
THIRD READING

Bill No: SB 1105
Author: Hueso (D)
Amended: 4/25/22
Vote: 21

SENATE HOUSING COMMITTEE: 6-1, 3/24/22
AYES: Wiener, Caballero, Cortese, McGuire, Skinner, Wieckowski
NOES: Ochoa Bogh
NO VOTE RECORDED: Bates, Umberg

SENATE GOVERNANCE & FIN. COMMITTEE: 5-0, 4/20/22
AYES: Caballero, Nielsen, Durazo, Hertzberg, Wiener

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/19/22
AYES: Portantino, Bradford, Kamlager, Laird, Wieckowski
NOES: Bates, Jones

SUBJECT: San Diego Regional Equitable and Environmentally Friendly
Affordable Housing Finance Agency

SOURCE: Author

DIGEST: This bill establishes the San Diego Regional Equitable and Environmentally Friendly Housing Agency (SD REEFHA or Agency) throughout San Diego; and identifies the powers of the Agency, eligible revenue sources, eligible expenditures, anti-displacement protections, geographic equity requirements, and expenditure requirements.

ANALYSIS:

Existing law:

- 1) Establishes the Bay Area Housing Finance Authority (BAHFA) to raise, administer, allocate funding for affordable housing in the San Francisco Bay

Area, and provide technical assistance at a regional level for tenant protection, affordable housing preservation, and new affordable housing production.

- 2) Sets forth the governing structure and powers of the BAHFA Board, allowable financing activities, and allowable expenditures of the revenues generated.
- 3) Establishes a number of housing assistance programs for affordable housing.
- 4) Defines “lower income households” as below 80% area median income (AMI).
- 5) Defines “persons and families of low- or moderate- income” as persons and families whose income does not exceed 120% AMI.

This bill:

- 1) Establishes the SD REEFHA in San Diego County, the purpose of which is to increase the supply of equitable and environmentally friendly housing in San Diego County by providing increased funding for new production, reservation, and rental protection.

Board of the SD REEFHA

- 2) Requires the Agency to be governed by a board of directors (Board) composed of six voting members, who shall all be San Diego Association of Governments primary or alternative members, as specified.
- 3) Requires the Board to engage in a public process, as specified.
- 4) Authorizes the Agency to establish its organizational structure, which may include the establishment of departments, divisions, subsidiary units, or similar entities.
- 5) Requires the members of the board to be appointed by April 1, 2023, and the Agency shall have no powers, duties, or responsibilities until that time, as specified.
- 6) Authorizes the Agency to act by ordinance, resolution, or minute action.
- 7) Requires the Board to form an advisory committee, composed of 12 voting members and one nonvoting member with knowledge and experience in the areas of affordable housing finance and development, preservation, or rental protections. It shall meet quarterly at a minimum.

Powers of the SD REEFHA

- 8) Authorizes the Agency to do the following:
 - a) Place on the ballot in San Diego County, including all the incorporated cities, funding measures to raise and allocate funds to the County of San Diego, the Cities in San Diego County, and other public agencies and housing projects in its jurisdiction for purposes of producing and preserving housing and supporting rental protection activities.
 - b) Apply for and receive grants from federal and state agencies.
 - c) Incur and issue indebtedness and assess fees on the purchaser of any debt issuance and agency loan products for reinvestment of those fees and loan repayments in affordable housing production and preservation in accordance with constitutional requirements.
 - d) Solicit and accept gifts, fees, grants, and other allocations from public and private entities.
 - e) Incur and issue bonds and otherwise incur liabilities or obligations.
 - f) Deposit or invest money in banks or financial institutions in the state.
 - g) Sue and be sued.
 - h) Engage counsel and other professional services.
 - i) Enter into and perform all necessary contracts.
 - j) Enter into joint powers agreements.
 - k) Hire staff, define their qualifications and duties, and provide a schedule of compensation for those duties.
 - l) Assemble parcels and lease, purchase, and otherwise acquire land for housing development.
 - m) Collect data on housing production and monitor progress on meeting regional and state housing goals.
 - n) Provide support and technical assistance to local governments in relation to producing and preserving affordable housing.
 - o) Provide public information about the Agency's housing programs and policies.
 - p) Any other express or implied powers necessary to carry out the intent and purpose of this bill.
 - q) Allocate and deploy capital and generated fees or income in the form of grants, loans, equity, interest rate subsidies, and other financing tools.
- 9) Requires any construction project receiving funds from the Agency to constitute a public work that pays prevailing wages, and that all contractors and subcontractors at every tier performing work on the project shall use a skilled and trained workforce, as specified.

- 10) Requires that if the Agency or a qualified voter initiative proposes a measure that will generate revenues pursuant to the provisions in this bill, the San Diego board of supervisors shall call a special election on the measure.
- 11) Prohibits the Board and Agency from the following:
 - a) Regulating or enforcing land use decisions.
 - b) Acquiring property by eminent domain.
- 12) Authorizes the Agency, either directly or through qualified voter initiative, to raise and allocate new revenue through all of the following mechanisms:
 - a) Special taxes, including a parcel tax, a gross receipts business license tax, a special business tax, a documentary transfer tax, and a commercial linkage fee.
 - b) Issuance of bonds, including general obligation bonds, revenue bonds, mortgage revenue bonds, and private activity bonds.
- 13) Requires the Agency to submit a performance audit report to the Legislature every other year.

SD REEFHA Expenditures

- 14) Requires revenue generated pursuant to this bill to be used to support the construction and preservation of housing, rental protection programs, planning, and technical assistance related to housing.
- 15) Requires the Agency to distribute regional housing funds in a manner that achieves the following shares in the annual expenditure plan. Fifty-percent of the annual funding shall be spent to support programs and projects that are consistent with the guiding principles of the agency. Excluding bond funds, the following eligible uses:
 - a) Maximum of 10% for Agency administrative and operating expenditures.
 - b) Minimum of 50% for equitable housing production.
 - c) Minimum of 15% for equitable housing preservation.
 - d) Minimum of 15% for strategic priorities and innovation identified in the annual expenditure plan.
 - e) Minimum of 5% for rental and tenant protection programs for lower income households, as specified.
 - f) Minimum of 5% on technical assistance to local jurisdictions, research and policy development, and data collection and analysis.
- 16) Requires 50% of all regional revenues to be administered by local jurisdictions, defined as San Diego County and the incorporated cities in the

County, based on each jurisdiction's share of very low-, low-, and moderate-income units as determined in the most recent regional housing needs assessment, according to the following schedule:

- a) Maximum of 10% for Agency administrative and operating expenditures.
 - b) Minimum of 60% for equitable housing production.
 - c) Minimum of 15% for equitable housing preservation.
 - d) Minimum of 5% for rental and tenant protection programs for lower income households, as specified.
- 17) Requires the Agency and local jurisdictions, regardless of the categories specified above, to spend a minimum of 10% and a maximum of 35% of all regional revenues to support first-time homebuyer programs and opportunities for households at or below 120% of the area median income.
- 18) Requires the Agency to establish project eligibility and prioritization criteria based on affordability, sustainability, project feature priorities, and livability, as specified.
- 19) Requires the Agency's board to develop an annual expenditure plan that describes how they intend to spend regional funds, including the portion of funds dedicated to each household income category the funding will serve, and beginning in the second year, information regarding project progress, as specified.
- 20) Specifies conditions that local jurisdictions must meet in order to be eligible for direct allocations, and prescribes specified compliance mechanisms if a jurisdiction does not meet affordability targets after three years.

Background

Prior regional housing authorities. In 2019, the Legislature passed and the Governor signed AB 1487 (Chiu, Chapter 598), which created a new regional option to address the lack of affordable housing in the San Francisco Bay Area. Specifically, that bill provided the Association of Bay Area Governments and the Metropolitan Transportation Commission – acting as the BAHFA – with new tools to raise billions of dollars to fund the production, preservation, and protection of affordable housing. It enabled the region to support local jurisdictions by providing additional funding to address infrastructure and other needs associated with new residents. In 2021, the Legislature contemplated a similar model for Los Angeles County in SB 679 (Kamlager). That bill would have established the Los Angeles County Affordable Housing Solutions Agency (LACAHS), and authorized LACAHS to utilize specified local financing tools for the purpose of

funding renter protections, and the preservation and production of housing units affordable to households earning up to 80% AMI, with financing priority on the lowest levels of affordability.

SD REEFHA. This bill creates a regional housing entity for San Diego County and the cities within. Its purpose is 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 within the County. This bill sets forth the governing structure and powers of the Board, allowable financing activities, and allowable uses of the revenues generated. The Agency is authorized to raise revenue through new taxes and bonds (including general obligation bonds, revenue bonds, mortgage revenue bonds, and private activity bonds).

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- Unknown significant General Fund cost pressures, potentially in the low millions, to fund the Agency's startup costs prior to the approval of any revenues, 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.
- Unknown, potentially reimbursable state-mandated costs would be incurred by San Diego County officials with respect to elections procedures for revenue measures proposed by the Agency, and the administration of any taxes imposes pursuant to the bill. This 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. (General Fund)

SUPPORT: (Verified 5/19/22)

Business for Good San Diego
Endangered Habitats League
Mayor Todd Gloria, City of San Diego
San Diego County Bicycle Coalition
San Diego Regional Task Force on Homelessness
San Diego Workforce Partnership, Inc.
Sandiego350
Supervisor Terra Lawson-Remer, County of San Diego

OPPOSITION: (Verified 5/19/22)

California Association of Realtors

ARGUMENTS IN SUPPORT: 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. With more congestion, increased traffic has only exacerbated pollution concerns, emphasizing the fact that our housing and climate crises are interconnected. These issues require sensible approaches that consider how we can best manage our need to increase housing with making sure that we are equitably distributing resources, because 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 make sure that we are doing our best to address these concerns on a larger scale, by coordinating efforts between cities to allocate resources more efficiently and more equitably. Everyone deserves a place to call home, and our goal is to help make that priority a reality for more San Diegans across the county.”

ARGUMENTS IN OPPOSITION: According to the California Association of Realtors, this bill “grants vast, unchecked bonding and taxing authority to an unelected Agency Board” including several new types of taxes. The Agency “encourages the removal of naturally occurring affordable market rate housing from the private market.”

Prepared by: Alison Hughes / HOUSING / (916) 651-4124
5/21/22 15:57:03

**** END ****