



(HCD is to make the determinations where a COG does not exist); and (c) cities and counties plan for accommodating these allocations in their housing elements.

- 4) Establishes HCD oversight of the housing element process, including the following:
  - a) Local governments must submit a draft of their housing element to HCD for review;
  - b) HCD must review the draft housing element, and determine whether it substantially complies with housing element law, in addition to making other findings;
  - c) Local governments must incorporate HCD feedback into their housing element; and
  - d) HCD must review any action or failure to act by local governments that it deems to be inconsistent with an adopted housing element. HCD must notify any local government, and at its discretion the office of the Attorney General, if it finds that the jurisdiction has violated state law.
  
- 5) Requires each city and county to submit an Annual Progress Report (APR) to the Governor's Office of Planning and Research (OPR) and HCD by April 1 of each year, including the following:
  - a) The report must evaluate the general plan's implementation, including the implementation of their housing element, and provide specified quantitative outcomes, such as number of applications for housing projects received and housing units approved;
  - b) Authorizes a court to issue a judgement to compel compliance should a city or county fail to submit their APR within 60 days of the statutory deadline; and
  - c) Requires HCD to post all city and county APRs on their website within a reasonable time after receipt.

**This bill:**

- 1) Defines "social housing" to mean housing with the following characteristics:
  - a) Units are owned by a public entity such as the CHA, a public entity, or a housing authority;
  - b) All social housing developed by the authority must be owned by the authority;

- c) If a housing unit is in a social housing development, the development contains housing units that accommodate a specified mix of household income ranges;
  - d) Residents of CHA units are given, at a minimum, all protections granted to tenants in private property, as specified, but may be evicted for breaking community standards and for non-payment of rent lasting more than one month;
  - e) The housing units must be protected for the duration of their useful life from being sold or transferred to a private for-profit entity to prevent the privatization of social housing; and
  - f) Residents of the housing units have the right to participate directly and meaningfully in decision making affecting the operation and management of their housing units.
- 2) Defines the following terms:
- a) "Revenue neutrality" means a system in which all monetary expenditures that result from the development and operation of CHA units are returned through rents, payments on leasehold mortgages, or other specified subsidies;
  - b) "Rent and mortgage cross-subsidization" means a system in which the below-cost rents and leasehold mortgages of certain units are balanced by above-cost payments on others within the same multiunit property;
  - c) "Cost rent" means a system in which the rent of a dwelling is calculated on the cost of providing for and maintain the dwelling, only allowing for limited or no proceeds;
  - d) "Limited equity arrangement" means an ownership model in which residents are extended a long-term lease, take out a subsidized leasehold mortgage from the CHA, make monthly mortgage payments, and commit to resell at a price designed to balance ongoing affordability and resident wealth generation;
- 3) Creates the CHA as an independent state entity with the mission of producing and acquiring social housing for all California residents, eliminating the gap between housing production and regional housing needs assessment targets, and preserving affordable housing.
- 4) Requires the CHA to submit an annual business plan to the Governor and the Legislature which must be made available for public comment at least 60 days before publication.
- 5) Specifies that the CHA board will consist of nine members who will elect a chair and make decisions by majority vote.

- 6) Provides that each CHA-owned multifamily social housing development must form a governance council with specified powers and responsibilities.
- 7) Requires that the CHA be bound to revenue neutrality and must recuperate the cost of development and operations over the life of its properties through rent cross-subsidization.
- 8) States that the CHA must prioritize development on vacant parcels, certain underutilized parcels with deed-restricted units, surplus public properties, and parcels near transit.
- 9) Specifies that if the development requires rehabilitation or demolition of covenanted affordable units, the new development must include a greater number of affordable units.
- 10) Requires that each multi-unit property must include a variety of mixed income units.
- 11) Provides that if the development of a property requires the removal of residents, the CHA must cover certain relocation costs and provide displaced residents with the right to live in the new CHA property for their previous rent or an affordable rent, whichever is lower.
- 12) Specifies that the CHA will make an annual determination of the required amount of social housing units.
- 13) Specifies that, in creating housing, the authority shall employ two different leasing models, the rental model and the ownership model, as specified.
- 14) Provides that, under the CHA rental model, one-year leases will be used, barring extraordinary circumstances.
- 15) Provides that the CHA can conduct ground-up construction and rehabilitation of existing structures and may lease mixed-use space to small businesses and nonprofits.
- 16) Specifies that, when appropriate, the state can gift public lands to the CHA, though the CHA can also purchase land from other entities.
- 17) States that the CHA must accept a local government's preference on project location if certain conditions, including cost and community amenity access, are met. Also directs the CHA to seek input from the jurisdiction's governing body related to specific site development, height, number of units, and development timeline.

- 18) Specifies that CHA activities must be conducted according to revenue neutrality and further states that it is the intent of the Legislature to enact legislation to provide financing for the activities of the authority through the issuance of general obligations bonds.

### COMMENTS:

- 1) *Author's statement.* "Housing is too expensive for millions of Californians. More than two in five households are considered rent burdened and spend over 30% of their income on housing, and more than one in five households spend over 50% of their income on housing. Over 97% of cities and counties haven't produced enough affordable housing, and existing strategies to address the lack of affordable housing have not been nearly enough to meet demand. Affordable housing relies on government subsidies, and there is significantly more demand for them than supply.

Social housing is an important tool to ensure housing is affordable to people of all income levels. Social housing is publicly backed, self-sustaining housing that accommodates a mix of household income ranges. Housing is protected from being sold to a private for-profit entity for the duration of its life, and residents are granted the same protections as tenants in private property, if not more. Many countries throughout the world have successful social housing programs, and in the US, there are social housing developments such as in Montgomery County, Maryland using a similar model. Social Housing is how we provide and realize housing as a human right."

- 2) *What is "Social Housing"?* Social housing is simply publicly-subsidized housing, but within a specific framework, most commonly used outside of the United States. All definitions of social housing distinguish it in various ways from privately-owned, for-profit housing provided through market mechanisms. The Assembly Select Committee on Social Housing held an informational hearing on October 20, 2021 and Rob Weiner from the California Coalition for Rural Housing shared the Organization for Economic Cooperation and Development (OECD) definition of social housing as: "the stock of residential rental accommodations provided at sub-market prices and allocated according to specific rules rather than according to market mechanisms."<sup>1</sup>

Under this definition, there are an estimated 480,000 subsidized housing units available for rent in California, or about 3.5% of the state's housing stock. These deed-restricted affordable rental units are generally built using a mix of

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<sup>1</sup> California Assembly Select Committee on Social Housing. October 20, 2021.  
<https://www.assembly.ca.gov/media/assembly-select-committee-social-housing-20211020/video>

public and private financing and residency is restricted to low-income households that make no more than 80% of county area median income (AMI). Other versions of social housing specify permanent affordability requirements and ownership by the government or a non-profit entity. Most of California's deed-restricted affordable housing is not publicly owned and the length of affordability requirements varies, though permanent affordability is not required in most cases.

Another variation of social housing involves making accommodations available to all individuals regardless of their household income. In particular, Vienna, Austria is often held up as an example of a large city with widespread mixed-income social housing. The Viennese model relies on two key components: government owned, funded, and maintained social housing blocks and public-private partnerships for mixed-income, cross-subsidized housing. Cross-subsidization occurs when higher income households pay market rate rents which then subsidize the below market rents for lower-income households. This mechanism is the same logic that underlies California's density bonus law—a policy that allows residential developers to receive added density and other concessions and incentives from a local government in exchange for building a certain percentage of affordable units—and inclusionary housing ordinances—which mandate housing developers build a certain percentage of affordable units or pay in-lieu fees that are used to pay for future affordable housing.

Although Vienna provides access to affordable housing for a considerable portion of the population, private developers still play a role in the housing market. The large number of cross-subsidized mixed income housing units create competition in the private rental market, and private developers are forced to maintain low rents to remain competitive.

- 3) *Creation of the California Housing Authority (CHA)*. This bill proposes to establish the CHA as a new, independent entity within the state government to develop social housing, which is defined as mixed-income rental and ownership housing that is publicly owned and permanently affordable. The CHA's mission would be to close the gap between a jurisdiction's current level of housing production and their RHNA amount while maintaining revenue neutrality. The CHA would be governed by a nine-member board consisting of: three resident representatives living in CHA accommodations, a housing development and finance expert, a housing construction expert, a property maintenance expert, an appointee of the Speaker of the Assembly, an appointee of the Senate Committee on Rules, and an appointee of the Governor. Decisions would be made by majority vote of the board and the board would also have the authority to appoint a board chair and an executive officer.

- 4) *Development of CHA housing.* This bill specifies that the CHA could build residential housing to make up the difference between a jurisdiction's RHNA and the actual amount of housing built. These calculations would be made annually using each local government's APR data beginning on January 1, 2027. Development would be prioritized on vacant parcels, surplus public properties, and parcels near transit, though the bill does not indicate a particular distance from transit or the frequency of transit service that would be required for a parcel to be considered "near transit." Additionally, underutilized parcels (*i.e.*, those containing fewer than the maximum number of allowable units per the jurisdiction's zoning) would be prioritized for CHA developments so long as they do not contain rent controlled units or deed-restricted affordable housing.

This bill requires the CHA to seek input from the local government about certain aspects of a proposed development, including the number of units and the timeline for completing the project. When the CHA has multiple potential sites for development in a jurisdiction it would need to defer to the local government on their preferred site if property acquisition costs and amenities are generally similar and if the site would allow the local government to meet its RHNA targets. If a CHA development would lead to the displacement of existing residents, those households would be eligible for relocation assistance and would have the first right of refusal to live in a CHA housing unit. CHA housing would use community workforce agreements to the maximum extent feasible.

CHA housing developments are required to be mixed-income housing developments, though the specific mix is not spelled out in the bill and there is no intent language indicating minimum proportions of affordable units nor the depth of affordability. The CHA also has the ability to develop mixed-use buildings with commercial space that could be leased to small businesses and nonprofits.

- 5) *Policies Governing Residency in CHA-Built Housing.* In CHA-built developments, individuals could either rent or purchase a unit through an ownership model and the CHA unit would need to be the person's sole resident unless they fall into the above-moderate income category. In the ownership model, CHA provides the resident a 99-year lease and they would need to commit to a minimum of five years of residency in the CHA building. The ownership model requires a down payment of 15% of the purchase price. When a resident in the ownership model wishes to sell their unit, the CHA would have first right of refusal to purchase the unit. If the CHA declines to repurchase the unit then it can be resold to a qualified buyer in a manner that allows the resident to have a reasonable return on investment. The bill states

that ownership units would be sold for the original purchase price plus documented capital improvements and an adjustment for inflation.

- 6) *Financing Start-Up Costs and Revenue Neutrality.* This bill states that the CHA would operate according to principles of revenue neutrality, though it does not specify the time period over which revenue neutrality would be achieved. Presumably a significant amount of start-up capital would be needed to create the CHA and it would have ongoing expenses including the costs of developing and managing mixed-income housing, mortgage servicing, staff time, facilities, legal services, and IT. AB 309 also includes language stating that it is the intent of the Legislature to fund the CHA's activities through the issuance of general obligations bonds, though no specific timeline or dollar amount for bond issuance is included in the bill text. However, because the Legislature lacks the ability to issue general obligation bonds without voter approval, another bill would need to pass with a two-thirds vote of both houses of the Legislature to put the question of CHA general obligation bond issuance before the voters.

Given that there is no other bill this legislative session proposing to put a CHA general obligation bond measure to the voters, it is unclear where the initial funds for the CHA would originate from. The Governor did not specify any funding for social housing or for the creation of an entity like the CHA in his January 2023 budget. The bill also includes language giving the CHA the ability to issue revenue bonds that would ostensibly be secured with the rental income generated from CHA-provided housing, but such bonds could only be issued after a reliable stream of rental income is being generated from CHA-owned properties.

- 7) *Sorting out the Differences.* There are discrepancies between this bill and other housing bills in the legislature this year.
- a) SB 555 (Wahab): Aims to serve a mix of housing serving ELI, VLI, LI and Mod Income; units permanently deed-restricted affordable; focus on 10- & 5-year unit goals and HCD-required Social Housing Plan and annual reporting.
  - b) SB 584 (Limon): Aims to serve a mix of housing serving ELI, VLI, LI and Mod Income; focus on new construction workforce housing and acquisition/rehab; If projects not subject to a PLA, S&T workforce required; HCD to collect a tax on short term rentals and distribute to managing entities; HCD given guideline authority to implement bill.
  - c) AB 309 (Lee): Aims to serve a mix of housing affordable to all income levels; creates the California Housing Authority to focus on acquisition of property to own, hold, clear, improve, rehabilitate, sell, assign, exchange,



transfer, convey, lease, or dispose of; creates a revolving loan fund to provide zero-interest loans for housing construction, provides authority to issue GO bonds, and seeks to achieve revenue neutrality over the long term through rent cross-subsidization or cost rent.

There is a strong argument that social housing should be mixed income and serve a wide range of income levels. In Vienna, Austria—one of the best examples of a long-standing social housing system—social housing provides affordable homes to a large percentage of the population, a fundamental difference from means-tested assistance in the US (see comment 2).

*Moving forward, the authors will need to work together to align these bills and address discrepancies, and the author will commit to work with the committee through this process.*

- 8) *Opposition.* A number of organizations wrote in opposition to this bill, stating a variety of concerns. California Association of Realtors wrote in opposition to the bill, citing concerns over not prioritizing homeownership. Catalysts for Local Control opposes the bill, stating ...”it is not ready for passage.” City of Menifee, City of Norwalk, League of California Cities wrote in opposition, citing concerns over “Bypassing California’s longstanding housing planning laws and local rules...”. Fieldstead and Company wrote in opposition and requesting an amend to “...explicitly bar the use of eminent domain.” Mission Street Neighbors wrote in opposition of financing a new housing agency.
- 9) *Third time’s a charm?* This bill is similar to two previous bills that focused on the development of social housing but died in committee — AB 2053 (Lee, 2022) and AB 387 (Lee, 2021).
- 10) *Double-referral.* This bill as also referred to the Senate Governance and Finance Committee.

#### **RELATED LEGISLATION:**

**SB 555 (Wahab, 2023)** — enacts the Stable Housing Act for the purposes of planning for the development of social housing through a mix of acquisition and new production. *This bill is currently in the Assembly Housing and Community Development Committee.*

**SB 584 (Limon, 2023)** — requires HCD to collect an unspecified laborforce housing assessment from owners and transient occupancy businesses in residential property that are rented for specified transient occupancy and allocate the funds for the construction, acquisition and rehabilitation of affordable housing and renter

protection programs, as specified. *This bill is currently in the Assembly Housing and Community Development Committee.*

**AB 2053 (Lee, 2022)** — would have enacted the Social Housing Act, creating the California Housing Authority for the purpose of developing mixed-income social housing, under the direction of the California Housing Authority. *This bill failed passage in the Senate Governance and Finance Committee.*

**AB 387 (Lee, 2021)** — would have established, in the Business, Consumer Services, and Housing Agency, the California Social Housing Council to develop policy proposals that would promote the development of social housing. *This bill died in the Assembly Housing and Community Development Committee.*

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

**POSITIONS:** (Communicated to the committee before noon on Wednesday, June 14, 2023.)

**SUPPORT:**

Abundant Housing LA  
Active San Gabriel Valley  
AFSCME  
Aids Healthcare Foundation  
Alameda County Democratic Central Committee  
California Apartment Association  
California Labor Federation, AFL-CIO  
California Nurses Association  
California School Employees Association  
City of Berkeley  
Common Ground California  
Council Member James Coleman, City of South San Francisco  
Council Member Sean Elo-Rivera, City of San Diego, District 9  
Council Member Zach Hilton, City of Gilroy  
Culver City Democratic Club  
Culver City for More Homes  
Davis College Democrats  
East Bay for Everyone  
First 5 Alameda County  
Greenbelt Alliance  
Indivisible CA Statestrong  
Indivisible YOLO

Livable Communities Initiative  
Pallet Shelter  
Peninsula Interfaith Climate Action  
Place Initiative  
Santa Clara Valley Water District  
Santa Monica Democratic Club  
South Pasadena Residents for Responsible Growth  
Tenderloin Housing Clinic  
Urban Environmentalists  
Walnut Creek Association of Homeowners Associations

**OPPOSITION:**

California Association of Realtors  
Catalysts for Local Control  
City of Menifee  
City of Norwalk  
Fieldstead and Company, INC.  
League of California Cities  
Livable California  
Mission Street Neighbors  
United Neighbors San Dimas  
Vizcaya Homeowners Association

**-- END --**