

Date of Hearing: April 24, 2019

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 195 (Patterson) – As Introduced January 10, 2019

SUBJECT: Department of Housing and Community Development: grant-based programs: reporting

SUMMARY: Adds reporting requirements for the Department of Housing and Community Development (HCD) grant programs. Specifically, **this bill:**

- 1) Requires HCD to report the following information in its annual report for each grant based program it administers:
 - a) The amount of original awards to recipients, the portions not yet disbursed to recipients, and an estimate of how many individuals could benefit from the remaining balance;
 - b) Any extensions HCD granted to the standard agreement and the number of, and reason for, those extensions;
 - c) The total balance of all recipients' reuse accounts, detailing the loan payments recipients are required to reissue for program purposes and an estimate of how many households could benefit from the balance; and,
 - d) A description of HCD's monitoring efforts, including the collection of performance reports and the results of the risk assessments and on-site monitoring.
- 2) Requires, through December 31, 2023, that the Business, Consumer Services, and Housing Agency must monitor HCD's efforts, and annually report to the Legislature on or before December 31 of each year on those efforts.

EXISTING LAW:

- 1) Creates HCD and establishes its organization, general powers, policy activities, and assistance activities (Health and Safety Code (HSC) Sections 50400 – 50899.7).
- 2) Requires, on or before December 31 of each year, that HCD an annual report to the Governor and both houses of the Legislature on the operations and accomplishments during the previous fiscal year of the housing programs administered by them. The report shall include all of the following information:
 - a) The number of units assisted by those programs;
 - b) The number of individuals and households served and their income levels;
 - c) The distribution of units among various areas of the state;
 - d) The amount of other public and private funds leveraged by the assistance provided by those programs;

- e) Information detailing the assistance provided to various groups of persons by programs that are targeted to assist those groups;
- f) The information required to be reported pursuant to Section 17031.8.
- g) An evaluation, in collaboration with the Department of Veterans Affairs, of any program established by the department pursuant to Article 3.2 (commencing with Section 987.001) of Chapter 6 of Division 4 of the Military and Veterans Code, including information relating to the effectiveness of assisted projects in helping veterans occupying any supportive housing or transitional housing development that was issued funds pursuant to that article.
- h) An evaluation of any program established by the department to meet the legal requirements of the Federal Housing Trust Fund program guidelines.

(HSC Section 50408)

- 3) Establishes multiple grant programs to fund various housing and housing-related activities, including:
 - a) The Joe Serna, Jr. Farmworker Grant Housing Program (HSC Sections 50515.2 – 50517.10); and
 - b) The CalHome Program (HSC Sections 50650 – 50650.7);
 - c) The Building Equity and Growth in Neighborhoods (BEGIN) Program (HSC Sections 50860 – 50866); and
 - d) The Infill Incentive Grant Program (HSC Section 53545.13).

FISCAL EFFECT: Unknown

COMMENTS:

Purpose of the Bill: According to the author, “In the September 2018 report, *[HCD’s] Oversight of Housing Bond Funds Remains Inconsistent*, the California State Auditor (BSA) determined that HCD had a long-standing history of inadequate monitoring for some of its programs and, given the additional funds HCD received for CalHome under the November 2018 ballot measure, the Legislature should require HCD to disclose information about such monitoring in its annual report. According to BSA, ‘Because HCD has failed to follow through on our recommendations and because it [has now received] significant additional funding for these programs, additional oversight of HCD is necessary.’”

Background: HCD’s mission is to provide leadership, policies, and programs to preserve and expand safe and affordable housing opportunities and to promote strong communities for all Californians. As part of its mission, HCD currently administers 13 active grant-based programs. These programs award housing bond funds to recipients such as cities, nonprofit housing developers, for-profit developers, housing development groups, and agricultural employees, depending on the nature of the specific program. The housing bond programs are designed to

help target populations afford housing in California. These populations include very low-income to moderate-income households, homeless, homeless youth, and agricultural workers.

HCD generally administers two types of programs: loan-based programs in which recipients pay back the funds, and grant-based programs, in which they do not. In loan-based programs, HCD receives principal and interest payments and fees for project monitoring, while it generally does not receive these payments for grant-based programs.

Two of the programs HCD administers are CalHome and Building Equity and Growth in Neighborhoods (BEGIN) – grant-based programs that are earmarked to receive \$505 million and \$106 million, respectively, of the housing bond funds. These programs generally allow low-income and very low-income households to become first-time homebuyers or remain homeowners.

Auditing of HCD: According to the BSA's report, "In 2002 and 2006, Californians voted to provide a total of nearly \$5 billion in bonds (housing bonds) for use in financing affordable housing. The California Department of Housing and Community Development (HCD) oversees the majority of housing bond programs for the State and is responsible for ensuring that target populations receive bond-funded housing. Since 2007 our office has performed five required audits, including this one, of HCD's housing bond program management. In each audit, we found similar problems related to HCD's monitoring of certain housing bond programs, particularly CalHome and Building Equity and Growth in Neighborhoods (BEGIN), both of which generally enable low-income and very low-income households to become or remain homeowners. We also identified concerns related to HCD's implementation of its housing bond database and its adherence to administrative spending limits. To ensure HCD addressed the problems we identified, we made a total of 28 recommendations in the first four reports, which HCD previously asserted that it implemented. However, during this review, we determined that HCD had not followed through on half of these recommendations."

The BSA report concludes that:

- HCD continues to monitor its housing bond programs inconsistently;
- HCD is unable to fully use its housing bond database, impeding its ability to ensure that staff adequately monitor award recipients; and,
- HCD risks exceeding some statutory administrative spending limits, which could threaten its ability to meet its monitoring requirements.

The BSA's summarizes its recommendations as follows:

- The Legislature should require HCD to annually report to it in detail on its monitoring of CalHome and BEGIN awards and to include performance metrics to demonstrate that recipients have issued loans to eligible homeowners;
- The Legislature should require the BCSH to annually report to it on the status of HCD's implementation of the BSA's recommendations;
- HCD should immediately obtain all required performance reports for its grant-based programs, including CalHome and BEGIN, and it should also develop a plan for performing on-site visits of the CalHome recipients;
- HCD should determine the usability of the Consolidated Automated Program Enterprise System (CAPES) for the housing bond programs, decide based on that determination if

management should enforce the use of the database by its staff, and develop a plan to address the feasibility of continuing to develop CAPES; and,

- HCD should develop a long-term plan describing how it will address instances when it has exceeded its administrative spending limits and how it will avoid exceeding the limits of the additional programs in the most immediate danger of overage.

In its report, the BSA noted that BCSH agreed with the report's recommendations and indicated that HCD has begun implementing them.

This bill would fulfill both of BSA's recommended actions for the Legislature. First, it would require HCD to provide the Legislature annual reports on HCD's monitoring of the CalHome and BEGIN grant programs and would expand this oversight requirement to all grant-based programs administered by HCD. Second, the bill would require BCSH to annually monitor and report to the Legislature on HCD's implementation of BSA's recommendations.

Related Legislation:

SB 546 (Ducheny) of 2007: Would have required the Department of Housing and Community Development (HCD), in their annual report to the Governor and Legislature, to break out the required information for each program funded by Proposition 46 (2002 housing bond) or Proposition 1C (2006 housing bond), respectively, and include a cumulative total of this information for all funds distributed under Proposition 46 and Prop. 1C. This bill was held on the Senate Inactive File.

REGISTERED SUPPORT / OPPOSITION:

Support

California Alliance for Retired Americans
California Building Industry Association
Habitat for Humanity, Greater Fresno Area

Opposition

None on file

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