

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose

BILL NUMBER: AB 221
AUTHOR: W. Carter
RELATED BILLS: AB 2536 (Carter)

BILL SUMMARY: Housing and Emergency Shelter Trust Fund Acts

This bill would provide that Multifamily Housing Program-Supportive Housing (MHP-SH) projects would be eligible for Emergency Housing Assistance Capital Development (EHAP-CD) funding.

FISCAL SUMMARY

This bill would not increase the Department of Housing and Development's (HCD) state operations costs.

COMMENTS

Finance is opposed to this bill because it would change the use of bond funds contrary to the intent of the voters in approving Proposition 1C. While Proposition 1C provides for modification by the Legislature to improve efficiency or to achieve program goals, these programs serve different functions. MHP-SH provides services to persons in permanent housing, while EHAP-CD provides for construction of temporary shelters which also provide supportive services. These funds were intended to help some of the most vulnerable Californians by funding the construction of emergency shelters that also provide supportive service rather than services to families in permanent housing. While HCD had planned to make final awards in MHP-SH in 2010-11, about \$40 million remains because of the bond pause.

Analyst/Principal (0741) P. Abahazi	Date	Program Budget Manager Mark Hill	Date
--	------	-------------------------------------	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
--------------------	-----	-------	---

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

W. Carter

Original

AB 221

ANALYSIS**A. Programmatic Analysis**

Existing law provides for the Multifamily Housing Program (MHP), which provides deferred payment loans to local public entities and various other groups interested in the construction and conversion of housing for specified purposes. MHP is the primary source of funding for subsidized, income-restricted rental housing in the state. The MHP-SH program provides supportive services within, or in proximity to, MHP projects. Supportive services include health and social services for low-income renters who are disabled, are moving from emergency shelters or transitional housing, or who are at risk of becoming homeless. These supportive housing programs combine housing with medical and substance abuse treatment services for low-income individuals meeting certain criteria. Supportive housing means housing with no limitation on the length of stay. This program was allocated \$195 million in Proposition 1C bonds.

Existing law also provides for the EHAP-CD program, which provides deferred payment, forgivable loans to fund development projects for emergency shelters, transitional housing and other homeless supportive services. These loans are provided to local government agencies and various other groups that shelter homeless on an emergency or transitional basis and provide supportive services to the homeless. This program was allocated \$50 million in Proposition 1C bonds.

This bill would allow HCD to use Proposition 1C funding allocated to EHAP-CD for the MHP-SH program.

Discussion:

This bill would authorize, but not mandate, the use of unexpended EHAP-CD funds for MHP-SH projects.

Proposition 1C was approved by voters in 2006 to provide \$2.85 billion in general obligation bonds for multiple housing programs administered by the Department of Housing and Community Development. While Proposition 1C contains language that recognizes the Legislature's ability to amend the housing programs to achieve administrative efficiencies and to achieve the goals of the programs, this bill would reallocate funds from one program to another. While some of the Proposition 1C programs include authority to redirect funds if not awarded within specified periods of time, the EHAP-CD program does not include this authority. Therefore it appears that this bill would be contrary to the program allocations approved by the voters. These programs serve different functions. MHP-SH provides services to persons in permanent housing, while EHAP-CD provides for construction of temporary shelters which also provide supportive services.

Some housing advocates contend that the EHAP-CD program is undersubscribed, as evidenced by the fact that HCD still had funding for this program from the prior Proposition 46 (2002) bond act available after enactment of Proposition 1C (2006), whereas the MHP-SH funding from Proposition 46 was fully subscribed before enactment of Proposition 1C. HCD had planned to fully award MHP-SH funding in 2010-11, but due to the bond pause about \$40 million of the \$195 million allocation remains available. HCD had planned to make the final \$19 million of the \$50 million allocation for EHAP-CD available in 2011-12.

