SENATE COMMITTEE ON HOUSING
Senator Aisha Wahab, Chair
2025 - 2026 Regular

Bill No:	SB 502	**Hearing Date:**	4/1/2025
Author:	Arreguín		
Version:	2/19/2025 Introduced		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Alison Hughes		

SUBJECT: Building Homes and Jobs Trust Fund: allocations

DIGEST: This bill allows funds from the Building Homes and Jobs Act (SB 2, Atkins, Chapter 364, Statutes of 2017) that would otherwise be used for ownership opportunities to also be available for local education agencies (LEAs) to develop low- and moderate-income housing.

ANALYSIS:

Existing law, pursuant to the Building Homes and Jobs Act (SB 2, Atkins, Chapter 364, Statutes of 2017):

1) Establishes the Building Homes and Jobs Trust Fund (the Trust Fund) within the State Treasury.

2) Beginning January 1, 2018, imposes a $75 fee on every real estate instrument, paper, or notice, that is required or permitted by law per each single transaction per parcel of real property, excluding real estate instruments, papers, or notices recorded in connection with a transfer subject to a documentary transfer tax or with a transfer of real property that is a residential dwelling to an owner-occupier. The fee imposed by this section shall not exceed $225.

3) Defines real estate instrument, paper, or notice as a document relating to real property, including but not limited to the following: deed, grant deed, trustee's deed, deed of trust, conveyance, quit claim deed, fictitious deed of trust, assignment of deed of trust, request for notice of default, abstract of judgment, subordination agreement, declaration of homestead, abandonment of homestead, notice of default, release or discharge, easement, notice of trustee sale, notice of completion, Uniform Commercial Code (UCC) financing statement, mechanic's lien maps, and covenants, conditions, and restrictions.

4) Requires the fee, minus any administrative cost to the county recorder for collection, to be transferred quarterly to the Department of Housing and Community Development (HCD) and deposited into the Trust Fund.

5) Requires moneys collected on or after January 1, 2019, to be allocated as follows:

   a) 20% of moneys in the Trust Fund shall be expended for affordable owner-occupied workforce housing.

   b) 70% of moneys in the Trust Fund shall be made available to local governments as follows:

      i) 90% of the moneys shall be allocated based on the formula specified in Section 5306 of Title 42 of the United States Code, for Federal Fiscal Year 2017 directly to entitlement jurisdictions except that the portion allocated for nonentitlement areas shall be distributed through a competitive grant administered by HCD, as specified.

      ii) 10% of the moneys shall be allocated equitably to local jurisdictions that are nonentitlement areas pursuant to the formula specified in Section 5306 of Title 42 of the United States Code for Federal Fiscal Year 2017.

      iii) Allows money allocated to local governments to be expended for the following purposes:

         (1) Predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, and rental housing affordable to extremely low-, very-low, low- and moderate-income households including necessary operating subsidies;

         (2) Affordable rental and ownership housing that meets the needs of a growing workforce up to 120% of the area median income (AMI), or 150% of AMI in high-cost areas;

         (3) Matching portions of funds placed into local or regional housing trust funds;

         (4) Matching portions of funds placed in the Low- and Moderate-Income Housing Asset Funds of former redevelopment agencies retained by successor agencies;

         (5) Capitalized reserves for services connected to the creation of new permanent supportive housing, including, but not limited to,

developments funded through the Veterans Housing and Homelessness Prevention Program;

(6) Assisting persons who are experiencing or at risk of homelessness, including providing rapid rehousing, rental assistance, navigation centers, emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing;

(7) Accessibility modifications;

(8) Efforts to acquire and rehabilitate foreclosed, vacant, or blighted homes;

(9) Homeownership opportunities, including but not limited to down payment assistance; and

(10) Fiscal incentives or matching funds to local agencies that approve new housing for extremely-low, very-low, low- and moderate-income households.

6) 30% of moneys deposited in the Trust Fund shall be made available to HCD as follows:

a) 5% shall be used for state incentive programs including loan and grant programs administered by HCD. If HCD receives insufficient applications for incentive programs the funds shall be made available for the Multifamily Housing Program (MHP).

b) 10% shall be used to address affordable homeownership and rental housing opportunities for agricultural workers and their families.

c) 15% shall be continuously appropriated to the California Housing Finance Agency (CalHFA) for the purpose of creating mixed income multifamily residential housing for lower or moderate income households, now known as the Mixed Income Program (MIP).

This bill provides that the 20% for ownership opportunities shall also be available to local education agencies to build low- to moderate-income workforce housing.

Background

State funding for affordable housing. Developing housing that is affordable to very low- and low-income families almost always requires some amount of public investment. The high cost of land and construction, as well as regulatory barriers, in California generally makes it economically impossible to build new housing that can be sold or rented at prices affordable to such households. The private sector sometimes provides financial subsidies or land donations mandatorily through inclusionary zoning policies or voluntarily through density bonus ordinances, described below. In most cases, however, some amount of public financial subsidy is needed from federal, state, and/or local governments.

Because housing is so expensive to build and the amount that a low-income household can reasonably afford to pay is relatively low, a significant amount of subsidy is needed for each affordable unit. In practice, this means that a developer must cobble together multiple sources – between eight and twelve different sources – of financing to make a project feasible. In general, there are two main building blocks to fund an affordable rental housing development: 1) 9% tax credits and 2) 4% tax credits with MHP funds from HCD. In both cases, almost invariably a funding "gap" still exists that the developer must fill from other sources, usually those available from local governments.

Over the last several years, California has made significant investments in low- and moderate-income housing, largely through one-time General Fund investments to existing state programs and the passage of voter approved general obligation bonds. Of these investments, only funds from the Affordable Housing and Sustainable Communities program (AHSC), low-income housing tax credits (about $100 million per year), and funds from SB 2 (Atkins, Chapter 364, Statutes of 2017), are ongoing sources of funding.

SB 2 (Atkins, Chapter 364, Statutes of 2017). Recent actions taken by the Legislature and the Governor to address the ongoing housing affordability crisis began in earnest in 2017 with the passage of the 2017 Housing Package, consisting of 15 funding and policy bills[1]. The foundation of that package was the creation of the Building Homes and Jobs Act (SB 2, Atkins), which established a permanent source of funding for the construction of housing affordable to lower- and moderate-income households, as well as for homebuyer assistance, support for local planning documents, and housing for the homeless. In year 1, half of the funds went to address homelessness through the California Emergency Solutions and Housing Program at HCD, and half were allocated as planning grants. Since 2019, 30% of the funds are allocated to state programs; 15% for the CalHFA MIP program, 10% for farmworker housing, and 5% as incentives to encourage and streamline housing development. The remaining 70% are administered to local governments. Of all the funds in the Fund, 20% must be for owner-occupied workforce housing

[1] Senate Housing Committee. *2017 Legislative Housing Package.* Accessible here: https://shou.senate.ca.gov/sites/shou.senate.ca.gov/files/2017%20Housing%20Legislative%20Package.pdf

Despite the significant investments, demand for funding to create more affordable housing options far exceeds available state funds. When HCD announced its most recent notice of funding availability (NOFA), it received more than $3.5 billion in funding requests for $825.5 million available – meaning there was an oversubscription of 4:1. Of these funds, $380 million was awarded through MHP; more than $2.8 billion (or 15,816 units) in funding requests were received for this program alone – an oversubscription of 10:1. With these funds, affordable housing providers could have produced an additional 13,888 shovel ready units.

Comments

1) *Author's statement. "*California is experiencing a housing affordability and supply crisis, with housing costs outpacing salaries. While this crisis impacts Californians generally, it is felt acutely by the educator workforce. In 2016, only 17.4 percent of homes were affordable to the average teacher. Most school employees are "housing cost burdened" meaning they spend over 30 percent of their income on housing costs. Housing affordability and the high cost of living make it difficult to recruit and retain highly qualified teachers and educational staff in our state. With SB 502, we can help school districts build homes to keep our educators in the communities they serve, benefiting the educational experience of our students and helping our educators and communities thrive."

2) *Excess State Land for Affordable Housing.* One of the limiting factors in building new affordable homes is land, including both the cost associated with and the identification and acquisition of land suitable for housing. Public agencies own a significant amount of lands located in or near urban areas, some of which exceed those agencies' foreseeable needs, which could be used for housing. On January 15, 2019, California Governor Gavin Newsom signed Executive Order N-06-19 that ordered the California Department of General Services (DGS) and HCD to identify and prioritize excess state-owned property and aggressively pursue sustainable, innovative, cost-effective housing projects.

   Since then HCD and DGS identified and screened over 44,000 State-owned parcels against new criteria to identify state properties with the greatest feasibility for residential development and affordable housing finance program competitiveness and placed selected parcels in a digitized map. Those sites were then publicized and made available to developers for purposes of developing multifamily housing.

   On July 1, 2024, DGS and HCD released a new digitized inventory of state-owned land that is considered excess and suitable for reuse as affordable housing under the Executive Order. Anyone can use the map to search through the state's inventory of available excess land and apply various filters, such as the HCD/California Tax Credit Allocation Committee's Opportunity Map and high-quality transit areas, among other newly available data layers.

Since the executive order was issued in 2019, HCD and DGS have assembled a statewide pipeline of nearly 4,300 housing units across 32 projects in various phases of development. These projects include units dedicated specifically for farmworkers, seniors, and those experiencing homelessness.

3) *Housing on School District Land.* According to *Education Workforce Housing in California: Developing the 21st Century Campus* (issued by cityLAB-UCLA et al. in December 2021) there are more than 1,000 LEAs in California. Collectively, they own more than 150,000 acres of land. According to recent research, of land owned by LEAs, there are 7,068 properties with potentially developable land of one acre or more, totaling 75,000 acres statewide. At a density of 30 dwelling units per acre, such properties could contain 2.3 million units of housing – more than enough to house the state's 300,000 teachers and 350,000 other LEA employees.

   Despite the potential for development, there is very little housing on LEA property. This is understandable, given that the primary function of this land is for educational purposes. In addition, there are myriad impediments to completion of employee housing on LEA property, including:

   a) *Lack of expertise*. The core competency of LEAs is education. To the degree there is expertise in new construction or facilities management, it is focused on educational facilities, not on building and managing housing.
   b) *Lack of funding.* Given exceedingly high construction costs, the price of new housing exceeds what is affordable to most LEA staff. As such, to develop employee housing, LEAs will need to identify public sources of funding.
   c) *Lack of permission.* Getting housing approved in California is often a laborious and risky process, reflecting the complexity of government review, public processes, and required analysis under CEQA. LEA properties typically face the additional hurdle of not having zoning that allows housing or specified development standards for housing projects. As such, if an LEA wanted to build housing for its employees, the LEA would need to seek permission from a local government to establish the right to build housing and identify objective standards for the project to conform with.

   Despite the impediments, state and local officials are increasingly exploring ways to facilitate housing on LEA property, as a way to help LEAs recruit and retain employees. The Teacher Housing Act of 2016 (SB 1413, Leno, Chapter 732, Statutes of 2016), created a state policy to support housing for school district employees, and specified that projects can receive local or state funds or tax credits if developments are restricted to school district employees.

4) *Authorizing residential development on educational land*. In 2022, the legislature passed AB 2295 (Bloom, Chapter 652), which sought to help facilitate the production of more housing by increasing the sites available to be developed for residential uses to include real property owned by an LEA. AB 2295 deemed a housing project, beginning January 1, 2024 and until January 1, 2033, to be an allowable use on property owned by a local educational agency if it contained at least 10 units and provided at least 30% of the units affordable to lower-income households. The projects are required to provide first priority to LEA employees, followed by local public employees, and finally to members of the public. The committee does not know whether any LEAs have taken advantage of this authorization.

5) *SB 2 funds for LEAs.* This bill would instead direct funds otherwise used for ownership opportunities to be available for local education agencies to develop low- and moderate-income housing.

   While school district employees are deserving of safe and affordable housing options, LEAs are not developers and likely would not be qualified to use the funds for housing-related purposes. Instead, this bill would divert funds that would otherwise be used for ownership opportunities to agencies that do not possess housing development or management experience.

   LEAs appear to have access to land and can make that available for development by affordable housing developers, similar to what the state has been doing pursuant to the Governor's Excess Sites EO. Additionally, facilitating a partnership between school districts and housing developers would reduce the costs to the overall housing development and create more opportunities to build. **In lieu of the bill in print, the author has agreed to instead allow local education agencies to provide a list of their available land to HCD and DGS to review. HCD and DGS can use their similar process for excess sites to determine which sites are suitable for housing development, and include those sites in their map directory for the public and developer database. Project developers would be subject to the requirements in the excess sites program, however units developed would prioritize school district employees, followed by local residents, followed by members of the public. HCD could also create an FAQs document on their web site that identifies all the policies available to develop these specific**

sites for school district housing, including the availability of state low income housing tax credits.

Adopting this process would connect local school districts to create partnerships to develop desperately needed affordable housing, and housing specifically available to school district employees and neighboring residents.

6) *Opposition.* The California Policy Center is opposed to this bill because it diverts funding for housing to real estate development efforts by public school districts. "Asking financially fragile public school districts — already struggling with academic decline and fiscal instability — to become housing developers is unrealistic and unwise. These agencies are not equipped to navigate the complex world of real estate, especially when they should be focusing on educating children. As such, it doesn't make sense to take failed school administrators and make them housing developers. In short, SB 502 would entangle schools in landlord-tenant relationships, further complicating collective bargaining, labor disputes, and educational focus."

7) *Double-referral*. This bill is also referred to the Senate Education Committee.

Related/Prior Legislation

AB 2295 (Bloom, Chapter 652, Statutes of 2022) — deemed a housing project, beginning January 1, 2024 and until January 1, 2033, to be an allowable use on property owned by a local educational agency if it meets specified affordability criteria and planning standards.

SB 2 (Atkins, Chapter 364, Statutes of 2017) — established the Building Homes and Jobs Act (the Act) to provide funding for affordable housing.

SB 3 (Beall, Chapter 365, Statutes of 2017) — enacted the Veterans and Affordable Housing Bond Act of 2018 and authorizes the issuance of $4 billion in general obligation (GO) bonds for affordable housing programs and a veteran's home ownership program, subject to approval by the voters in the November 6, 2018 election. These funds were approved by the voters as Proposition 1 in 2018.

SB 1413 (Leno, Chapter 732, Statutes of 2016) — created a state policy a state policy supporting housing for teachers further permits school districts and developers in receipt of local or state funds or tax credits designated for affordable rental housing to restrict occupancy to teachers on land owned by school districts, so long as that housing does not violate any other applicable laws. This law was subsequently amended to further include school district employees and nonprofit organization employees with funding from the State Department of Education targeted to children from families of low- and moderate-income.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

POSITIONS: (Communicated to the committee before noon on Wednesday, March 26.)

SUPPORT:

State Superintendent of Public Instruction Tony Thurmond (SPONSOR)
California School Employees Association
Novato Unified School District
Oxnard Union High School District
People for Housing - Orange County
San Diego County Office of Education
Truckee Tahoe Workforce Housing Agency

OPPOSITION:

California Policy Center

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