MEMO

DATE: December 14, 2006

TO: Community, Economic, and Human Development Committee

FROM: Jeffrey S. Dunn, Government Affairs Analyst

SUBJECT: Infrastructure Bonds: Issues and Impacts

BACKGROUND:

On November 7, 2006, California voters approved Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006. Proposition 1C authorizes the sale of $2.65B in bonds and specifies that its proceeds be deposited in various funds to fund 13 new and existing housing and development programs administered by the State Department of Housing and Community Development (HCD).

- Of the $2.85B provided by this bond, approximately $1.5B is allocated for existing housing programs administered by HCD, and approximately $1.35B is 'new' money to be allocated for the following purposes:

    1. $850M for infill development;

    2. $200M for parks/recreation development;

    3. $300M for Transit-Oriented Development to provide high-density housing near transit stations. (The bond provides that HCD, as part of its process for considering recipient projects for these funds, shall grant bonus points to projects or developments that are in an area designated by the appropriate council of governments for infill development as part of a regional plan).

- HCD is in the process of developing the program guidelines for projects applications for these funds. For TOD funds, the program will be modeled after the Multi-Family Housing Program that was the primary recipient of Prop. 46 funds passed by the voters a few years ago.

- All programs shall be considered by competitive application according to a ranking system established by HCD.

- HCD has met with the major transit agencies statewide to gather information on transit project goals and criteria and will hold six site workshops to gain more information from local agencies.

- The timeline to begin the application process for all projects is June 2007 before the FY ends.

Regional Economic Impacts

Implementation of the housing bond will provide economic stimulus to the region and will cause a ripple effect in the overall regional economy, not only within the building industry but also for a wide range of related industries and services. In addition to the direct benefits of increased employment of construction workers, architects, engineers, and skilled trade workers, industry suppliers of materials and services necessary for the development of parks, sewer, transportation, and environmental clean-up related to infill development will benefit from this bond, as well as wholesale and retail suppliers of all goods and services related to residential construction. In broader economic terms, implementation of the housing bond will soften the landing of the recent downturn of housing starts and the cyclical correction occurring in the residential real estate market overall.

Proposition 1C Funds' Allocation/Implementation

It is anticipated that discretionary bond monies will be allocated in a manner similar to past allocations of funds authorized by ballot proposition, with HCD promulgating the guidelines and criteria for submission, ranking, and selection of projects. SCAG will work to identify the best use of Proposition 1C discretionary funds to appropriate them in a manner consistent with its regional plans and adopted initiatives. SCAG will work to ensure that TOD funds are allocated to the critical growth opportunity areas identified in the Compass Blueprint 2% strategy, and will work generally to ensure that the region receives funds that are proportional to its statewide share of need to develop housing, infill, and other purposes specified by the bond.

FISCAL IMPACT:

All work related to ongoing efforts to assist the implementation of the housing bond is contained within the adopted FY 06-07 budget and does not require the allocation of any additional financial resources.

Reviewed by: *Division Manager*

Reviewed by: *Department Director*

Reviewed by: *Chief Financial Officer*