Proposition 41

AB 639. (Chapter 727, 2013), Pérez. Veterans Housing and Homeless Prevention Bond Act of 2014.

Yes/No Statement

A **YES** vote on this measure means: The state would sell $600 million in general obligation bonds to fund affordable multifamily housing for low-income and homeless veterans.

A **NO** vote on this measure means: The state would not sell $600 million in general obligation bonds to fund affordable multifamily housing for low-income and homeless veterans.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact

- Increased state bond repayment costs averaging about $50 million annually over 15 years.

State Bond Cost Estimates

Authorized borrowing	$600 million
Average annual cost to pay off bonds	$50 million
Likely repayment period	15 years
Source of repayment	General tax revenues

Ballot Label

Fiscal Impact: Increased state bond costs averaging about $50 million annually over 15 years.

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BACKGROUND

State Housing Programs. In most years, about 150,000 houses and apartments are built in California. Most of these housing units are built entirely with private dollars. Some, however, receive financial help from federal, state, or local governments. For example, the state provides local governments, nonprofits, and private developers with low-cost loans to fund a portion of the housing units' construction costs. Typically, housing built with these funds must be sold or rented to Californians with low incomes.

A portion of housing units built with state funds is set aside for homeless Californians. These include homeless shelters, short-term housing, and supportive housing. Supportive housing combines housing with certain services, including mental and physical health care, drug and alcohol abuse counseling, and job training programs. A January 2013 federal government survey identified 137,000 homeless Californians, including about 15,000 veterans. California veterans are more than twice as likely to be homeless than non-veterans.

Veterans' Home Loan Program. The state and federal governments provide home loan assistance to some of the 1.9 million veterans living in California. Under the *state* program, the state sells general obligation bonds to investors and uses the funds to buy homes on behalf of eligible veterans. Each participating veteran then makes monthly payments to the state, which allows the state to repay the investors. These payments have always covered the amount owed on the bonds, meaning the program has operated at no direct cost to taxpayers. Since 2000, the number of veterans receiving new home loans under this program each year has declined significantly. Many factors have contributed to this decline, including: (1) historically low mortgage interest rates, (2) the availability of federal home loan assistance, and (3) the recent housing crisis. When the Legislature placed this measure on the ballot, it also reduced the amount of bonds that could be used for the veterans' home loan program by $600 million. As a result, about $500 million of state bonds remain available for veterans home loans.

PROPOSAL

New General Obligation Bonds for Veterans' Housing. This measure allows the state to sell $600 million in new general obligation bonds to fund affordable multifamily housing for low-income veterans. The general obligation bonds authorized by this measure would be repaid using state tax revenue, meaning that taxpayers would pay for the new program. (For more information on the state's use of bonds, see "Overview of State Bond Debt" later in this guide.)

Housing for Low-Income Veterans. This measure funds construction, renovation, and acquisition of affordable multifamily housing, such as apartment complexes. The state would do this by providing local governments, nonprofit organizations, and private developers with financial assistance, such as low-interest loans, to fund part of a project's costs. Housing built with these funds would be rented to low-income veterans (and their families)—that is, those who earn less than 80 percent of average family income, as adjusted by family size and county. For example, the average statewide amount for a single person to be considered low-income for this program is about $38,000. State law requires these units to be affordable, meaning rent payments made by veterans cannot exceed 30 percent of the income limit for the program.

Housing for Homeless Veterans. State law gives funding priority in this program to projects that would house homeless veterans and veterans who are at risk of becoming homeless. In particular, at least one-half of the funds would be used to construct housing for extremely low-income veterans. These veterans earn less than 30 percent of the amount earned by the average family in the county where they live. (The average statewide amount for a single person to be considered extremely low-income is about $14,000.) A portion of the funding for extremely low-income veterans would be used to build supportive housing for homeless veterans.

Other Provisions. Under this measure, the Legislature could make changes in the future to improve the program and the state could use up to $30 million of the bond funds to cover the costs of administering the program. In addition, the state would be required to publish an annual evaluation of the program.

FISCAL EFFECTS

Bond Costs. This measure would allow the state to borrow up to $600 million by selling general obligation bonds to investors, who would be repaid using general tax revenues. The cost of these bonds would depend on their interest rates and the time period over which they are repaid. We assume that (1) the interest rate for these bonds would average 5 percent, (2) they would be sold over the course of five years, and (3) they would be repaid over a ten-year period. Based on these assumptions, the cost to taxpayers to repay the bonds would **average about $50 million annually for 15 years.** This amount is less than one-tenth of 1 percent of the state budget.