



**CITY OF LOS ALTOS
CITY COUNCIL MEETING
April 28, 2015**

CONSENT CALENDAR

Agenda Item # 4

SUBJECT: Approve a letter of support for AB 1335 (Atkins) Building Homes and Jobs Act

BACKGROUND

Assembly Bill (AB) 1335, which is currently being considered by the California Legislature, would generate up to \$700 million per year for affordable rental or ownership housing, supportive housing, emergency shelters, transitional housing and other housing needs via a \$75 recordation fee on real estate transactions with the exception of home sales. A full version of the proposed legislation is included as Attachment 1.

EXISTING POLICY

None

PREVIOUS COUNCIL CONSIDERATION

None

DISCUSSION

The League of California Cities has issued an action alert, requesting that the City of Los Altos write a letter of support for AB 1335, which would provide a permanent source of funding for affordable housing. The League has provided the following discussion points about AB 1335:

- AB 1335 would create an ongoing, predictable source of funding to fund the state housing trust fund. Until now California's housing trust fund has been funded by periodic, voter-approved housing bonds that eventually run dry.
- For every \$500 million generated by AB 1335, 29,000 well-paying jobs will be created.
- Funds will be used for the development, acquisition, rehabilitation, and preservation of housing, including transitional and permanent rental housing, workforce housing, supportive services, foreclosure mitigation, and homeownership programs.
- With funds from successful state housing bonds (Prop. 46 and Prop. 1C) exhausted and the complete elimination of redevelopment, the availability of state dollars that leverage private investment and federal and local funds is at a historic low.

Additional analysis and discussion about AB 1335 can be found on the League of California Cities website: www.cacities.org

This legislation would have a minimal direct impact on Los Altos since the sale of residential homes, which constitutes a majority of the real estate transactions in the City, would not be subject to the proposed fee. Furthermore, the City does not directly fund the development of affordable housing. However, development of affordable housing and funding affordable housing programs is an important issue for the Peninsula region and greater Bay Area, and increased funding for affordable housing in nearby communities would have a positive residual impact on Los Altos. Therefore, due to its relatively minor financial impact on Los Altos residents and the positive effects it will have on

region-wide affordable housing development and programs, it is recommended that the Council join the League of California Cities in expressing support for AB 1335. A draft letter of support is included as Attachment 2.

PUBLIC CONTACT

Posting of the meeting agenda serves as notice to the general public.

FISCAL/RESOURCE IMPACT

None

ENVIRONMENTAL REVIEW

Not applicable

RECOMMENDATION

Approve a letter of support for AB 1335 (Atkins) Building Homes and Jobs Act

ALTERNATIVES

Decline to take a position on AB 1335 and not issue a letter of support

Prepared by: Zachary Dahl, Senior Planner

ATTACHMENTS:

1. AB 1335 text
2. Draft letter of support

ASSEMBLY BILL

No. 1335

Introduced by Assembly Member Atkins

(Principal coauthors: Assembly Members Chau, Chiu, and Gordon)

(Coauthors: Assembly Members Alejo, Bloom, Bonilla, Bonta, Cooper, Gonzalez, Lopez, Low, McCarty, Mullin, Rendon, Santiago, Mark Stone, Ting, and Weber)

February 27, 2015

An act to add Section 27388.1 to the Government Code, and to add Chapter 2.5 (commencing with Section 50470) to Part 2 of Division 31 of the Health and Safety Code, relating to housing, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1335, as introduced, Atkins. Building Homes and Jobs Act.

Under existing law, there are programs providing assistance for, among other things, emergency housing, multifamily housing, farmworker housing, home ownership for very low and low-income households, and downpayment assistance for first-time homebuyers. Existing law also authorizes the issuance of bonds in specified amounts pursuant to the State General Obligation Bond Law. Existing law requires that proceeds from the sale of these bonds be used to finance various existing housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, and housing-related parks.

This bill would enact the Building Homes and Jobs Act. The bill would make legislative findings and declarations relating to the need for establishing permanent, ongoing sources of funding dedicated to affordable housing development. The bill would impose a fee, except

as provided, of \$75 to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded. By imposing new duties on counties with respect to the imposition of the recording fee, the bill would create a state-mandated local program. The bill would require that revenues from this fee, after deduction of any actual and necessary administrative costs incurred by the county recorder, be sent quarterly to the Department of Housing and Community Development for deposit in the Building Homes and Jobs Fund, which the bill would create within the State Treasury. The bill would provide that moneys in the fund may be expended for supporting affordable housing, home ownership opportunities, and other housing-related program, as specified. The bill would impose certain auditing and reporting requirements.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. This act shall be known as the Building Homes
2 and Jobs Act.

3 SEC. 2. (a) The Legislature finds and declares that having a
4 healthy housing market that provides an adequate supply of homes
5 affordable to Californians at all income levels is critical to the
6 economic prosperity and quality of life in the state.

7 (b) The Legislature further finds and declares all of the
8 following:

9 (1) Funding approved by the state's voters in 2002 and 2006,
10 as of June 2014, has financed the construction, rehabilitation, and
11 preservation of over 14,000 shelter spaces and 149,000 affordable
12 homes. These numbers include thousands of supportive homes for
13 people experiencing homelessness. In addition, these funds have
14 helped tens of thousands of families become or remain

1 homeowners. Nearly all of the voter-approved funding for
2 affordable housing was awarded by the beginning of 2015.

3 (2) The requirement in the Community Redevelopment Law
4 that redevelopment agencies set aside 20 percent of tax increment
5 for affordable housing generated roughly \$1 billion per year. With
6 the elimination of redevelopment agencies, this funding stream
7 has disappeared.

8 (3) In 2014, the Legislature committed 10 percent of ongoing
9 cap-and-trade funds for affordable housing that reduces greenhouse
10 gas emissions and dedicated \$100 million in one-time funding for
11 affordable multifamily and permanent supportive housing. In
12 addition, the people of California thoughtfully approved the
13 repurposing of \$600 million in already committed bond funds for
14 the creation of affordable rental and permanent supportive housing
15 for veterans through the passage of Proposition 41.

16 (4) Despite these investments, the need in the state of California
17 greatly exceeds the available resources, considering 36.2 percent
18 of mortgaged homeowners and 47.7 percent of all renters are
19 spending more than 35 percent of their household incomes on
20 housing.

21 (5) California has 12 percent of the United States population,
22 but 20 percent of its homeless population. California has the highest
23 percentage of unsheltered homeless in the nation, with 63 percent
24 of homeless Californians not having shelter. California has 24
25 percent of the nation's homeless veterans population and one-third
26 of the nations' chronically homeless population. California also
27 has the largest populations of unaccompanied homeless children
28 and youth, with 30 percent of the national total.

29 (6) Furthermore, four of the top 10 metropolitan areas in the
30 country for homeless are in the following metropolitan areas in
31 California: San Jose-Sunnyvale-Santa Clara, Los Angeles-Long
32 Beach-Santa Ana, Fresno, and Stockton.

33 (7) California continues to have the second lowest
34 homeownership rate in the nation, and the Los Angeles
35 metropolitan area is now a majority renter area. In fact, five of the
36 eight lowest homeownership rates are in metropolitan areas in
37 California.

38 (8) Los Angeles and Orange Counties have been identified as
39 the epicenter of overcrowded housing, and numerous studies have
40 shown that children in crowded homes have poorer health, worse

1 scores on mathematics and reading tests, and higher rates of
2 depression and behavioral problems—even when poverty is taken
3 into account.

4 (9) Millions of Californians are affected by the state’s chronic
5 housing shortage, including seniors, veterans, people experiencing
6 chronic homelessness, working families, people with mental,
7 physical, or developmental disabilities, agricultural workers, people
8 exiting jails, prisons, and other state institutions, survivors of
9 domestic violence, and former foster and transition-aged youth.

10 (10) Eight of the top 10 hardest hit cities by the foreclosure
11 crisis in the nation were in California. They include the Cities of
12 Stockton, Modesto, Vallejo, Riverside, San Bernardino, Merced,
13 Bakersfield, and Sacramento.

14 (11) California’s workforce continues to experience longer
15 commute times as persons in the workforce seek affordable housing
16 outside the areas in which they work. If California is unable to
17 support the construction of affordable housing in these areas,
18 congestion problems will strain the state’s transportation system
19 and exacerbate greenhouse gas emissions.

20 (12) Many economists agree that the state’s higher than average
21 unemployment rate is due in large part to massive shrinkage in the
22 construction industry from 2005 to 2009, including losses of nearly
23 700,000 construction-related jobs, a 60-percent decline in
24 construction spending, and an 83-percent reduction in residential
25 permits. Restoration of a healthy construction sector will
26 significantly reduce the state’s unemployment rate.

27 (13) The lack of sufficient housing impedes economic growth
28 and development by making it difficult for California employers
29 to attract and retain employees.

30 (14) To keep pace with continuing demand, the state should
31 identify and establish a permanent, ongoing source or sources of
32 funding dedicated to affordable housing development. Without a
33 reliable source of funding for housing affordable to the state’s
34 workforce and most vulnerable residents, the state and its local
35 and private housing development partners will not be able to
36 continue increasing the supply of housing after existing housing
37 bond resources are depleted.

38 (15) The investment will leverage billions of dollars in private
39 investment, lessen demands on law enforcement and dwindling
40 health care resources as fewer people are forced to live on the

1 streets or in dangerous substandard buildings, and increase
2 businesses' ability to attract and retain skilled workers.

3 (16) In order to promote housing and homeownership
4 opportunities, the recording fee imposed by this act shall not be
5 applied to any recording made in connection with a sale of real
6 property. Purchasing a home is likely the largest purchase made
7 by Californians, and it is the intent of this act to not increase
8 transaction costs associated with these transfers.

9 SEC. 3. Section 27388.1 is added to the Government Code, to
10 read:

11 27388.1. (a) (1) Commencing January 1, 2016, and except as
12 provided in paragraphs (2) and (3), in addition to any other
13 recording fees specified in this code, a fee of seventy-five dollars
14 (\$75) shall be paid at the time of recording of every real estate
15 instrument, paper, or notice required or permitted by law to be
16 recorded except those expressly exempted from payment of
17 recording fees. "Real estate instrument, paper, or notice" means a
18 document relating to real property, including, but not limited to,
19 the following: deed, grant deed, trustee's deed, deed of trust,
20 reconveyance, quit claim deed, fictitious deed of trust, assignment
21 of deed of trust, request for notice of default, abstract of judgment,
22 subordination agreement, declaration of homestead, abandonment
23 of homestead, notice of default, release or discharge, easement,
24 notice of trustee sale, notice of completion, UCC financing
25 statement, mechanic's lien, maps, and covenants, conditions, and
26 restrictions.

27 (2) The fee described in paragraph (1) shall not be imposed on
28 any real estate instrument, paper, or notice recorded in connection
29 with a transfer subject to the imposition of a documentary transfer
30 tax as defined in Section 11911 of the Revenue and Taxation Code
31 or on any real estate instrument, paper, or notice recorded in
32 connection with a transfer of real property that is a residential
33 dwelling to an owner-occupier.

34 (3) The fee described in paragraph (1) shall be reduced so that
35 the fee, together with any charges or recording fees that are in
36 effect on or before the effective date of the act adding this section,
37 shall not exceed a per parcel maximum charge of two hundred
38 twenty-five dollars (\$225).

39 (b) The fees, after deduction of any actual and necessary
40 administrative costs incurred by the county recorder in carrying

1 out this section, shall be remitted quarterly, on or before the last
 2 day of the month next succeeding each calendar quarterly period,
 3 to the Department of Housing and Community Development for
 4 deposit in the California Homes and Jobs Trust Fund established
 5 by Section 50470 of the Health and Safety Code, to be expended
 6 for the purposes set forth in that section. In addition, the county
 7 shall pay to the Department of Housing and Community
 8 Development interest, at the legal rate, on any funds not paid to
 9 the Controller before the last day of the month next succeeding
 10 each quarterly period.

11 SEC. 4. Chapter 2.5 (commencing with Section 50470) is added
 12 to Part 2 of Division 31 of the Health and Safety Code, to read:

13
 14 CHAPTER 2.5. BUILDING HOMES AND JOBS ACT

15
 16 Article 1. General Provisions

17
 18 50470. (a) (1) There is hereby created in the State Treasury
 19 the Building Homes and Jobs Trust Fund. All interest or other
 20 increments resulting from the investment of moneys in the fund
 21 shall be deposited in the fund, notwithstanding Section 16305.7
 22 of the Government Code.

23 (2) Moneys in the Building Homes and Jobs Trust Fund shall
 24 not be subject to transfer to any other fund pursuant to any
 25 provision of Part 2 (commencing with Section 16300) of Division
 26 4 of Title 2 of the Government Code, except to the Surplus Money
 27 Investment Fund. Upon appropriation by the Legislature, moneys
 28 in the fund may be expended for the following purposes:

29 (A) The development, acquisition, rehabilitation, and
 30 preservation of rental housing that is affordable to extremely low,
 31 very low, low- and moderate-income households, including
 32 necessary operating subsidies.

33 (B) Affordable rental and ownership housing that meets the
 34 needs of a growing workforce up to 120 percent of area median
 35 income.

36 (C) Matching portions of funds placed into local or regional
 37 housing trust funds.

38 (D) Matching portions of funds available through the Low and
 39 Moderate Income Housing Asset Fund pursuant to subdivision (d)
 40 of Section 34176 of the Health and Safety Code.

1 (E) Capitalized reserves for services connected to the creation
2 of new permanent supportive housing, including, but not limited
3 to, developments funded through the Veterans Housing and
4 Homelessness Prevention Program.

5 (F) Emergency shelters, transitional housing, and rapid
6 rehousing.

7 (G) Accessibility modifications.

8 (H) Efforts to acquire and rehabilitate foreclosed or vacant
9 homes.

10 (I) Homeownership opportunities, including, but not limited to,
11 down payment assistance.

12 (b) Both of the following shall be paid and deposited in the
13 fund:

14 (1) Any moneys appropriated and made available by the
15 Legislature for purposes of the fund.

16 (2) Any other moneys that may be made available to the
17 department for the purposes of the fund from any other source or
18 sources.

19 50471. (a) In order to maximize efficiency and address
20 comprehensive needs, the department, in consultation with the
21 California Housing Finance Agency, the California Tax Credit
22 Allocation Committee, and the California Debt Limit Allocation
23 Committee, shall develop and submit to the Legislature, at the time
24 of the Department of Finance's adjustments to the proposed
25 2015–16 fiscal year budget pursuant to subdivision (e) of Section
26 13308 of the Government Code, the Building Homes and Jobs
27 Investment Strategy. Notwithstanding Section 10231.5 of the
28 Government Code, commencing with the 2020–21 fiscal year, and
29 every five years thereafter, concurrent with the release of the
30 Governor's proposed budget, the department shall update the
31 investment strategy and submit it to the Legislature. The investment
32 strategy shall do all of the following:

33 (1) Identify the statewide needs, goals, objectives, and outcomes
34 for housing for a five-year time period. Goals should include targets
35 of the total number of affordable homes created and preserved
36 with the funds.

37 (2) Promote a geographically balanced distribution of funds
38 including consideration of a direct allocation of funds to local
39 governments.

1 (3) Emphasize investments that serve households that are at or
2 below 60 percent of area median income.

3 (4) Meet the following minimum objectives:

4 (A) Encourage economic development and job creation by
5 helping to meet the housing needs of a growing workforce up to
6 120 percent of area median income.

7 (B) Identify opportunities for coordination among state
8 departments and agencies to achieve greater efficiencies, increase
9 the amount of federal investment in production, services, and
10 operating costs of housing, and promote energy efficiency in
11 housing produced.

12 (C) Incentivize the use and coordination of nontraditional
13 funding sources including philanthropic funds, local realignment
14 funds, nonhousing tax increment, federal Patient Protection and
15 Affordable Care Act, and other resources.

16 (D) Incentivize innovative approaches that produce cost savings
17 to local and state services by reducing the instability of housing
18 for frequent, high-cost users of hospitals, jails, detoxification
19 facilities, psychiatric hospitals, and emergency shelters.

20 (b) Before submitting the Building Homes and Jobs Investment
21 Strategy to the Legislature, the department shall hold at least four
22 public workshops in different regions of the state to further inform
23 the development of the investment strategy.

24 (c) The department shall form an advisory body of experts and
25 stakeholders to help develop the Building Homes and Jobs
26 Investment Strategy, including, but not limited to, representatives
27 from the banking and financial sector, real estate sector, real estate
28 and housing developers, and homeless service providers.

29 (d) Expenditure requests contained in the Governor's proposed
30 budget shall be consistent with the Building Homes and Jobs
31 Investment Strategy developed and submitted pursuant to this part.
32 Moneys in the Building Homes and Jobs Act Fund shall be
33 appropriated through the annual Budget Act.

34 (e) The Building Homes and Jobs Investment Strategy and
35 updates required by this section shall be submitted pursuant to
36 Section 9795 of the Government Code.

1 Article 2. Audits and Reporting

2
3 50475. The California State Auditor’s Office shall conduct
4 periodic audits to ensure that the annual allocation to individual
5 programs is awarded by the department in a timely fashion
6 consistent with the requirements of this chapter. The first audit
7 shall be conducted no later than 24 months from the effective date
8 of this section.

9 50476. (a) In its annual report to the Legislature pursuant to
10 Section 50408, the department shall report how funds that were
11 made available pursuant to this chapter and allocated in the prior
12 year were expended, including efforts to promote a geographically
13 balanced distribution of funds. The report shall also assess the
14 impact of the investment on job creation and the economy. With
15 respect to any awards made specifically to house or support persons
16 who are homeless or at-risk of homelessness, the report shall
17 include an analysis of the effectiveness of the funding in allowing
18 these households to retain permanent housing. The department
19 shall make the report available to the public on its Internet Web
20 site.

21 (b) (1) In the report, the department shall make a determination
22 of whether any of the moneys derived from fees collected pursuant
23 to Section 27388.1 of the Government Code are being allocated
24 by the state for any purpose not authorized by Section 50470 and
25 shall share the information with the county recorders.

26 (2) If the department determines that any moneys derived from
27 fees collected pursuant to Section 27388.1 of the Government
28 Code are being allocated by the state for a purpose not authorized
29 by Section 50470, the county recorders shall, upon notice of the
30 determination, immediately cease collection of the fees imposed
31 by Section 27388.1 of the Government Code, and shall resume
32 collection of those fees only upon notice that the moneys derived
33 from fees collected pursuant to Section 23788.1 of the Government
34 Code are being allocated by the state only for a purpose authorized
35 by Section 50470.

36 SEC. 5. No reimbursement is required by this act pursuant to
37 Section 6 of Article XIII B of the California Constitution because
38 a local agency or school district has the authority to levy service
39 charges, fees, or assessments sufficient to pay for the program or

1 level of service mandated by this act, within the meaning of Section
2 17556 of the Government Code.

3 SEC. 6. This act is an urgency statute necessary for the
4 immediate preservation of the public peace, health, or safety within
5 the meaning of Article IV of the Constitution and shall go into
6 immediate effect. The facts constituting the necessity are:

7 In order to provide affordable housing opportunities at the earliest
8 possible time, it is necessary for this act to take effect immediately.

O



1 North San Antonio Road
Los Altos, California 94022-3087

April __, 2015

The Honorable Toni G. Atkins
Speaker, California State Assembly
State Capitol, Room 219
Sacramento, CA 95814
FAX: 916-319-2178

SUBJECT: AB 1335 (Atkins) Building Homes and Jobs Act NOTICE OF SUPPORT

Dear Speaker Atkins,

On behalf of the City of Los Altos, I am pleased to convey our support for your AB 1335. This bill would generate up to \$700 million per year for affordable rental or ownership housing, supportive housing, emergency shelters, transitional housing and other housing needs via a \$75 recordation fee on real estate transactions with the exception of home sales.

Affordable housing is a critical issue for the San Francisco Bay Area. Our city supports the development of additional funding sources that can help finance additional affordable housing development and programs in Los Altos and the region.

AB 1335 would provide an ongoing, permanent state source of funding which would allow the state to fund existing programs at dependable levels. This is a more reliable and efficient mechanism than occasional housing bonds. Further, the Building Homes and Jobs Act will help to leverage additional federal, local and private investment.

We appreciate your leadership on this important matter.

Sincerely,

Janis M. Pepper
Mayor
City of Los Altos

c: Assembly Member Richard S. Gordon, District 24

ATTACHMENT 2

City of Los Altos

April __, 2015

Page 2

Senator Jerry Hill, District 13

Assembly Member Ed Chau, Chair, Assembly Housing and Community Development
Committee, FAX: 916-319-2149

Jessica Stanfill, League of California Cities, Peninsula Regional Public Affairs Manager

Meg Desmond, League of California Cities