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April 6, 2001

Hon. Bill Lockyer  
Attorney General  
1300 I Street, 17<sup>th</sup> Floor  
Sacramento, California 95814

Attention: Ms. Tricia Knight  
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Section 9005 of the Elections Code, we have reviewed the proposed initiative entitled "The CalFed-Home Water Agency Act #21336" (File No. SA2001RF0008).

**Major Provisions**

The Department of Housing and Community Development (HCD) currently has a number of responsibilities related to housing in California, including implementing and enforcing building standards, administering housing finance programs, and providing statewide housing policy guidance. This measure gives the department additional responsibilities related to the development of "affordable housing communities" adjacent to planned lakes and reservoir systems.

Specifically, HCD would be authorized to consult with a variety of entities (state agencies, private developers, and other organizations) to develop affordable housing communities larger than 2,000 subdivided units but no more than 36,000 units, on a minimum of 2,000 acres. The measure gives the department the authority to approve these communities' development under specified conditions. It is unclear whether this authority would supercede a local government's existing land use approval authority. The department would be required to develop an Internet-based database to track affordable housing communities and monitor a variety of information regarding them.

**Fiscal Effect**

The measure requires the development of an extensive Internet database to track and provide marketing data on affordable housing developments. This system would likely require several millions of dollars in one-time start-up costs, with lesser ongoing maintenance expenses for the system.

This measure authorizes, but does not require, the department to develop the affordable housing communities. If the department pursued the development of these communities, the state would experience administrative costs related to the establishment of guidelines and standards for their development. Additional fiscal costs would largely depend on the number of projects that the department opted to undertake. The development of each community would likely impose a number of administrative costs on state government, including planning and review procedures and working with any project participants.

To the extent that this measure changed the value of land use development from what would have occurred otherwise, local governments would experience a change in annual property tax revenues. Any change in property tax revenues allocated to school districts would generally result in a change in state General Fund obligations for spending on schools. The magnitude of any change in property taxes is unknown and would depend on a number of factors (such as, the number of projects developed and how the measure affected the types and intensity of land development in the state).

**Summary**

The measure would result in the following major fiscal impacts:

- Increased state costs—primarily for an Internet database—likely totaling several millions of dollars on a one-time basis with lesser ongoing costs, depending on the number of affordable housing developments.
- Unknown impact on future local government property tax revenues.

Sincerely,

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Elizabeth G. Hill  
Legislative Analyst

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B. Timothy Gage  
Director of Finance