

Date of Hearing: July 11, 2017

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY
Sharon Quirk-Silva, Chair
SB 62 (Jackson) – As Amended May 26, 2017

SENATE VOTE: 39-0

SUBJECT: Affordable Senior Housing Act of 2017

SUMMARY: Establishes the Affordable Senior Housing Program (Program) with the Governor's Office of Business and Economic Development (GO-Biz) for the purpose of guiding and serving as a catalyst for the development of affordable senior housing and supportive care campus-style developments.

Specifically, **this bill:**

- 1) Makes findings and declaration, including, but not limited to:
 - a) California baby boomers are turning 65 years of age at the highest rate in the nation, and more than 20 percent of California's population will be 65 years of age or older by 2030. Among persons 65 years of age or older, an estimated 70% will use long-term services and supports (LTSS);
 - b) Persons who are 85 years of age or older are the fastest growing segment of the US population, and they are four times more likely to need LTSS than persons who are 65 years of age or older but younger than 85 years of age;
 - c) A 2015 report by the Senate Select Committee on Aging and Long Term Care, titled "A Shattered System: Reforming Long-Term Care in California: Envisioning and Implementing an IDEAL Long-Term Care System in California," found that the state's system of 112 aging and long-term care programs administered by 20 agencies and departments is almost impossible for consumers to navigate;
 - d) Other deficiencies of the system include the lack of person-centered care, poor transitions from hospital to home or to other institutions, limited access to a range of services that enable aging in place, deficiency of services and supports in rural areas, limited cultural competency, skilled workforce shortages across a range of disciplines, the lack of uniform data, the lack of a universal assessment tool, and limited caregiver supports; and
 - e) The Golden Inn and Village development in the County of Santa Barbara was created specifically to address the needs of seniors, and especially orphaned seniors – those who have no one left to care for them – and those in need of affordable housing. The whole tri-county community has benefited from its vibrant, model setting, where seniors and others around them thrive. The Golden Inn and Village is designed to nurture a neighborhood or extended family-like environment, taking the mixed-use campus model of affordable housing to a new level in independent living, with affordable employee and family housing and a community center and gardens. Affordable staff housing is not typically included in senior care services, nor are supportive services typically integrated into affordable housing campuses. The next phase of the Golden Inn and Village will include assisted living, memory care, adult day care, and hospice, a place where seniors will never have to move again as they age in place.
- 2) Expresses the Legislature's intent in enacting this bill is to foster the development of more facilities like Golden Inn and Village and other affordable, inclusive senior housing units through a statewide

development program.

- 3) Requires GO-Biz to undertake the following:
 - a) Establish and implement a process for identifying and convening public and private stakeholders that are interested in developing and financing affordable senior housing dwelling units within this state;
 - b) Take a leadership role among Program participants in guiding the development of affordable senior housing dwelling units from initial conception to final completion.
 - c) Assist Program participants in identifying suitable locations and potential sources of public and private funding, including loans, grants, and other forms of financing, for the development of affordable senior housing.
 - d) Assist Program participants in obtaining state and local permits, provide guidance on regulatory compliance, and provide information on tax credits and other incentives.
 - e) Work cooperatively with local, regional, federal, and other state entities toward attracting, retaining, and helping public and private sector stakeholders develop affordable senior housing dwelling units within this state.
 - f) Prioritize affordable senior housing projects that meet one or more of the following criteria:
 - i) Provide access to affordable housing and care in a vibrant neighborhood setting;
 - ii) Provide access to a continuum of services that meet the needs of seniors;
 - iii) Provide stimulating, positive, and multigenerational relationships;
 - iv) Provide opportunities for seniors to actively engage and contribute to the community; and
 - v) Provide housing opportunities that allow seniors to age in place without having to move from their dwelling unit.
- 4) Requires annual reporting to the Legislature regarding the number and location of affordable senior housing dwelling units developed through the program, the categories of stakeholders that participate in the program, and the types of burdens and successes encountered, if any, in developing affordable senior housing projects through the program. Each report is required to be submitted through the standardized reporting process.
- 5) Defines "affordable senior housing" as housing that is affordable to seniors with income that does not exceed 120% of area median income, also referred to as a low and moderate income household.

EXISTING LAW:

- 1) Establishes GO-Biz to serve as the state's primary agency for issues of economic and business development. Among other entities within GO-Biz' oversight are the California Business Investment Services Program, the Office of the Small Business Advocate, the International Trade and Investment Program, Office of Permit Assistance, and the California Infrastructure and Economic Development Bank.
- 2) Establishes the California Department of Housing and Community Development (HCD) for the purpose of preserving and expanding safe and affordable housing opportunities and promote strong communities for all Californians. Programs and services include:
 - a) Administering housing finance, economic development, and community development programs;

- b) Developing housing policy and advocating for an adequate housing supply; and
 - c) Developing building codes and regulating manufactured homes and mobilehome parks.
 - d) Providing technical and financial assistance to local agencies to support community development.
- 3) Establishes the California Housing Finance Agency (CalHFA) for the purpose making low interest loans on affordable housing units, backed by the sale of tax-exempt bonds.
- 4) Establishes the California Housing Partnership for the purpose of assisting nonprofit and government housing agencies to create and preserve housing affordable to lower-income households. The Partnership was established in 1988 to help preserve California's existing supply of affordable housing that was at risk on converting to market rates due to the expiration of federal controls, and to provide advice on affordable housing policy and resource issues.
- 5) Establishes the Strategic Growth Council as a cabinet-level committee that is tasked with coordinating the activities of state agencies to:
- a) Increase the availability of affordable housing;
 - b) Promote public health and equity;
 - c) Revitalize community and urban centers;
 - d) Encourage greater infill and compact development;
 - e) Improve air and water quality;
 - f) Protect natural resources and agriculture lands;
 - g) Improve transportation;
 - h) Strengthen the economy;
 - i) Promote water conservation;
 - j) Assist state and local entities in the planning of sustainable communities and meeting AB 32 goals; and
 - k) Advance the priorities developed in Safeguarding California, the State's climate adaptation strategy.

FISCAL EFFECT: Unknown

POLICY FRAME:

Housing needs vary across population groups and places, making one-size-fits-all policies difficult to implement and inefficient for meeting the diverse needs of all Californians. While much, and appropriate, attention has been placed on the increasing challenges being faced by families and working-age individuals, seniors also face problems when looking for safe, decent, and affordable housing. According to HCD, seniors are one of California's most highly vulnerable populations. This is due, in part, to seniors increasing need for supportive services and access to health care.

In meeting these challenges, some communities have developed affordable, inclusive senior housing and supportive care units in campus-style settings, including the Golden Inn and Village in Santa Barbara

County. This bill proposes to foster the development of more facilities like the Golden Inn and Village through the establishment of a statewide program.

Concerns have been raised as to whether the initiation of such an initiative is best undertaken by GO-Biz, the state's economic development agency, or another state entity more familiar with housing and community issues. Staff understands that amendments will be presented to the committee to transfer the duties in the bill to HCD and to have a study completed prior to the Program's implementation to more specifically assess the areas where state engagement will be of greatest benefit.

The analysis includes information on the California affordable housing crisis, state plans for addressing these issues, and an update on the role and activities of GO-Biz. Amendments are summarized in Comment 7.

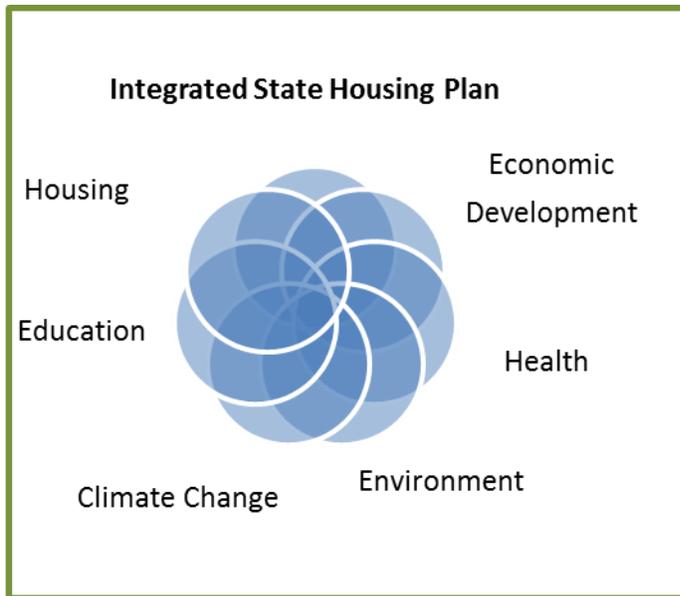
COMMENTS:

- 1) **Author's Purpose:** According to the author, *"To foster the development of more affordable, inclusive senior housing facilities, SB 62 creates the Affordable Senior Housing Program under the Governor's Office of Business and Economic Development (GO-Biz) to guide the development of affordable senior housing dwelling units from initial conception to final completion.*

The program will assist participants in identifying locations and sources of public and private funding; obtaining permits and providing guidance on regulatory compliance; and working cooperatively with local, state and federal agencies toward attracting and retaining affordable senior housing. Projects that are sited in a neighborhood setting, provide access to a continuum of care, foster multigenerational relationships or allow seniors to engage in their community are given priority. GO-Biz will be taking a leadership role in bringing together the public and private sector stakeholders to the affordable senior housing development and implementation process."

- 2) **Calling for an Integrated State Housing Plan:** In response to rapidly rising housing costs, especially in California's coastal areas, HCD issued an unscheduled update to the State Housing Plan in 2014, *State of Housing in California: Affordability Worsens, Supply Problems Remain*. Among other concerns, HCD's update underscored the following:
 - Lower income households were disproportionately being impacted by the worsening trend in housing affordability. As both employment gains and wages continue to lag, renters are facing higher rents and potential homebuyers are having to contend with tightening lending standards;
 - Building starts continue to be sluggish, even as storages in housing supply continued to increase in coastal areas;
 - Tens of thousands of affordable housing units were at-risk of converting to market rents within the next five years;
 - Aging baby boomers and young millennials were shifting traditional housing demands to meet their different lifestyle needs; and
 - The effects of the financial crisis were continuing to impact households who never recovered losing their homes, loss of employment, lower credit scores due to old debt, and other pre-crisis lifestyle opportunities.

The update to the State Housing Plan also identified the impacts of the housing crisis on California renters, which included the overpayment for rent and increasingly overcrowded conditions. For



prospective homeowners, prices were rising too quickly for households to rationally keep pace. While the financial crisis resulted in significant foreclosures, HCD's Housing Plan update noted that these units were not adequate to meet the housing need based on type, tenure, and location. In February 2014, the median sales price of a home was \$404,250, which was over 21% higher than in February 2013.

In its conclusion, the update to the State Housing Plan called for not only more housing, but noted that production was only one part of the solution.

The state needed an integrated approach to housing development, a strategy that also considered such things as education, health, access to economic opportunity, and transportation. Further, that the interconnectivity between jobs, housing, health care, and infrastructure was particularly important to vulnerable populations, including seniors.

SB 62 assists communities who are seeking to implement integrated housing strategies by establishing a formal facilitating process for the development of affordable senior housing and supportive care campuses.

- 3) **Legislative Analyst's Study on Housing Needs and Impact on the Poor:** In March 2015, the Legislative Analyst's Office (LAO) issued a report on the state's rising housing costs and impacts. The report shows that only Hawaii has higher housing prices than California. In fact, California housing costs are more than double that of the U.S average, \$437,000 v. \$179,000. The report also notes that housing costs vary within California, with the highest being in the coastal areas. Increasing housing costs, however, are not limited to the coastal counties.

Among other reasons, the LAO report identifies the lack of new construction as one of the primary reasons housing costs are rising. Other contributing factors include higher land and building costs in coastal areas. While this analysis seems to provide a very straight forward market resolution through supply and demand, the LAO report also noted that the private market has not responded in a way that would historically have been expected. As other economists have looked at similar unusual patterns, there is a growing awareness that high levels of poverty and income inequality distort general market mechanisms.

The LAO report identifies further examples of traditional market breakdowns. Housing construction in Seattle was twice that of San Francisco and San Jose over the past two decades with construction in California's coastal metro areas remaining low by both national and historical standards, between 1980 and 2010. The report estimates if housing production in California had kept pace with the national average, the state would have added up to 100,000 additional units per year between 1980 and 2010. These units would have been predominantly in coastal areas, a higher percentage in inner cities, and have been considerably denser. The consequence of not producing more housing units is that shelter has become a greater burden on household finances. For low-income households, paying

for housing costs require spending 67% of their income, which leaves very little left for food, health care, education, transportation, and emergencies.

In addition, the LAO report notes other significant housing challenges that inordinately impact certain areas of the state and groups of people, including: (1) facilitating housing options for the state's homeless individuals and families; (2) mitigating adverse health effects related to living in substandard housing or housing near sources of pollution; and (3) removing noneconomic barriers to housing, such as race, ethnicity, gender, and disability status.

- 4) **State Housing Assessment:** In January 2017, HCD released its mandated update to the statewide housing plan, which includes a 10-year assessment of housing needs and issues. The Assessment notes that housing costs and supply issues particularly affect certain vulnerable population groups that tend to have the lowest incomes as well sometimes experiencing barriers to housing stability. The report suggests that these groups require targeted and comprehensive policy and programmatic responses. Such groups include persons experiencing homelessness, seniors, individuals with disabilities, farmworkers, and tribal populations.

According to the Assessment, the state faces three key challenges:

- Challenge 1 – Housing supply continues to not keep pace with demand and the existing system of land-use planning and regulation creates barriers to development. During the 2003-14 planning cycle, housing production was inadequate in every region of the state.
- Challenge 2 – High housing growth is expected in communities with environmental and socio-economic disparities. During the 2003-2014 planning cycle, counties with high job availability experienced lower housing production.
- Challenge 3 – Unstable funding for affordable housing development is impeding the state's ability to meet housing needs, particularly for lower-income households.

Housing for renters is in the greatest need with two units being needed for every one unit of market rate. At the same time as affordable housing need is increasing, federal funding is declining. In 2003, California received \$729.5 million in federal Community Development Block Grant (CDBG) funds and \$351 million in Home moneys. In 2015, CDBG was down to \$356.8 million and \$120.5 million for Home funds.

The Assessment includes a special look at senior housing options, which include traditional homeownership and rental housing, senior-only, independent-living homeownership and rental housing, congregate care, assisted living, skilled nursing, and living with a relative either in the home or in an accessory dwelling unit.

The Assessment notes that there are an estimated 1.3 million low-income senior households in California, who survive on a median personal income of \$21,300. Social Security income represents about 80% of total income for most seniors with an average annual social security benefit for California seniors is \$12,179. Nearly 2/3rds of senior renter households pay more than 30% of their income towards housing. Many seniors struggle to meet their basic needs for food, shelter, and health care.

Low-income seniors [and middle-income seniors] often find it difficult to afford independent-living and assisted-living arrangements. Seniors who remain living at home ("aging in place") will need in-

home assistance as they age and their ability for self-care diminishes. While some programs exist to help seniors who are aging in place, there are currently no dedicated funding programs exclusively for senior housing. The Assessment does identify examples of programs that have financed senior-only multifamily developments or assisted senior households:

- Multifamily Housing Program (California Department of Housing and Community Development)
- 4% and 9% tax credits (California Tax Credit Allocation Committee)
- Mental Health Services Act Housing Program (California Housing Finance Agency)
- Mortgage Reinstatement Assistance Program (California Housing Finance Agency)
- Reverse Mortgage Assistance Pilot Program (California Housing Finance Agency)

The final State Housing Assessment is expected to be completed by sometime in the Summer of 2017.

- 5) **GO-Biz Mission:** With the demise of the Technology, Trade and Commerce Agency in 2003, California economic and business development activities were scattered across multiple agencies and departments. In 2010, the Governor's Office of Economic Development was established through Executive Order S-05-10 and in 2011 the office was codified as GO-Biz. GO-Biz' mission is to:
- Make recommendations to the Governor and Legislature on new and existing state policies, programs, and actions;
 - Advance statewide economic development goals and respond to emerging economic problems and opportunities;
 - Coordinate the development of policies and criteria that ensure that federal grants advance statewide economic goals and objectives;
 - Market California's investment and business opportunities;
 - Serve as a clearing house for information on economic and demographic data, local and state business resources, as well as information on workforce, infrastructure, permitting, and other regulatory information;
 - Encourage collaboration among public and private sectors around innovation;
 - Foster relationships overseas to enhance the state's image as a good place to do business and invest;
 - Conduct research on the state's business climate; and
 - Support small businesses by providing information about accessing capital and complying with regulations.
- 6) **GO-Biz' Expanding Role:** GO-Biz was established to provide a single point of contact for serving the needs of businesses, economic developers, and investors. As initially envisioned, GO-Biz would not directly implement programs, but would instead serve as a referral service and facilitator to help businesses access resources and resolve issues. Very quickly, however, GO-Biz became a popular destination of new programs and state services.

The first programs arrived just after its first year of operation with implementation of the Governor's Reorganization Plan 2 and the codification of the Innovation Hub Program, the California Competes Tax Credit, and the EB-5 investment visa program were codified under the administration of GO-Biz.

Also in 2013, a Small Business Finance Center was established within the IBank and debt and credit enhancement programs administered through a network of 11 small business financial development corporations were transferred to GO-Biz under the auspices of the new Center. The Office of Permit Assistance was codified in 2016. [AB 93 (*Assembly Committee on Budget*), Chapter 69, *Statutes of 2013*; AB 250 (*Holden and V. Manuel Pérez*), Chapter 530, *Statutes of 2013*; AB 1067 (*Medina*), Chapter 535, *Statutes of 2013*; AB 1247 (*Medina and Bocanegra*), Chapter 537, *Statutes of 2013*; AB 2605 (*Nazarian*), Chapter 78, *Statutes of 2016*.]

Today, GO-Biz is organized around seven units and three semi-independent government entities, over which GO-Biz has administrative oversight, including:

- The Business Investment Services Unit (7 positions as of July 2016)
- California Competes Tax Credit Program (10 positions as of July 2016)
- Innovation and Entrepreneurship Unit (1 position as of July 2016)
- International Trade and Investment Unit (3 positions as of July 2016)
- The Office of the Small Business Advocate (6 positions as of July 2016)
- The Permit Assistance Unit (4 positions as of July 2016)
- Zero Emission Vehicle Infrastructure Unit (2 positions [estimated] as of July 2016)
- The California Film Commission (12 positions as of July 2016)
- The Travel and Tourism Commission (52 positions as of July 2016)
- The Infrastructure and Economic Development Bank (45 positions as of July 2016)

According to GO-Biz, the addition of the Program would require eight additional staff.

- 7) **Proposed Amendments:** Below is a list of amendments staff understands the author will be present for Committee approval at the hearing.
- a) Require a study to be undertaken to assess the opportunities and impediments to developing mixed-use campus-style developments that support middle and low-income seniors ability to age in place. This study will be completed prior to the implementation of the Program.
 - b) Transfer the responsibility for undertaking the study and implementing the Program from GO-Biz to HCD.
- 8) **Double Referral:** The Assembly Rules Committee has referred this measure the Assembly Committee on Jobs, Economic Development and the Economy and to the Assembly Committee on Housing and Community Development (HCD). Should this measure pass the committee, it will be referred to HCD for further policy consideration.

REGISTERED SUPPORT / OPPOSITION:

Support

American Association of Retired Persons

Agency on Aging, Area 4
California Apartment Association
California Commission on Aging
California State Retirees
Disability Rights California
LeadingAge California
National Association of Social Workers

Opposition

None on File

Analysis Prepared by: Toni Symonds / J., E.D., & E. / (916) 319-2090