



COUNCIL AGENDA: 4-28-15  
ITEM: 2.12

## Memorandum

*Toni J. Taber*

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Toni J. Taber, CMC  
City Clerk

**SUBJECT:** SEE BELOW

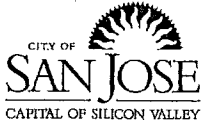
**DATE:** 4-24-2015

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**SUBJECT: AB 90 (CHAU AND ATKINS) – FEDERAL HOUSING TRUST FUND**

### RECOMMENDATION

As recommended by the Rules and Open Government Committee on April 22, 2015 and outlined in the attached memo previously submitted by the Rules and Open Government Committee, approve a support position for AB 90 (Chau and Atkins – Federal Housing Trust Fund).



**CITY COUNCIL ACTION REQUEST**

<b>Department(s):</b> Housing	<b>Date:</b> 4/15/15	<b>Coordination:</b> City Manager's Office City Attorney's Office	<b>Dept. Approval:</b> /s/ Jacky Morales-Ferrand
			<b>CMO Approval:</b> <i>[Handwritten Signature]</i>

**SUBJECT:** AB 90 (Chau and Atkins) Federal Housing Trust Fund

**RECOMMENDED POSITION:** Support

**RECOMMENDED ACTION:**

1. Pursuant to the City's streamlined bill process for responding quickly to legislative proposals, support AB 90 (Chau and Atkins) – Federal Housing Trust Fund.
2. Recommend a one-week turnaround so that the City's Legislative Advocate in Sacramento can indicate a support position for AB 90 (Chau and Atkins).

**BILL SYNOPSIS:**

AB 90, if enacted, would authorize the California Department of Housing and Community Development (HCD) to receive and administer funds made available through the Federal Housing Trust Fund (FHTF). The FHTF is authorized under existing federal law which requires the Department of Housing and Urban Development to provide grants to States to increase the supply of rental housing for very-low, extreme-low income and homeless families. A minimum of 75% of the funds must be used for extremely-low-income rental housing and a maximum of 25% for very low-income rental housing. The law also requires that grants be made available for homeownership assistance for very-low and extremely-low income families. Funding is expected to begin flowing through the FHTF to States in 2016. AB 90 designates HCD to receive the funds and authorizes the Department, in collaboration with the California Housing Finance Agency, to administer them pursuant to the multifamily housing program, with up to 10% of funds allowable to support first time homeownership. Any homes built through this program would have a 55-year affordability restriction. If enacted, AB 90 will allow future FHTF resources to be administered through existing State housing agencies, thereby allowing the State to implement FHTF through existing monitoring and reporting structures for greater efficiency.

California's share of the FHTF is estimated to be \$29,950,239 for every \$250 million that accrues in the fund, which would be distributed to States 60 days after the end of 2015 and each year after. The current estimate for California's share in 2016 is approximately \$10 million, subject to change. Given that this would be just the first year of the FHTF, it is likely that the amount to California will increase as the program scales in the future.

AB 90 will require a majority vote of the Legislature.

**IMPACTS TO CITY OF SAN JOSE:**

AB 90 would provide much needed federal housing resources, as such resources have significantly declined in recent years. For example, the federal Community Development Block Grant and HOME Investment Partnership programs have been cut in 30-40 percent in the last five years in San Jose, which reduces resources to build and preserve affordable housing opportunities. AB 90 could partially backfill the reduction in those programs. The need for affordable homes in San José is greater than ever, with rents at historic highs

and for-sale housing at pre-recession levels. As the economy continues to grow, both high-wage and low-wage jobs are being created. While the housing market has responded with additional market-rate housing, the lack of resources makes it extremely challenging to facilitate production for those lower-income workers who support our local economy, especially for those who earn very low- and extremely low-incomes. Therefore, increased federal resources to meet the housing demand for those most in need is essential.

AB 90 does not currently include an allocation plan that determines how the funds would be distributed across California once the funds are received. The bill stipulates that HCD and the California Housing Finance Agency will submit an allocation plan 30 days after receipt of FHTF dollars. The allocation plan would consider the following: geographic diversity, the extent to which rents are affordable especially to low-income households, the merits of a project, applicant readiness, the extent to which projects will use non-federal funds. Federal law allows States to directly allocate trust fund dollars to subgrantees. AB 90 currently does not include a provision for subgrantees; however, this may be included in later bill revisions or as part of the development of the State's allocation plan. Staff will monitor this bill and will work with the State agencies to shape the program so that its benefits are maximized for San Jose to the extent possible.

**POLICY ALIGNMENT:**

This bill aligns with the Council-approved *2015 Legislative Guiding Principles and Priorities* to pursue federal and State funds for key efforts, including "Maximize Federal Funding for Affordable Housing" and "Be actively involved in legislation that advances the funding and implementation of the National Housing Trust Fund in a manner that responds to the high cost of living in California and in San Jose."

**SUPPORTERS/OPPONENTS:**

Support: County of Santa Clara, City of Los Angeles.

Opposed: This bill has no registered opponents at this time and it is not expected to generate opposition.

**STATUS OF BILL:**

The bill was introduced on December 7 and referred to the Assembly Housing and Community Development Committee on January 26, 2015. The bill has been read a second time and re-referred aback to the Committee with amendments. If passed by the Committee, the bill, a fiscal bill, will then go to Assembly Appropriations Committee before a full vote of the Assembly. Bills must pass out of their House of origin by June 5, which then goes to the second House for consideration. September 11 is the last day for bills pass out of both Houses.

**FOR QUESTIONS CONTACT:** Jacky Morales-Ferrand, Interim Director of Housing, 408-535-3851