

Using State General Obligation Bonds for Housing

LEGISLATIVE ANALYST'S OFFICE

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Assembly Housing and Community
Development Committee

Hon. Gene Mullin, Chair





State and Local Roles in Housing



Local Governments Have Primary Responsibility For Housing

- Cities are the level of government that control land use decisions (counties for unincorporated areas). They therefore have the greatest governmental control over how much and what types of housing are built.
- Redevelopment is the state's primary funding source for affordable housing. Redevelopment agencies deposit over \$1 billion annually into their affordable housing accounts.



State's Role Is Primarily Oversight

- Local governments are required to plan for their housing demand in five-year cycles. Housing elements are the only elements of local general plans that are reviewed by the state (Department of Housing and Community Development).



Problems With Current System

- Some types of housing, particularly affordable multifamily projects, may not generate sufficient revenues to encourage local governments to authorize them.
- The housing element process is focused on planning rather than production.



Bond Considerations



Housing Is Not a Government-Owned Facility

- Different than most other types of infrastructure proposed for bonds.
- No state ownership or control of the assets financed.



State Subsidizes Housing in a Number of Ways

- Mortgage interest deduction and homeowners' property tax exemption subsidize homeownership in the billions of dollars annually.
- Redevelopment results in lost property taxes for education that are backfilled by the state General Fund.
- Low-income housing tax credit targets affordable housing.
- California Housing Finance Agency issues tax-exempt bonds to subsidize housing.



State Can Affect Housing Market in Other Ways

- Strengthening the housing element process to encourage local housing production.
- Strengthening redevelopment to ensure that affordable housing is built.



Does the Allocation of the Remaining Proposition 46 Funds Still Meet the Legislature's Priorities?

- Legislature could return to the voters to reallocate the roughly \$700 million in funds.



Lessons Learned From Proposition 46 Housing Bond



Many of the 21 Programs Suffered From Implementation Problems

- Start-up times delayed initial spending.
- Unclear problem definitions for some programs.
- Lower demand than expected for some programs.



High Administrative Costs

- More than \$80 million will be spent on administrative costs.
- Higher administrative costs mean less funding for housing.
 - Farmworker housing grant programs spend 9 percent of funds on administration.
 - Many small programs require specialized staff and time to develop and implement program requirements.



Focus Any Future State Assistance

- Limit any future funding to a few state programs that have experience providing assistance.
- Focus on those areas, such as multifamily housing, that the existing market is least likely to address.