

ATTACHMENT 6
SB2 – BUILDING JOBS AND HOMES ACT

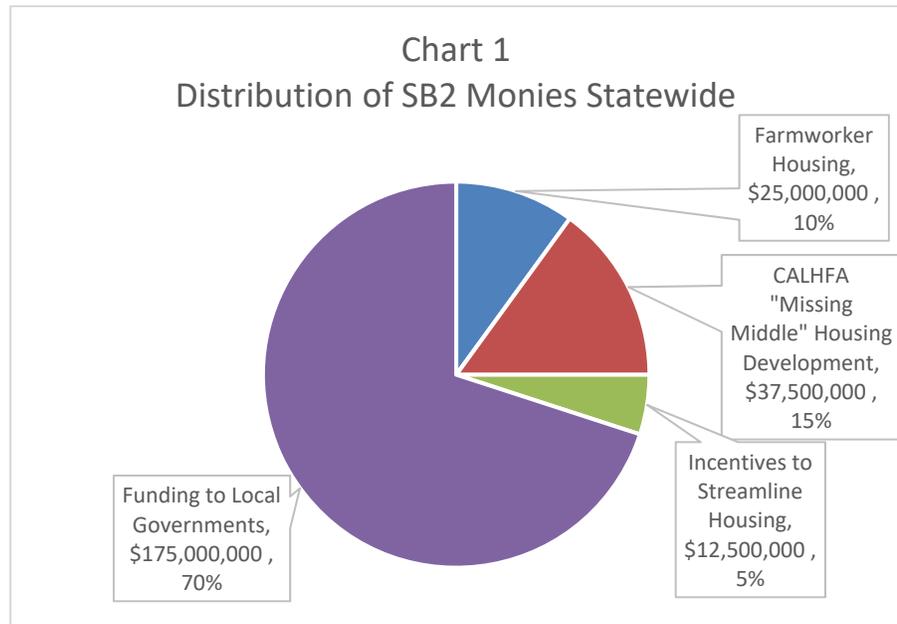
Funding for the construction of affordable housing took a major hit in February 2012 when the State eliminated the distribution of property taxes to redevelopment project areas. Redevelopment agencies were required to set aside 20% of these funds in the Low-Moderate Income Housing Trust Fund. Between 1988 and 2017, redevelopment agencies in Monterey County provided more than \$72.2 million, an average of \$2.4 million annually, to occupancy restricted housing projects. The impact of these funds was amplified because, as local funding, they could be used as “local match” to make other grant and tax credit applications more competitive at the state level.

The 2017 Legislative Session resulted in two bills that are intended to fund affordable housing. Senate Bill 2 (SB2) is a permanent funding stream funded by a \$75 recording fee on all real property documents. Senate Bill 3 authorized a \$4 billion bond issue to be placed on the November 2018 general election ballot.

Senate Bill 2

SB2 is the legislature’s attempt to replace the lost redevelopment funding and create a permanent source of locally controlled financing for affordable housing development. Funding for SB2 comes from a \$75 per document recording fee on most real property documents. SB2 funding is going to be made available in two ways based on the year. During year one 50% of the funding will be allocated to planning and technical assistance funds to streamline development and 50% will be allocated to homeless programs. Year one funding represents all SB2 recording fees collected between January 1, 2018 and December 31, 2018. The California Department of Housing and Community Development (HCD) has not issued guidelines for what activities and homeless programs will be eligible for funding, or how funding will be distributed.

Beginning with year two, SB2 requires that 70% of the monies collected be distributed to local governments and 30% for state administered projects. Charts 1 and 2 graphically display how SB2 monies will be distributed to the various programs beginning in year 2. The dollar estimates shown are based on the state collecting \$250,000,000 annually. Chart 2 shows how these funds will be distributed between state managed programs and locally managed programs.



Eligible Uses of Local Government 70%

Low-Income Housing	Low-income multifamily housing development; capitalized reserves for permanent supportive housing; acquisition and rehabilitation of foreclosed or vacant homes; accessibility modifications.
Moderate-Income Housing	Home rental and ownership for middle-income families; homeownership opportunities, including down payment assistance.
Homelessness	Rapid Rehousing, rental assistance, navigation centers, emergency shelters, and permanent and transitional housing.
Local Matching Funds	Local or regional housing trust funds; Low and Moderate Income Housing Asset Fund.
Incentives	Incentives or matching funds for permitting new housing.

SB2 requires HCD to distribute the local government funds based on the formula used by the United States Department of Housing and Urban Development (HUD) to allocate Community Development Block Grant funds to entitlement jurisdictions. There are four entitlement jurisdictions in Monterey County; the County (Urban County, which includes Gonzales, Greenfield and Sand City), and the cities of Monterey, Seaside and Salinas. HCD is estimating that the local government’s will be allocated as shown in Chart 2. Monterey County’s 0.37% share of the funding will come from the 83% share allocated for CDBG entitlement jurisdictions.

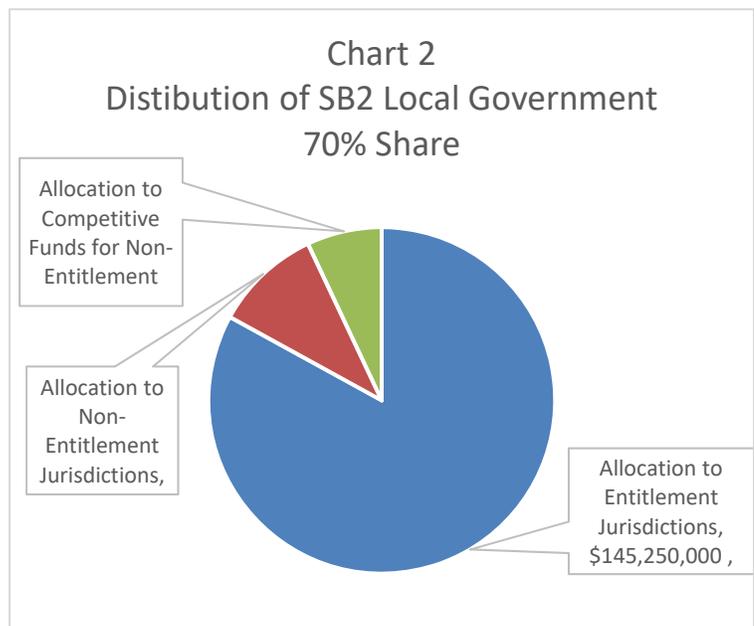


Table 1, lists the four CDBG Entitlement jurisdictions within Monterey County and, under the proposed distribution formula, the amount of SB2 funding they are projected to receive. Based on the anticipated revenue distribution, the County’s share of SB2 funding is roughly one-third half of what was available under redevelopment. Countywide, SB2 will only provide about 82% of the funding that was available under redevelopment. Because the projected SB2 funding is less than what was available to many jurisdictions, it may be necessary for the County and cities to pool their SB2 resources on affordable housing projects.

Table 1
SB2 70% Funds Distributed in Monterey County of Monterey
(Based on \$250,000,000 Statewide Collections)

City of Monterey	\$116,5714
City of Salinas	\$1,008,160
City of Seaside	\$193,377
Urban County	\$649,226
ESTIMATED SB2 \$s Distributed in Monterey County	\$1,967,334

The last piece of the SB2 funding puzzle is how HCD plans to address the requirement that beginning with year 2, 20% of the available funds must be used for expenditures on affordable owner-occupied workforce housing (up to 120% of area median income as defined in the legislation). The current HCD FAQ page does not provide any guidance on how HCD might allocated this obligation to local governments.

HCD’s current schedule for distributing SB2 funding is:

	Year 1 \$’s	Year 2+ \$’s
Issue Program Guidelines	Summer 2018	Spring 2019
Issue Notice of Funding Availability	Spring 2019	Summer 2019

If HCD adheres to this schedule it is not likely that the County will receive any SB2 funds before September 2019.

While HCD has not determined how the SB2 funds will be distributed, the legislation does include three broad eligibility requirements that jurisdictions must meet to receive the funds:

- Have a compliant housing element –
 - As of February 20, 2018, the County and three Urban County cities had adopted housing elements and were compliant with this requirement.
- Submit current annual reports (Housing Element Annual Progress Report) –
 - The County is current with its APR submissions. They are due annually by April 1st.
- Plan for use of allocated funds –
 - The last, and now most undefined, requirement is that jurisdictions will need to submit a plan to HCD annually detailing the way allocated funds will be used by the local government and how those activities will meet the local government’s unmet share of the regional housing needs allocation.

In addition to the requirements outlined above, the legislation places an emphasis on plans that prioritize investments that increase the supply of housing to households that are at or below 60 percent of area median income.

SB3 – VETERANS AND AFFORDABLE HOUSING BOND ACT

SB3 is a one-time \$4 billion bond issue. If it passes on the November 2018 ballot, the funding will be made available as follows:

Multifamily Housing	\$1,500,000,000
CalVet	\$1,000,000,000
Transit-Oriented Development and Infill Infrastructure	\$500,000,000
CalHome	\$400,000,000
Joe Serna Farmworker Housing	\$300,000,000
Local Housing Trust Fund	\$300,000,000
Matching Grant	

HCD’s proposed schedule for releasing these funds, assuming passage of the bond, is:

Initial Notice of Funding Availability – Spring 2019

Initial Funding Awards – Summer 2019

The language used by HCD in the schedule implies that there may be multiple rounds of funding based on the financial markets’ appetite for the bonds. It is not uncommon for bond funded projects to be phased but HCD has not issued any guidance on how the proceeds from each bond tranche will be distributed between the funding areas or when the funds may be available.