MEMO

DATE: June 1, 2006

TO: Community, Economic, and Human Development Committee

FROM: Don Rhodes, Manager, Government & Public Affairs

SUBJECT: **Infrastructure Bond Overview; SB 1689 – Housing & Land Use Bond**

SUMMARY:

On May 5, 2006, the legislature passed four infrastructure bond bills to the Governor which, upon his signature, will go before the voters on the November ballot. None of the ballot measures are cross-joined with one another, meaning that any one can pass individually, together, or not at all. Once on the ballot, these bond measures require a simple majority of the voters to pass.

The bond measures provide in total **$37.3285** billion dollars for infrastructure development, which is broken down into four separate bonds in the following amounts:

• Transportation – $19.925 billion (SB 1266)
• Housing - $2.85 billion (SB 1689)
• Education - $10.416 billion (AB 127)
• Flood Protection - $4.09 billion (AB 140)

Provisions of the housing bond measure, SB 1689, are discussed below.

SB 1689 – Housing & Land Use Bond

Of the $2.85 billion dollars provided by this bond, $1.5 billion would be used to replenish funds provided under Proposition 46, passed by the voters in 2002, to fund affordable housing programs. Without this bond, funding for these programs would be exhausted this year. The bond sets forth the following amounts for these existing programs:

- $395 million for the Multifamily Housing Program. This program builds apartments for seniors, low income families, and persons with disabilities;

- $300 million for the Cal-HOME Program, which funds a wide range of home ownership programs;

- $200 million dollars to the California Homebuyer Down Payment Assistance Program, which provides assistance to homeowners in the form of second loans for down payment and closing costs;

- $195 million for the Supportive Housing Program, which builds apartments with special support services for people with chronic disabilities;

- $135 million dollars for the Farmworker Housing Grant Program – builds for-sale & rental homes for agricultural workers.

These resources offer a great incentive to implement Compass Blueprint and RHNA development goals in growth opportunity areas.

SB 1689 provides an additional $1.35 billion dollars in new monies for infill, parks & transit oriented development:

- $850 million dollars for infill incentives, such as streets, parks, lighting, sewers, etc., to encourage infill development (bill says to be allocated according to criteria set forth in statute, i.e. trailer bills);
- $200 million dollars for parks associated with housing development;
- $300 million for Transit-Oriented Development – which is both a grant and loan program for high density housing near transit stations, 15% of which must be affordable for low or very low income persons.

With respect to the Transit-Oriented Development, in most cases the funds will be administered by the State HCD Dept. In the past, they have required cities/counties to have an HCD certified housing element in order to apply for funds. It is unclear whether the same kind of criteria will be applied with the new and existing programs contained in this bill.

BACKGROUND:

Infrastructure development has been a stated priority of the Governor's administration, as outlined in its Strategic Growth Plan released at the beginning of this year. Likewise, Senator Perata has spearheaded the legislative effort to invest in California's infrastructure since last year. Negotiations to put a more ambitious $68 billion bond package (with leveraged funds in excess of $220 billion) on the June ballot broke down in March, with negotiations quietly resuming in late April. Passage from the legislature of this infrastructure bond package is the result of a lengthy negotiation process between the Governor and both parties in both chambers of the legislature.

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