

Date of Hearing: August 3, 2022

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Chris Holden, Chair

SB 1105 (Hueso) – As Amended June 30, 2022

Policy Committee:	Local Government	Vote:	6 - 2
	Housing and Community Development		5 - 2

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

SUMMARY:

This bill establishes the San Diego Regional Equitable and Environmentally Friendly Affordable Housing Agency (Agency) in San Diego County to facilitate increased funding for affordable housing activities, including new production, preservation, and renter protections.

Specifically, this bill:

- 1) Establishes the Agency for the purpose of increasing the supply of equitable and environmentally-friendly housing in San Diego County by providing for significantly enhanced funding and technical assistance across the region for housing activities that include new production, preservation, and rental protections. The Agency must complement and supplement existing efforts by cities, counties, districts, and other local, regional, and state entities.
- 2) Requires the Agency to be governed by a board with six voting members, all of whom must be members of the San Diego Association of Government (SANDAG), as specified. Requires the board to appoint an inspector general and to form an advisory committee of up to 18 voting members with knowledge and experience in affordable housing finance and development, tenant protections, and housing preservation. Specifies the board to be appointed by April 1, 2023.
- 3) Authorizes the Agency to place a regional housing revenue measure on the ballot, including a parcel tax, a gross receipts business license tax, a special business tax, specified special taxes on real property, a commercial linkage fee, and a special documentary transfer tax, and to issue bonds, including, general obligation bonds, revenue bonds, mortgage revenue bonds, and private activity bonds. Specifies allowable uses of and requirements for expenditures of revenues generated, in line with the goals of the Agency.
- 4) For a detailed discussion of the powers, duties and responsibilities of the Agency, see the analysis provided by the Assembly Housing and Community Development Committee or the Assembly Local Government Committee.
- 5) Provides a proponent of a development project approved pursuant to the provisions of this bill must require, in contracts with construction contractors, that all of the labor provisions of this bill's standards will be met in project construction, including that a development not in its entirety a public work must pay prevailing wages, unless the contractors and subcontractors performing work on the development are subject to a project labor agreement

that requires the payment of prevailing wages to all construction workers, as specified. Provides the obligation to pay prevailing wages may be enforced by the Labor Commissioner and by other means, as specified.

- 6) Prohibits the Agency from placing a measure on the ballot to raise revenue for the Agency, unless the agency has entered into a specific countywide project labor agreement with the San Diego County Building and Construction Trades Council and the San Diego Housing Federation, as specified.

FISCAL EFFECT:

- 1) Significant General Fund (GF) cost pressures, potentially in the low millions, to fund the Agency's startup costs prior to the approval of any revenues. Because the bill does not specify a revenue source or mechanism for startup costs, initial administrative costs would be borne by the GF, to the extent the Agency does not receive dedicated funding from other local agencies, or reach an agreement with the San Diego Association of Governments to utilize staff until the Agency generates its own revenue.
- 2) Local costs of an unknown amount to San Diego County officials with respect to elections procedures for revenue measures proposed by the Agency, and the administration of any taxes imposed pursuant to the bill. These costs are potentially reimbursable by the state (GF). The bill requires the Agency to reimburse the county for the incremental costs incurred to submit a measure to the voters. Any claims for state reimbursement for other local costs would be subject to a determination by the Commission on State Mandates.

COMMENTS:

- 1) **Purpose.** This bill seeks to provide a comprehensive regional approach to increase the supply of affordable housing in San Diego County. According to the author:

Just as the entirety of California is facing a housing crisis, the San Diego region is struggling to meet its housing demand. For the past decades, this has been driving up living costs, and forcing people to make the decision to live farther away from urban centers and commuting longer distances to work every day. Unfortunately, our lowest income residents and people of color are bearing the highest burdens associated with these crises. By establishing a regional housing agency in San Diego, we can address these concerns on a larger scale, by coordinating efforts between cities to allocate resources more efficiently and more equitably.

- 2) **Background.** According to SANDAG, the San Diego region needs to permit an additional 90,000 homes to meet its housing needs. While the region has produced 92% of its need for above moderate-income housing, the region has only produced 9% of its moderate-income housing need, 19% of its low-income housing need, and 10% of its very low-income housing need. In April of 2022, the median home price in the county exceeded \$1 million – a record high that is affordable to only a small fraction of residents. Over half of county renters are rent burdened, meaning they pay over 30% of their income towards rent. According to the 2022 point-in-time count, there are over 8,400 homeless individuals in the County – a 10% increase over three years ago.

- 3) **Regional Housing Model.** In 2019, AB 1487 (Chiu), Chapter 598, Statutes of 2019, created the Bay Area Housing Finance Authority (BAHFA), in the nine-county San Francisco Bay Area, to raise, administer and allocate funding and provide technical assistance at a regional level for tenant protection, affordable housing preservation, and new affordable housing production. The Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) govern BAHFA and provide region-wide housing planning. AB 1487 created the governing structure and powers of BAHFA, its allowable financing activities, and allowable uses of the revenues generated. BAHFA became operative in 2020, and in 2021 received an allocation of \$20 million in the state budget to enable it to begin implementing its mission while preparing to raise revenues through a regional ballot measure. BAHFA has not yet placed a funding initiative before the voters.

This bill creates a similar entity which encompasses all of San Diego County, including 18 incorporated cities and the unincorporated area, and includes approximately 3.3 million people.

- 4) **Lack of Local Support.** It is unclear what the local buy-in has been to the formation of this Agency or which stakeholders have been engaged in the determining how the funds will be allocated. At this point, neither the County nor SANDAG has taken an official position on this bill. The bill is opposed by the San Diego Housing Federation, which represents affordable housing developers in San Diego County. The only city to have taken a position is opposed. A coalition of non-profit affordable housing developers states, “The Agency proposed in SB 1105 is still being developed at the local level. There should be full and complete buy-in from a diverse coalition locally before establishing the Agency via legislation.”
- 5) **Necessary?** In the San Francisco Bay Area, BAHFA creates a fundraising and revenue sharing mechanism that did not previously exist for the nine-county region. In San Diego, such powers and capacities already exist within the county government. Since San Diego County governs all 18 cities, unlike the Bay Area, which is made up of nine counties, it is unclear whether a new bureaucracy is needed to undertake actions that can already be carried out by San Diego County in conjunction with its cities. In addition, San Diego County and any number of its 18 cities could form a joint powers authority (JPA) to exercise powers these local governments share.
- 6) **Arguments in Support.** This bill is supported by a wide range of civic-minded and social justice-oriented community groups located within San Diego County, as well numerous labor unions. The San Diego County Building Trades Council writes in support:

The housing crisis is fundamentally connected to the climate crisis. As housing prices increase, San Diegans are forced to move further away, leading to worsening traffic, more carbon pollution, and the acceleration of the climate emergency. [This bill] will enable our region to build more equitable and inclusive housing near jobs, amenities, and transportation infrastructure.

- 7) **Arguments in Opposition.** This bill is opposed by affordable housing developers, who are concerned about the labor standards in the bill and about the workability of the bill. According to the San Diego Housing Federation:

While we appreciate the intent of SB 1105, we believe more time is needed to work with stakeholders, including the affordable housing sector in San Diego, to develop bill language that will ensure successful outcomes for the intended purpose of this legislation.

The bill is also opposed by property owners and business groups that are concerned about the taxes increases that would occur if the Agency successfully passed a ballot measure, as well as the duplicative nature of the Agency's taxing authority. According to the California Building Industry Association, "While it is clear that the San Diego region has not met its housing needs, creating another agency with unchecked and duplicative taxing authority is not a proven approach to solving the area's housing needs."

- 8) **Related Legislation.** SB 679 (Kamlager) is similar to this bill, except focused on Los Angeles County. It would establish Los Angeles County Affordable Housing Solutions Agency (LACAHS), and authorizes LACAHS to utilize specified local financing tools for the purpose of funding renter protections, and the preservation and production of affordable housing units. SB 679 is pending hearing in this committee.

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