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UNFINISHED BUSINESS

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Bill No: SB 2  
Author: Atkins (D), et al.  
Amended: 8/29/17  
Vote: 27 - Urgency

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SENATE TRANS. & HOUSING COMMITTEE: 9-3, 2/28/17  
AYES: Beall, Allen, Atkins, McGuire, Mendoza, Roth, Skinner, Wieckowski,  
Wiener  
NOES: Bates, Gaines, Morrell  
NO VOTE RECORDED: Cannella

SENATE GOVERNANCE & FIN. COMMITTEE: 5-2, 3/15/17  
AYES: McGuire, Beall, Hernandez, Hertzberg, Lara  
NOES: Nguyen, Moorlach

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/25/17  
AYES: Lara, Beall, Bradford, Hill, Wiener  
NOES: Bates, Nielsen

SENATE FLOOR: 27-12, 7/6/17  
AYES: Allen, Atkins, Beall, Bradford, De León, Dodd, Galgiani, Glazer,  
Hernandez, Hertzberg, Hill, Hueso, Jackson, Lara, Leyva, McGuire, Mendoza,  
Mitchell, Monning, Newman, Pan, Portantino, Roth, Skinner, Stern,  
Wieckowski, Wiener  
NOES: Anderson, Bates, Berryhill, Fuller, Gaines, Moorlach, Morrell, Nguyen,  
Nielsen, Stone, Vidak, Wilk  
NO VOTE RECORDED: Cannella

ASSEMBLY FLOOR: 54-25, 9/14/17 - See last page for vote

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**SUBJECT:** Building Homes and Jobs Act

**SOURCE:** California Housing Consortium  
Housing California

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**DIGEST:** This urgency bill establishes the Building Homes and Jobs Act and imposes a \$75 fee on real estate transaction documents, excluding commercial and residential real estate sales, to provide funding for affordable housing.

*Assembly Amendments* require half of the funds collected in the first year to be spent towards persons experiencing homelessness and the remaining half to be made available to localities to update planning document and zoning ordinances. In year two and beyond, 70% of the funds shall be distributed directly to locals and 30% shall go to the state to be spent for the following purposes: farmworker housing, state incentive programs, and mixed income multifamily residential housing affordable to lower and moderate income housing.

**ANALYSIS:**

Existing law:

- 1) Establishes a number of programs at the Department of Housing and Community Development (HCD) and the California Housing Finance Agency (CalHFA) to make housing more affordable to California families and individuals.
- 2) Authorizes a county to adopt an ordinance authorizing a fee for recording and indexing every instrument, paper, or notice required or permitted by law to be recorded. The base rate of the fee is \$10 for recording the first page and \$3 for each additional page.

This bill:

- 1) Establishes the Building Homes and Jobs Trust Fund (the Trust Fund) within the State Treasury.
- 2) Imposes, beginning January 1, 2018, a \$75 fee on every real estate instrument, paper, or notice, that is required or permitted by law per each single transaction per parcel of real property, excluding real estate instruments, papers, or notices recorded in connection with a transfer subject to a documentary transfer tax or with a transfer of real property that is a residential dwelling to an owner-occupier. The fee imposed by this section shall not exceed \$225.
- 3) Defines real estate instrument, paper, or notice as a document relating to real property, including but not limited to the following: deed, grant deed, trustee's deed, deed of trust, conveyance, quit claim deed, fictitious deed of trust, assignment of deed of trust, request for notice of default, abstract of judgment, subordination agreement, declaration of homestead, abandonment of

homestead, notice of default, release or discharge, easement, notice of trustee sale, notice of completion, UCC financing statement, mechanic's lien maps, and covenants, conditions, and restrictions.

- 4) Requires the fee, minus any administrative cost to the county recorder for collection, to be transferred quarterly to the HCD and deposited into the Trust Fund.
- 5) Requires moneys collected on and after January 1, 2018 and until December 31, 2018, to be allocated as follows:
  - a) Fifty percent of the money shall be available to local governments to update planning documents and zoning ordinances in order to streamline housing production including but not limited to general plans, community plans, specific plans, sustainable communities strategies, and local coastal programs. In addition, funds may be used for new environmental analysis that eliminates the need for project-specific review and local process updates that improve and expedite local permitting. The following shall apply to this funding:
    - i) Five percent of the funding shall be made available for technical assistance from HCD and the Governor's Office of Planning and Research (OPR) to jurisdictions updating specified planning documents;
    - ii) Funds shall be held by HCD until a local government submits a request for use that includes a description of the proposed use of the funds that result in an acceleration of housing production.
    - iii) Any funds not allocated within the first two years that they are made available by HCD shall be made available through the Multifamily Housing Program (MHP).
  - b) Fifty percent of money shall be available to HCD to assist persons experiencing or at risk of homelessness including, but not limited to, providing rapid rehousing, rental assistance, navigation centers, and the new construction, rehabilitation, and preservation of permanent and transitional rental housing.
  - c) Requires HCD to ensure geographic equity in the distribution and allocation of funds for these purposes.
- 6) Requires moneys collected on or after January 1, 2019, to be allocated as follows:

- a) Twenty percent of all the money in the Trust Fund shall be expended for affordable owner-occupied workforce housing.
- b) Seventy percent of moneys in the Trust Fund shall be made available to local governments as follows:
  - i) Ninety percent of the moneys shall be allocated based on a formula, as specified, except that the portion allocated for nonentitlement areas shall be distributed through a competitive grant administered by HCD.
    - (1) Within the competitive grant program priority points shall be given to:
      - 1) a county with a population of 200,000 or less within the unincorporated areas of the county, 2) a local government that did not receive an award based on a formula, as specified, and 3) to a local government that pledges to use funds to assist persons experiencing or at risk of homelessness, including but not limited to providing rapid rehousing, rental assistance, navigation centers, and the new construction, rehabilitation, and preservation of permanent and transitional rental housing.
      - (2) Requires moneys in the competitive grant program to be used for the purposes specified under (vi) below.
    - ii) Ten percent of the money shall be allocated equitably amount local jurisdictions that are nonentitlement areas pursuant to a formula, as specified.
    - iii) Requires local governments to document the following minimum standards to receive moneys:
      - (1) Submit a plan to HCD detailing the manner in which funds will be used by the local government consistent with the eligible uses and to meet the local government's unmet share of the regional housing needs allocation (RNHA);
      - (2) Have a compliant housing element and have submitted a current housing element annual report;
      - (3) Submit an annual report to HCD detailing the uses and expenditures of any allocated funds;

- (4) Expend funds for the purposes allowed under the Act. Two or more local governments may expend moneys on a joint project that is authorized under the eligible uses; and
  - (5) Prioritize investments that increase the supply of housing to households that are at or below 60% of area median income, adjusted for household size.
- iv) Provides that if a local government does not have a documented plan to expend the money within five years of an allocation than moneys shall be exempt from the allocation requirements and shall revert to HCD to be used for MHP or for technical assistance.
- v) Allows local governments to petition HCD to return any funds that are allocated to it. Any funds returned by a local government shall be deposited into MHP.
- vi) Allows money allocated to local governments to be expended for the following purposes:
- (1) Predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing affordable to extremely low-, very low, low and moderate-income households including necessary operating subsidies;
  - (2) Affordable rental and ownership housing that meets the needs of a growing workforce up to 120% of AMI, or 150% of AMI in high-cost areas.
  - (3) Matching portions of funds placed into local or regional housing trust funds;
  - (4) Matching portions of funds placed in the Low- and Moderate-Income Housing Asset Funds of former redevelopment agencies retained by successor agencies;
  - (5) Capitalized reserves for services connected to the creation of new permanent supportive housing
  - (6) Assisting persons who are experiencing or at risk of homelessness
  - (7) Accessibility modifications;

- (8) Efforts to acquire and rehabilitate foreclosed, vacant, or blighted homes;
  - (9) Homeownership opportunities
  - (10) Fiscal incentives or matching funds to local agencies that approve new housing for extremely-low, very-low, low- and moderate-income households; and
- c) Thirty percent of moneys deposited in the fund shall be made available to HCD as follows:
- i) Five percent shall be used for state incentive programs including loan and grant programs administered by HCD. If HCD received insufficient applications for incentive programs the funds shall be made available for MHP.
  - ii) Ten percent shall be used to address affordable homeownership and rental housing opportunities for agricultural workers and their families.
  - iii) Fifteen percent shall be continuously appropriated to the CalHFA for the purpose of creating mixed income multifamily residential housing for lower or moderate income households.

## **Background**

- 1) Historically, the state has funded housing programs through the sale of general obligations bonds and from redevelopment funds. Most recently, the voters approved a \$2.1 billion bond through Proposition 46 in 2002 and then a \$2.85 billion bond through Proposition 1C in 2006. These funds financed the construction, rehabilitation, and preservation of 183,000 units, including shelter spaces and permanent supportive housing for the homeless. HCD has awarded almost all of the funds made available under these propositions, particularly in its main programs. Additionally, with the elimination of redevelopment agencies, this source of funding for affordable housing is no longer available.

According to the Department of Finance and US Department of Housing and Urban Development, California receives about \$627 million/year in funding. Over the last ten years, these programs have been reduced by 34%. According to the Department of Finance, two programs are at risk of being cut by 2/3 or cut completely, which means significant cuts in funding for low-income and homeless Californians.

A recent report by HCD highlighted the depths of the resulting housing shortage, showing that statewide for very low-, and extremely low- households, California is short about 1.5 million rental units.<sup>1</sup> That same report showed that for low-, moderate-, and above moderate-income levels, there was a sufficient number of rental housing, at least on a statewide average basis, indicating that the focus should be on the poorest households. In a March 2016 informational hearing, this committee heard that California's 2.2 million extremely low-income and very low-income renter households are competing for only 664,000 affordable rental units.

The Act would create a permanent and ongoing source of funding for housing to fill the gap in funding lost from the loss of redevelopment agencies and the exhaustion of prior bond funds.

## Comments

- 1) *Purpose.* According to the author, California is facing a housing affordability crisis. The state ranks 49<sup>th</sup> nationwide in housing units per capita. Due to this housing shortage, 50% of moderate-income and 100% of low-income families in our state struggle to afford the cost of housing in their local communities. The most vulnerable of them risk joining the 118,000 Californians who are already homeless on any given night. This crisis affects more than just residents: the state also loses \$140 billion per year in output (or 6 percent of state GDP) due to the lack of affordable housing. Prominent business groups across the state agree that California needs to increase the supply of housing options affordable to workers, so companies can compete for the talent that drives California's economy.

An ongoing funding source for affordable housing is critical to stabilize the state's housing development and construction marketplace. With a sustainable source of funding in place, more affordable housing developers will take on the risk that comes with development and, in the process, create a reliable pipeline of well-paying construction jobs. The Building Homes and Jobs Act establishes a permanent funding source that will increase California's supply of affordable homes, creates jobs, and spur economic growth without incurring additional debt. The act imposes a \$75 fee on real estate transaction documents, excluding residential and commercial property sales, and is estimated to generate

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<sup>1</sup> California's Housing Future: Challenges and Opportunities (Public Draft) – op cit. Extremely low income households earn less than 30% of the area median income (AMI); very low income households earn between 30% - 50% of AMI.

hundreds of millions of dollars annually at a time when the need for this increased and ongoing funding source in California has never been more urgent. Failure to act now will leave too many Californians without an affordable place to call home and make it difficult for California businesses to remain competitive.

**FISCAL EFFECT:** Appropriation: Yes Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- Unknown fee revenue gains, likely in the range of \$200 million to \$300 million annually depending on the volume of recorded documents (Building Homes and Jobs Trust Fund – BHJ Trust Fund).
- Unknown ongoing costs, likely in the millions annually beginning in 2018-19, for the HCD and CalHFA to administer the programs funded by new fee revenues deposited into the BHJ Trust Fund. The bill authorizes up to 5% of any funds allocated to state agencies to administer programs supported by the fee revenues, which could be as high as \$10 million to \$15 million annually using the revenue estimates noted above. All HCD and CalHFA administrative costs would be fully covered by fee revenues deposited into the BHJ Trust Fund.
- HCD costs of approximately \$228,000 and 1.5 PY of staff time in 2017-18 to develop the Building Jobs and Homes Investment Strategy, as specified. HCD would incur similar costs every five years for periodic updates of the investment strategy. Initial costs would be a General Fund obligation, while ongoing costs would be supported by BHJ Trust Fund revenues.
- Unknown costs, potentially in the low hundreds of thousands annually beginning in 2017-18, to support the activities of the 15-member Building Homes and Jobs Trust Fund Governing Board, including administrative staff support and expenses related to board meetings. (General Fund)
- Costs in the range of \$250,000 to \$350,000 (BHJ Trust Fund) in 2019-20 to the State Auditor's Office to conduct an initial audit. Ongoing periodic audit costs in the range of \$150,000 to \$250,000 (BHJ Trust Fund).
- Unknown local mandate costs, not state-reimbursable. This bill authorizes the county recorder to deduct actual and necessary costs to administer to collection of recordation fees prior to transmitting the balance to the state.

**SUPPORT:** (Verified 9/15/17)

California Housing Consortium (co-source)  
Housing California (co-source)  
State Controller Betty Yee  
AARP  
Abode Communities  
Affirmed Housing  
Affordable Housing NOW!  
American Federation of State County, and Municipal Employees, AFL-CIO  
American Planning Association, California Chapter  
Alliance of Californians for Community Empowerment  
Allied Argenta  
Aspiranet  
Association of Regional Center Agencies  
Bay Area Business Roundtable  
Bay Area Council  
Bishop Paiute Tribe  
Burbank Housing Development Corporation  
California Apartment Association  
California Asset Building Association  
California Association of Realtors  
California Association of Veteran Service Agencies  
California Bicycle Coalition  
California Building Industry Association  
California Catholic Conference  
California Church IMPACT  
California Coalition for Rural Housing  
California Coalition for Youth  
California Collaborative for Long Term Services & Supports  
California Community Economic Development Association  
California Council for Affordable Housing  
California Downtown Association  
California Faculty Association  
California Federation of Teachers  
California Housing Partnership Corporation  
California Infill Federation  
California Labor Federation  
California League of Conservation Voters  
California PACE Association  
California Partnership to End Domestic Violence

California Police Chiefs Association  
California Reinvestment Coalition  
California School Employees Association  
California State Association of Counties  
California State Council of Laborers  
California-Nevada Conference of Operating Engineers  
Center for Sustainable Neighborhoods  
Central City Association of Los Angeles  
Century Housing Corporation  
Charities Housing  
Children's Defense Fund – California  
Christian Church Homes  
Cities Association of Santa Clara County  
Cities of Alameda, American Canyon, Belmont, Carpinteria, Cloverdale, Daly City, Duarte, East Palo Alto, Fort Bragg, Glendale, Goleta, Hayward, Indio, of Lake Elsinore, Los Angeles, Mill Valley, Napa, Oakland, Sacramento, San Diego, San Jose, San Mateo, San Rafael, Santa Monica, Santa Rosa, Sebastopol, Simi Valley, Ukiah, Union City, Vallejo, Walnut Creek, and West Hollywood  
Community Corporation of Santa Monica  
Community Development Commission of Mendocino County  
Community Economics, Inc.  
Community Housing Improvement Program  
Community Housing Improvement Systems & Planning Association, Inc.  
Community Housing Opportunities Corporation  
Community Housing Partnership  
Congress of California Seniors  
Corporation for Supportive Housing  
Council of Community Housing Organizations  
Council of Infill Builders  
Democratic Party of Contra Costa County  
Dignity Health  
Downtown Sacramento Partnership  
Downtown Women's Center  
EAH Housing  
East Bay Asian Local Development Corporation  
East Bay Developmental Disabilities Legislative Coalition  
East Bay Housing Organizations  
Eden Housing  
ElderFocus

Enterprise Community Partners  
Facebook  
Family Care Network, Inc.  
First Place for Youth  
Greenbelt Alliance  
Guidiville Indian Rancheria  
Habitat for Humanity, California  
Heffernan Insurance Brokers  
Highridge Costa Companies  
Hopland Band of Pomo Indians  
Housing Authority of the County of Santa Barbara  
Housing California  
Housing Consortium of the East Bay  
Housing Trust Silicon Valley  
Innovative Housing Opportunities  
The John Stewart Company  
The Kennedy Commission  
LeadingAge California  
League of California Cities  
League of Women Voters of California  
Life Skills Training & Educational Programs, Inc.  
LINC Housing  
Little Tokyo Service Center  
Los Angeles Business Council  
Los Angeles Area Chamber of Commerce  
Mammoth Lakes Housing, Inc.  
Manzanita Services, Inc.  
Marin County Council of Mayors and Councilmembers  
Mayor, City of Long Beach - Robert Garcia  
Mayor, City of Los Angeles - Eric Garcetti  
Mayor, City of Oakland - Libby Schaaf  
Mayor, City of San Francisco - Edwin M. Lee  
Mayor, City of San Jose - Sam T. Liccardo  
Mayor, City of Santa Ana - Miguel Pulido  
Mayor, City of Santa Barbara - Helene Schneider  
Mental Health America of California  
Mental Health Association of San Mateo County  
Mercy Housing Management Group  
Metropolitan Transportation Commission  
MidPen Housing Corporation

Modac Lassen Indian Housing Authority  
Monterey Bay Economic Partnership  
Move LA  
Mutual Housing California  
Napa Valley Community Housing  
National Association of Social Workers – California Chapter  
Natural Resources Defense Council  
NextGen California  
Nonprofit Housing Association of Northern California  
North Bay Leadership Council  
North Orange County Chamber of Commerce  
Northern California Community Loan Fund  
Northern California Land Trust  
Northern Circle Indian Housing Authority  
Orange County Business Council  
Planning & Conservation League  
PolicyLink  
Promise Energy, Inc.  
Public Advocates  
Public Law Center  
Resources for Community Development  
RISE  
Rise Together  
ROEM Corporation  
Rural Community Assistance Corporation  
San Diego and Imperial Counties Labor Council, AFL-CIO  
San Diego Housing Federation  
San Francisco Bay Area Planning and Urban Research Association  
San Francisco Bay Area Rapid Transit District  
San Francisco Chamber of Commerce  
San Francisco Council of Community Housing Organizations  
San Francisco Housing Action Coalition  
San Diego Housing Commission  
San Diego Regional Chamber of Commerce  
San Luis Obispo County Housing Trust Fund  
San Mateo County Board of Supervisors  
Santa Clara County Board of Supervisors  
Satellite Affordable Housing Associates  
Self-Help Enterprises  
Sierra Business Council

Sierra Club California  
Silicon Valley Bank  
Silicon Valley Leadership Group  
Small Businesses for Affordable Housing in Petaluma  
Sonoma County Community Development Commission  
Southern California Association of Nonprofit Housing  
State Building and Construction Trades Council, AFL-CIO  
SV@Home  
Tenants Together  
Tenderloin Neighborhood Development  
The Arc California  
The Pacific Companies  
Town of Danville  
Tule River Indian Housing Authority  
Tuolumne County Board of Supervisors  
United Cerebral Palsy California  
U.S. Green Building Council  
Vallerie Chiappone, Individual  
Valley Economic Development Center  
Ventura Council of Governments  
Wakeland Housing and Development Corporation  
Western Center on Law & Poverty  
Five individuals

**OPPOSITION:** (Verified 9/15/17)

American Resort Development Association  
Butte County Board of Supervisors  
Calaveras County Board of Supervisors  
California Business Properties Association  
California Escrow Association  
California Land Title Association  
California Mortgage Association  
California Pool & Spa Association  
California Taxpayer Association  
Community Associations Institute  
County Recorders' Association of California  
First American Financial Corporation  
Howard Jarvis Taxpayers Association  
Humboldt County Clerk-Recorder  
Inyo County Board of Supervisors  
National Federation of Independent Business

Orange County Board of Supervisors  
Sierra County Board of Supervisors  
Sutter County Board of Supervisors  
Tehama County Board of Supervisors  
United Trustees Association

ASSEMBLY FLOOR: 54-25, 9/14/17

AYES: Aguiar-Curry, Arambula, Berman, Bloom, Bocanegra, Bonta, Burke, Caballero, Calderon, Chau, Chiu, Chu, Cooley, Cooper, Dababneh, Daly, Eggman, Frazier, Friedman, Cristina Garcia, Eduardo Garcia, Gipson, Gloria, Gonzalez Fletcher, Gray, Grayson, Holden, Irwin, Jones-Sawyer, Kalra, Levine, Limón, Low, Maienschein, McCarty, Medina, Mullin, Muratsuchi, Nazarian, O'Donnell, Quirk, Quirk-Silva, Reyes, Ridley-Thomas, Rodriguez, Rubio, Salas, Santiago, Mark Stone, Thurmond, Ting, Weber, Wood, Rendon

NOES: Acosta, Travis Allen, Baker, Bigelow, Brough, Cervantes, Chávez, Chen, Choi, Cunningham, Dahle, Flora, Fong, Gallagher, Harper, Kiley, Lackey, Mathis, Mayes, Melendez, Obernolte, Patterson, Steinorth, Voepel, Waldron

Prepared by: Alison Hughes / T. & H. / (916) 651-4121  
9/15/17 10:35:10

\*\*\*\* END \*\*\*\*