate-income and higher income Californians.

Moreover, since the goal of the bill is to close the gap between a jurisdiction's RHNA goals and the actual production of housing, presumably a CHA development would not be able to include units from a particular income category (e.g., above moderate) if the jurisdiction has already exceeded their RHNA targets for that category. This may provide an incentive for jurisdictions to quickly approve above moderate income housing to make CHA developments less economically feasible. One way to avoid such an outcome would be to drop the bill's revenue neutrality goal and instead focus the CHA's mission on producing affordable units for low-income households in a more cost-effective manner than the existing affordable housing development process.

The CHA and social housing in the context of other efforts to address the housing crisis: On the one hand it could be argued that this bill runs counter to the Legislature's recent efforts to streamline and consolidate affordable housing development. For example, AB 434 (Daly), Chapter 192, Statutes of 2020, required HCD to align several rental housing programs administered by HCD with the Multifamily Housing Program (MHP), to allow HCD to issue a single application and scoring system for making coordinated awards under seven different programs. As a result of this bill, HCD recently released the guidelines for the first MHP "super Notice of Funding Availability (NOFA)" to allow developers to apply for seven different affordable rental programs at one time, beginning in the spring of 2022. This committee is also considering AB 2305 (Grayson) this year which would create a committee for allocating state-controlled resources for affordable housing.

On the other hand, the CHA would generally not be aiming to duplicate the funding, oversight, policy, or technical assistance work of other state housing entities. Instead it seeks to do something the state has never attempted to do: build large amounts of permanently affordable

mixed-income rental and ownership housing to close the gap between actual housing production and the estimated need for additional housing in a community. This may prove to be a tall order for a state which has a decidedly mixed record with delivering ambitious new programs and infrastructure in recent decades.

Yet, at the same time it is clear that the state's existing approach to housing has left affordable housing out of reach for far too many. As noted above, the current system for producing deed-restricted affordable housing for low-income Californians is not adequately funded. And many of the affordable housing funding sources that the state currently draws on are one-time funds from voter-approved bonds that will be depleted in the coming years. This bill proposes creating a new entity to take on housing development and ongoing management of properties it builds. There may be cost savings and potential efficiencies in state-sponsored housing development through the CHA, but it could also end up costing more to establish a new entity that would be taking on work state governments have not typically engaged in.

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 in California. 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."

Arguments in Opposition: The California Association of Realtors writes in opposition to the bill that it "will create a new and expensive bureaucracy, as well as unintended adverse consequences for the housing market." Their letter further notes that AB 2053 "runs contrary to the Legislature's recent efforts to streamline housing programs" and that the bill would reduce local property tax revenue since CHA developments, including ones with market rate units, would presumably not pay property taxes.

REGISTERED SUPPORT / OPPOSITION:

Support

East Bay for Everyone (Sponsor)
 San Jose State University Human Rights Institute (Co-Sponsor)
 State Building and Construction Trades Council – AFL-CIO (Co-Sponsor)
 YIMBY Action (Co-Sponsor)
 Affordable Housing Network of Santa Clara County
 Aids Healthcare Foundation
 Alameda County Democratic Party
 Autistic People of Color Fund
 California Apartment Association
 California Labor Federation, AFL-CIO
 California State Council of Laborers
 California State Council of Service Employees International Union
 California YIMBY
 City Council Member, City of Gilroy

Common Ground California
Culver City for More Homes
East Bay YIMBY
Greenbelt Alliance
Housing Action Coalition
Housing Is a Human Right
Indivisible CA: StateStrong
Indivisible Sacramento
Mountain View YIMBY
Peninsula for Everyone
Progressive Zionists of California
San Francisco YIMBY
San Luis Obispo YIMBY
Santa Cruz YIMBY
Sierra Club California
SLO County YIMBY
South Bay YIMBY
South Pasadena Residents for Responsible Growth
State Building & Construction Trades Council of California
Terry Taplin, Council Member, City of Berkeley
Westside Young Democrats
Individuals - 3

Support If Amended

San Francisco Berniecrats

Opposition

California Association of Realtors
Catalysts for Local Control
Individuals - 4

Analysis Prepared by: Sandra Nakagawa / H. & C.D. / (916) 319-2085