

**Assembly Committee on Housing and Community Development  
& Assembly Committee on Revenue and Taxation**

**March 18, 2013  
State Capitol – Room 126, 1:30 p.m.**

**The State's Investment in Housing: Following the Money**

**Purpose of the Hearing**

The purpose of this hearing is to analyze the investment that the state has made in housing through various tax subsidies, incentives, and financing mechanisms and to identify opportunities to redirect or improve on the existing tax subsidies, incentives, and financing programs.

Members may wish to consider the following questions:

- What should the state's role be in incentivizing and/or subsidizing rental and ownership housing?
- What opportunities exist to improve on existing tax subsidies and incentives to achieve the state's goals for housing?
- What opportunities exist for creating new or improving existing financing tools for rental housing and other forms of affordable housing?

**Background**

California's population continues to grow, age, and diversify. Since 2000, the population has grown by 340,000, with significant growth in the Hispanic and Asian populations. The baby boomer generation, representing a significant portion of the overall population, will live longer than previous generations. The number of Californians 65 years and older will double over the next twenty years from 4.3 million in 2010 to 8.4 million in 2030.<sup>1</sup>

California has a chronic deficit in the supply of rental housing which was exacerbated by the recent recession. Between 2006 and 2011, rents increased throughout the state by an average of ten percent. Lower-income households represent a majority of renter households. Out of 5.1 million renters in California, 60% are in lower-income households, while one in four renter households are in the extremely low-income.<sup>2</sup> One in two renters in California pay in excess of 30% of their income towards housing and one in four renters pay half of their income towards housing.

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<sup>1</sup> Hayutin, Adele, Stanford Center for Longevity. 2012 "California's Aging Population: Not Forever Young"

<sup>2</sup> 2010 American Community Survey

Despite the decline in prices of single-family homes, homeownership remains unaffordable to many Californians. Between 2008 and 2009, increased unemployment coupled with still-high housing prices resulted in a decline in homeowner household by an estimated 130,000.

The foreclosure crisis has further contributed to the affordability gap in rental housing. Thirty-eight percent of homes in foreclosure were rentals and many owners of foreclosed homes have moved into rental units. In addition, many eligible buyers are choosing to postpone purchasing a home in California. All of these factors have created more competition for rental units that are in short supply.

### **Subsidies and Tax Incentives**

Viewing homeownership as an important public policy objective, both the federal and state government promote homeownership through a myriad of subsidies and tax incentives. In 2010, the federal government provided \$185 billion in tax expenditures related to homeownership. By far, the largest of these expenditures are the mortgage interest deduction (MID) (\$90.8 billion), the property tax deduction (PTD) (\$15 billion), and the exclusion of capital gains (\$15 billion)<sup>3</sup>. Through these incentives, the government seeks to reduce the cost of purchasing and maintaining a home, thereby increasing homeownership.

Many academics and researchers, however, believe that these kinds of tax subsidies do very little to encourage homeownership, and in some cases, actually discourage homeownership. For example, some researchers argue that tax subsidies lead to higher home prices because they increase demand, making it more difficult for low and middle-income families to purchase a home.<sup>4</sup> Many academics make similar arguments, criticizing the MID for distorting the market and encouraging home acquisition with debt instead of cash<sup>5</sup>. The MID has also been criticized for its inequity, because high-income earners generally receive a larger benefit from deductions than lower-income earners. This is because the value of a deduction depends on the taxpayer's tax bracket. For example, if a higher-income earner in a 25% tax bracket receives a \$3,000 deduction, the value of the deduction is worth \$750 ( $\$3,000 \times .25$ ). However, if a low-income earner in a 15% tax bracket receives the same \$3,000 deduction, the deduction is only worth \$450 ( $\$3,000 \times .15$ ).

To address this issue, some researchers and academics have proposed replacing the MID (and the PTD) with a tax credit. A tax credit, in this situation, is considered more equitable because it reduces a taxpayer's liability dollar for dollar. If the taxpayers in the above example were to receive a tax credit instead of a deduction, each of the taxpayers would receive a \$3,000 benefit regardless of tax bracket, assuming each owed at least \$3,000 in taxes. Some have even suggested making such a credit refundable, so that the taxpayer would receive the benefit even if there is no tax liability to offset<sup>6</sup>. Others have recommended replacing the MID with a tax credit

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<sup>3</sup> Joint Committee on Taxation, Estimates of Federal Expenditures, 2010-14.

<sup>4</sup> Adam Carasso, C. Eugene Steuerle, and Elizabeth Bell. "Making Tax Incentives for Homeownership More Equitable and Efficient." *Tax Policy Center* 21 (2005).

<sup>5</sup> Dennis J. Ventry. "Fake Third Rail of Tax Reform." 135 *Tax Notes* 181 (Apr. 9, 2012).

<sup>6</sup> Fake Third Rail

based on a percentage of the interest paid, a tax credit based on the value of the home up to a certain amount, or replacing both the MID and PTD with a flat tax credit<sup>7</sup>. Alternatively, Congress or the Legislature could simply choose to eliminate certain tax subsidies and redirect the funds to renters and low-income housing.

The federal government also provides benefits to low-income families and renters. Some of these benefits include public housing, Section 8 rental vouchers, and a Low Income Housing Tax Credit (LIHTC). In 2010, the federal government spent \$18 billion on Section 8 vouchers and \$6.6 billion on public housing<sup>8</sup>. Unlike tax credits and deductions that are taken by a homeowner when filing tax returns, low-income families generally have to apply and prove eligibility before receiving lower-income benefits, which may limit accessibility to low-income housing.

### **Examples of Homeowner Tax Incentives and Subsidies**

**Mortgage Interest Deduction:** Most homebuyers take out a mortgage to purchase a home and then make monthly payments to the mortgage holder. Generally, a taxpayer may deduct the interest payments on mortgages up to \$1 million (or \$500,000 in the case of a married individual filing a separate return). To be deductible, the interest must be on a loan secured by a primary residence or a second home. The loan can be a first or second mortgage, a home improvement loan, or a home equity loan. The interest on home equity loans up to \$100,000 (or \$50,000 in the case of a married individual filing a separate return) may also be deductible regardless of how the funds are used. Additionally, a homeowner may be able to treat qualified mortgage insurance premiums as home mortgage interest for tax deduction purposes.

**Capital Gains Exclusion:** If a taxpayer sells his or her principal residence and makes a profit, the taxpayer may be able to exclude that profit from his or her taxable income. A taxpayer may generally exclude up to \$250,000 (\$500,000 if married filing jointly) of capital gains from the sale of a principal residence if the taxpayer lived in the residence for at least two out of the preceding five years.

**Property Tax Deduction:** Property taxes are deductible for federal income tax purposes as long as the tax is charged uniformly against all property in the jurisdiction at a like rate. California residents benefit far less from this tax deduction compared to other state residents because property tax rates are limited by Proposition 13.

**Mortgage Credit Certificate (MCC) Tax Credit Program:** Low-income homeowners who obtain qualified MCCs issued by a state or local government may claim a federal tax credit for a portion of interest paid. These tax credits create additional net spendable income, which the lender may consider when approving a borrower for a home loan. The amount of credit varies depending on the credit certificate rate, but is generally capped at \$2,000 per year.

**California Homebuyer Tax Credit:** In 2009, Governor Schwarzenegger signed into law a tax credit providing up to \$10,000 to anyone buying a new home. Taxpayers were required to claim

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<sup>7</sup> Tax Policy Center

<sup>8</sup> US Department of Housing and Urban Development, 2010 Budget.

the credit in equal amounts over three tax years. The tax credit was available to taxpayers who purchased a qualified principal residence on or after March 1, 2009, and before March 1, 2010. California allocated a total of \$100 million for the credit, and this limit was reached on August 31, 2009.

In 2010, two new home buying credits were enacted - the New Home Credit and the First-Time Buyer Credit. The New Home Credit was available for new homes purchased on or after May 1, 2010, and before August 1, 2011. The credit was capped at \$100 million, and certificates and reservations were issued for approximately \$95 million by the August 1, 2011, closing date.

The First-Time Buyer Credit, in turn, was available to first-time homebuyers for purchases of existing single-family residences made on or after May 1, 2010, and before August 1, 2011. This credit was also capped at \$100 million, and this limit was reached on August 15, 2010.

**Property Tax Limitations and Exemptions from Reassessment:** Under Proposition 13, as a general rule, the maximum amount of any ad valorem tax on real property may not exceed one percent of the property's full cash value, as adjusted for the lesser of inflation or 2% per year. The "full cash value" means the "county assessor's valuation of real property as shown on the 1975-76 tax bill" or, thereafter, "the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." (California Constitution, Article XIII A, Section 1 and 2)

Proposition 13 reduces property taxes and favors long-term ownership. Because reassessment is triggered whenever new construction or a change in ownership occurs, individuals may be less likely to move, transfer property, or make home improvements. California has therefore provided for exceptions to the general reassessment rules, and allows taxpayers, under certain conditions, to transfer their base year value to a new property or make home improvements without having the property reassessed.

## **Low Income Housing Tax Incentives**

**Low Income Housing Tax Credit:** The LIHTC is an indirect federal subsidy developed in 1986 to incentivize the private development of affordable rental housing for low-income households. Tax credits are awarded to developers for qualified projects. The developer then sells the tax credits to raise capital for the project, which reduces the debt borrowed for a project, leading to lower rents. Two types of credits are available - the nine percent and four percent credits. These terms refer to the approximate percentage of a project's "qualified basis" a taxpayer may deduct from their annual federal tax liability in each of ten years.

In California, responsibility for administering the federal program is assigned to the California Tax Credit Allocation Committee (CTCAC). California also authorizes a separate state LIHTC program that augments the federal LIHTC.

### **Other Program and Sources of Funding:**

Historically, the state has invested in rental housing for very low- and low-income households and supportive housing for special needs populations by providing funding for the construction of the housing. Because of high land and construction costs and the subsidy needed to keep units affordable to tenants over time, affordable housing is expensive to build. Typically, projects need to leverage multiple financing tools. In California, these tools include voter-approved housing bonds, state and federal low-income housing tax credits, private bank financing, and local matching dollars. Prior to dissolution, redevelopment agencies provided important financing at the initial stages of a project to fund land acquisition, predevelopment costs, and infrastructure, and often filled the gap remaining after all other public and private sources of financing had been tapped. Voter-approved bonds have provided the bulk of the state's investment in affordable housing production over the last fifteen years. Proposition 46 of 2002 and Proposition 1C of 2006 together provided \$4.95 billion for affordable housing production. Voter-approved bonds have been an important source of funding over the last decade but whether they can continue to be the state's major source of funding is an open question. The continued state budget challenges raise the cost of borrowing and limit the scope for authorizing and issuing new general obligation bonds.

In 2000, with the state General Fund flush with unexpected revenue, the Legislature appropriated \$500 million for low-income housing programs. By 2001, due largely to a dramatic drop in capital gains tax revenue, the Governor and Legislature were forced to make cuts rather than increase state program funding. By 2002, the funds that had been appropriated for housing in 2000 were exhausted. To assure affordable housing programs continued to receive funding, the Legislature approved, with a bi-partisan 2/3 vote, the placement of a \$2.1 billion housing bond on the ballot. The measure, Proposition 46: Housing and Emergency Shelter Trust Fund Act, was later approved by the voters. In 2006, as part of a package of infrastructure bonds the voters-approved Proposition 1C: Housing and Emergency Shelter Trust Fund Act which provided \$2.85 billion in new funding for affordable housing programs. These bonds funded the capital production of very low-, low-, and some moderate-income housing through multiple programs that provided financing for infrastructure costs, long-term financing to subsidize affordable rental units, and some programs to assist first-time homeowners. Attachment A outlines each bond and how the funds were allocated among programs. These funds are largely exhausted.

The following chart illustrates all remaining funds from Proposition 46 and 1C.

**Estimate of Housing Bonds (Prop 46 and 1C)  
Remaining for Award after December 31, 2012**

Program	Bond Act	Estimated Remaining Funds as of January 1, 2013 (millions)
AHIF - Local Housing Trust Fund **	1C	\$9
AHIF - Construction Liability	1C	\$0
AHIF - Practitioner Fund	1C	\$0
CalHOME **	46	\$10
	1C	\$41
Infill Infrastructure Grant (IIG)	1C	\$62
Housing Related Parks (HRP)	1C	\$166
Transit Oriented Development (TOD)	1C	\$37
Supportive Housing (SHMHP)	1C	\$7
Multifamily Housing (MHP)	1C	\$51
	46	\$2
Emergency Housing Assistance Program (EHAP-CD)	1C	\$4
	46	\$2
Farmworker Housing Program (FWGP)	1C	\$3
Governor's Homeless Initiative (GHI)	46	\$3
*California Homeowner's Down Payment Assistance Program	46	\$0
	1C	\$53
<b>Total</b>		<b>\$448</b>

46                      \$15  
1C                        \$433

\*This is a CalHFA managed Program. As of February 1, 2013, CalHFA will have \$53 million that has not been requested from HCD (shown in chart above), plus \$18.9 million cash on hand at CalHFA that has been received but not yet committed, equaling approximately \$72 million available for new loans.

\*\* Remaining funds of \$8,813,000 are reflected in the 2013-14 Governor's Budget as reverting to the CalHOME program in accordance to the statute.

**Proposition 63: Mental Health Services Act**

In 2004, the voters approved Proposition 63: Mental Health Services Act (MHSA) which imposed a 1% tax on personal income in excess of \$1 million to support county mental health programs. On May 12, 2006, Governor Schwarzenegger issued Executive Order S-07-06, which

mandated the establishment of the MHSA Housing Program, with the stated goal of creating 10,000 additional units of permanent supportive housing for individuals with serious mental illness. The program, jointly administered by Department of Mental Health (DMH) and the California Housing Finance Agency (CalHFA), was allocated \$400 million for permanent financing and capitalized operating subsidies to develop permanent supportive housing, including both rental housing and shared housing, to serve persons with serious mental illness who are homeless or at risk of homelessness. According to the 2011 MHSA Housing Program Semi-Annual Update issued by DMH, since the program's inception in 2007, 127 applications have been received from 33 counties. Of those, 104 have received loan approval. These approved applications will create more than 1,500 units of supportive housing. During the report period, ten new housing applications were submitted, 13 applications received approval, four loans closed, and seven developments or 105 MHSA units became ready for occupancy.

### **Redevelopment: Tax-Increment Financing:**

Redevelopment agencies were required to set aside 20% of the tax increment they collected in a project area in a Low and Moderate-Income Housing Fund to increase, improve, and preserve the community's supply of affordable housing for persons and families of low and moderate income (Health & Safety Code §33334.2).

Statewide, Low and Moderate-Income Housing Fund dollars represented a significant source of funding for the construction, preservation, and rehabilitation of affordable housing. These funds were often used in combination with private financing, state housing bond funds, state and federal low-income housing tax credits, and local matching dollars to support affordable housing construction. According to financial reports that redevelopment agencies made to the Department of Housing and Community Development (HCD), in fiscal year 2008-09 redevelopment agencies reported having in excess of \$1 billion in their Low and Moderate Income Housing Funds.

Redevelopment agencies were criticized over the years for not using their Low and Moderate Income Housing Funds in an expeditious manner or in a manner consistent with the spirit of redevelopment law. For example, some have noted that redevelopment agencies had in some instances spent their Low and Moderate-Income Housing Funds disproportionately on planning and administrative costs or for purposes unrelated to creating, preserving, or rehabilitating affordable housing in and around the redevelopment project area.

### **Sources of Funding for Affordable Housing in other States**

According to a report done by PolicyLink on behalf of Housing California (a coalition of non-profit housing providers) in 2005, thirty-five states and hundreds of cities, counties, and combinations of jurisdictions have formed housing trust funds to provide stability and consistency to their approach to creating affordable housing. Twenty-eight of the 35 states that have established housing trust funds have legislated dedicated revenue sources. The others rely on annual or periodic allocations from their legislatures, continuing to limit their ability to do long-term planning and production of affordable housing.

The following table illustrates dedicated sources of revenue other states rely on to fund housing trust funds:

Revenue Source	States	Amount Raised Annually	Dollars Per Capita	How the Source Works
Real Estate Transfer Tax	Florida Hawaii Illinois Nebraska Nevada Maine New Jersey South Carolina Vermont District of Columbia	\$340 m \$3 m \$22 m \$6 m \$7 m \$9 m \$8 m \$8 m \$13 m \$20 m	\$21.27 \$2.48 \$1.77 \$3.50 \$3.50 \$7.06 \$0.95 \$1.99 \$21.76 \$34.96	A real estate transfer tax, also called a documentary stamp tax or a real estate excise tax, assesses a tax based on the value of the property at the time of sale or transfer. The tax rate for RETTs typically ranges from \$.10/\$100 to \$.70/\$100 of value. Generally, the tax is levied on the seller; some states split the tax between the buyer and the seller. The RETT is considered the most progressive of any revenue source, as it goes up or down in value as real estate values change.
Document Recording Fees	Delaware Massachusetts Missouri Ohio Pennsylvania Washington	\$4 m \$26 m \$4 m \$50 m ** \$12 m	\$5.10 \$5.88* \$0.71 \$4.40 ** \$9.00***	Document recording fees are typically assessed when real estate and other legal documents are recorded with the official body designated by individual states (typically county recorders, occasionally real estate boards). <sup>42</sup> Ohio law (2003) allowed a doubling of the per-page fee, while Washington law (2001) charged an additional \$10 flat recording fee. Others charge a flat rate that ranges from \$3 to \$10 per document. While Missouri, Massachusetts, and Washington charge the fee on real estate documents alone, Delaware and Ohio apply the fee to all recorded documents. Pennsylvania law allows counties to double the fee to fund local housing trusts. Document recording fees in Massachusetts may be matched by a local property tax levy.
Title Insurance Trust Account Interest or Real Estate Escrow Accounts	Maryland Minnesota Washington Wisconsin New Hampshire	** \$2 m \$2 m ** \$2 m	** \$0.41 \$9.00*** ** \$1.35	Title insurers or title insurance agents place monies held in connection with real estate settlements, closings, escrows, and title indemnifications into an interest bearing account and remit interest payments to the housing trust fund annually. If the monies held earn \$50 or less in interest, they are placed in a state fund. <sup>43</sup> Minnesota additionally collects interest accruing on revenue bond application fees, forfeited fees, and fees not returned.
Capital Bonds/ Infrastructure Bonds Percentage	Washington	\$39 m	\$9.00***	Washington state biannually issues infrastructure capital bonds, and dedicates 15 percent to its housing trust fund. <sup>44</sup> While not widely used, this innovative financing source ties development of infrastructure to the development of affordable housing.
Income Tax Check Off	Louisiana	\$5 m	\$1.12	Voluntary income tax check off for filers who receive returns: can elect to donate \$10 or more, raises up to \$5 million annually.
Unclaimed Property Deposits	Arizona	\$10 m	\$2.03	State dedicates 55 percent of unclaimed property deposits, interest on unexpended funds, and loan repayments.
Property Tax Levy	Massachusetts	\$26 m	\$5.88*	Massachusetts state law allows local jurisdictions to levy additional 3 percent property tax assessment; if jurisdiction and voters approve assessment, revenue raised is matched by state. Revenue allocated between affordable housing, open space, and historic preservation. State match raised through document recording fee (see above).

\*\$5.88 per capita analysis appears under multiple rows as it refers to all revenue sources for the Massachusetts housing trust fund: \$20 million allocation from the general fund, \$26 million in local property tax levies, and the \$26 million state match in document recording fees.

\*\*Total revenue amount not available.

\*\*\*\$9.00 per capita analysis appears in multiple rows as it includes all sources for state housing trust fund—revenues from document recording fee, real estate escrow accounts, and capital bonds.

Source: PolicyLink survey data. (Due to fluctuating status of revenue in Iowa, Kansas, Kentucky, North Carolina, Oregon, and Utah, their revenues are not reported here.)



## Attachment A

### **Proposition 46: Housing and Emergency Shelter Trust Fund Act of 2002 (\$2.1 billion)**

#### Multifamily Housing Program: \$910 million

Provided loans to local governments, non-profit and for-profit developers, for rehabilitation and new construction of affordable multifamily rental housing, the preservation of existing subsidized housing that may convert to market rents.

This provision included the following set asides:

- a. \$50 million for preservation,
- b. \$20 million for supportive services,
- c. \$25 million for local housing trust funds for individuals and families with low- and very-low income, and
- d. \$15 million for low income University of California and California State University student housing requiring the university to provide a dollar for dollar match. Provides that any funds not used for this purpose within 24 months shall be used for the Downtown Rebound Program.

#### Emergency Housing Assistance Program (EHAP): \$195 million

Provided grants to counties and nonprofit entities to finance emergency shelters for homeless individuals and families. Funds may be used for rehabilitation, renovation, expansion of existing facilities, site acquisition, equipment purchase, vouchers, and operating costs.

#### Supportive Housing: \$195 million

Provided loans for housing projects for individuals and households moving from shelters or transitional housing or those at risk of homelessness.

#### Farmworker Housing Grant Program: \$200 million

Provided grants to local public agencies, nonprofit corporations, and federally recognized Indian tribes to provide housing for agricultural workers. Grants were used for rehabilitation or new construction of owner-occupied housing, and construction and rehabilitation of rental units.

Included the following set asides:

- a. \$25 million for migrant farmworker housing, and

- b. \$20 million for developments that provide health services.

CalHome Program: \$205 million

Provided funds for homeownership programs to assist low- and very low-income households become or remain homeowners. Funds were allocated in either grants to programs that assist individuals or loans that assist multiunit homeownership projects. Grant funds were used for first time homebuyer downpayment assistance, home rehabilitation, homebuyer counseling, home acquisition and rehabilitation, or self-help mortgage assistance programs, or for technical assistance for self-help and shared housing homeownership. Loan funds were used for purchase of real property, site development, predevelopment, and construction period expenses incurred on homeownership development projects, and permanent financing for mutual housing or cooperative developments.

This provision included the following set asides:

- a. \$75 million for the Building Equity and Growth in Neighborhoods Program,
- b. \$5 million for exterior modifications of the homes of low-income disabled renters, and
- c. \$10 million for self-help housing construction management.

Code Enforcement Program: \$5 million

Funds were used for capital expenditures in support of local code enforcement and compliance programs.

California Homebuyer Downpayment Assistance Program: \$290 million

Administered by Cal HFA, the Homebuyers Downpayment Assistance Program helped first-time homebuyers achieve homeownership by providing "silent" second-mortgage loans to reduce the principal and interest payments on a first mortgage. Buyers generally access these loan funds through their lender.

This provision included the following set asides:

- a. \$50 million for the School Facility Fee Affordable Housing Program,
- b. \$85 million for the California Housing Loan Insurance Fund,
- c. \$25 million for Teacher Downpayment assistance – for teachers that work in low performing schools. Provided that after 18 months, if funds were not fully utilized, these funds may be made available for the general purposes of the California Homebuyer Downpayment Assistance, and

- d. \$12.5 million for downpayment assistance to low-income first time homebuyers who have received homeownership counseling and purchase in a community revitalization area.

Jobs Housing Improvement Account: \$100 million

Established capital grants to local governments that increased housing.

In 2006, as part of a package of bonds to fund infrastructure, the voters approved \$2.85 billion in bonds to fund the following programs.

**Proposition 1C the Housing and Emergency Shelter Trust Fund Act of 2006 (\$2.85 billion)**

Multifamily Housing Program: \$345 million

Provides loans to local governments, non-profit and for-profit developers, for rehabilitation and new construction of affordable multifamily rental housing, the preservation of existing subsidized housing that may convert to market rents.

Homeless Youth Program: \$50 million

Provides loans for emergency, transitional, or permanent housing tied to supportive services for youth that are no older than 24 years of age and are at risk of homeless, aged out of the foster care system or have run away from home.

Multifamily Supportive Housing Program: \$195 million

Provides loans for housing projects for individuals and households moving from shelters or transitional housing or those at risk of homelessness.

Emergency Housing Assistance Capital Development Program (EHAP-CD): \$50 million

Provides loans for capital development activities for emergency shelters, transitional housing, and safe havens that provide shelter and supportive services for homeless individuals and families.

Farmworker Housing Grant Program: \$135 million

Provides grants to local public agencies, nonprofit corporations, and federally recognized Indian tribes to provide housing for agricultural workers. Grants were used for rehabilitation or new construction of owner-occupied housing, and construction and rehabilitation of rental units.

CalHome Program: \$290 million

Provides funds for homeownership programs to assist low- and very low-income households become or remain homeowners. Funds are allocated in either grants to programs that assist

individuals or loans that assist multiunit homeownership projects. Grant funds are used for first time homebuyer downpayment assistance, home rehabilitation, homebuyer counseling, home acquisition and rehabilitation, or self-help mortgage assistance programs, or for technical assistance for self-help and shared housing homeownership. Loan funds are used for purchase of real property, site development, predevelopment, and construction period expenses incurred on homeownership development projects, and permanent financing for mutual housing or cooperative developments.

This provision included the following set aside:

\$10 million for self-help housing construction management.

California Homebuyer Downpayment Assistance Program (CHDAP): \$200 million

Administered by Cal HFA, the Homebuyers Downpayment Assistance Program helps first-time homebuyers achieve homeownership by providing "silent" second-mortgage loans to reduce the principal and interest payments on a first mortgage. Buyers generally access these loan funds through their lender.

This provision included the following set asides:

\$100 million for Residential Development Loan Program (RDLP)

Affordable Housing Innovation Fund (AHIF): \$100 million

Created a fund to provide loans or grants to entities that develop, own, lend or invest in affordable housing and used to create pilot programs to demonstrate innovative, cost savings approaches to creating or preserving affordable housing. Authorizing legislation approved by a 2/3 vote later created the following programs.

In 2007, SB 586 (Dutton) created the following programs with in the AHIF:

- a. \$50 million to the Affordable Housing Revolving Development and Acquisition Program: \$25 million to the Loan Fund and \$25 million to the Practitioner Fund
- b. \$35 million to the Local Housing Trust Fund Program
- c. \$5 million to the Construction Liability Insurance Reform Pilot Program
- d. \$10 million to the Innovative Homeownership Program

In 2012, AB 1951 (Atkins) redirected \$30 million from the Affordable Housing Revolving Development and Acquisition Program: Loan Fund to the Multi-family Housing Program.

Building Equity and Growth in Neighborhoods (BEGIN) Program: \$125 million

Provides grants to cities and counties who will then make deferred-payment, second mortgage loans to qualified buyers of new homes, in projects where the affordability has been enhanced by local regulatory incentives or barrier reductions. In certain cases, this can include mobilehomes

provided they are on permanent foundations.

Infill Infrastructure Grant Program: \$850 million

Provides grants for the new construction and rehabilitation of infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill.

Transit Oriented Development Program: \$300 million

Provides low-interest loans as gap financing for rental housing developments that include affordable units, and as mortgage assistance for homeownership developments. In addition, grants are available to cities, counties, and transit agencies for infrastructure improvements necessary for the development of specified housing developments, or to facilitate connections between these developments and the transit station.

Housing Related Parks Program: \$200 million

To increase the overall supply of housing affordable to lower income households by provides financial incentives to cities and counties with documented housing starts for newly constructed units affordable to very low or low-income households.