

Date of Hearing: May 16, 2019

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

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

Policy Committee: Housing and Community Development Vote: 8 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill adds reporting requirements for grant programs, administered by the Department of Housing and Community Development (HCD), as recommended by the California State Auditor (Auditor). Specifically, this bill:

- 1) Requires HCD to add the following information to 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) 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.
 - 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, until January 1, 2024, the Business, Consumer Services and Housing Agency (Agency) to monitor HCD's efforts and annually report to the Legislature, on or before December 31 of each year, on those efforts.

FISCAL EFFECT:

- 1) One-time costs to HCD of \$500,000 (GF) to upgrade the grants management system to integrate the new tracking requirements.
- 2) Ongoing costs to HCD of approximately \$1 million (GF) annually for six staff positions to collect additional required tracking information from all loan and grant programs as well as program, update, maintain and manage the requisite data systems.
- 3) Unknown costs to HCD for administrative support for the new workload.
- 4) Minor and absorbable costs to the Agency to monitor HCD's efforts.

COMMENTS:

- 1) **Purpose.** This bill seeks to implement two recommendations of the Auditor regarding HCD's monitoring of its grant programs and oversight of HCD by the Agency. According to the author:

In the September 2018 report, "[HCD's] Oversight of Housing Bond Funds Remains Inconsistent," the [Auditor] 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 the [Auditor], "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."

- 2) **Background.** As part of its mission to preserve and expand safe and affordable housing opportunities, HCD 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 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 administers two types of programs: loan-based programs in which recipients pay back the funds, and grant-based programs, in which recipients do not pay back the funds. 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 – together known as the CalHome and Building Equity and Growth in Neighborhoods (BEGIN) are grant-based programs earmarked to receive \$505 million and \$106 million, respectively, of housing bond funds. These programs allow low-income and very low-income households to become first-time homebuyers or remain homeowners.

- 3) **State Audit.** According to the Auditor:

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.

As a result of this audit, the Auditor made additional recommendations to the Legislature. This bill addresses those recommendations.

Analysis Prepared by: Jennifer Swenson / APPR. / (916) 319-2081