



Proposition 1

Veterans Affordable Housing Bonds

Placed on the ballot by the Legislature

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Purpose

Proposition 1 would authorize \$4 billion in general obligation bonds to fund veterans and affordable housing.

Background¹

Housing in California is expensive. According to the Legislative Analyst's Office, "an average California home costs 2.5 times the national average," and "California's average monthly rent is about 50 percent higher than the rest of the country." There are many reasons for this, but the most important one is that there is a significant shortage of housing in many communities, especially on the coast. This shortage drives competition among people who want to live in those communities. This competition, in turn, leads to higher home prices and rents.

Roughly 100,000 homes and apartments are built in California each year. Most are built entirely with private money. Federal, state, or local governments do, however, provide some financial assistance to build some housing. The help is in the form of grants or low-cost loans given to local governments, nonprofits, and private developers to fund a portion of construction costs. Typically, housing built with these funds must be sold or rented to residents with low incomes and a portion of housing built with state funds is set aside for homeless Californians.

California historically has not provided ongoing funding for these housing programs. It does, however, receive approximately \$2 billion each year from the federal government to support these projects.

California's veteran home loan program provides home loans to eligible veterans, including those who may not otherwise qualify for a home loan. The state sells general obligation bonds to investors and uses the funds to provide loans to eligible veterans to buy homes. The veterans repay the state for these home loans and the then state uses these funds to repay the bonds.

¹ <https://lao.ca.gov/ballot/2018/prop1-110618.pdf>

Proposal

Proposition 1 would authorize \$4 billion in general obligation bonds to fund veterans and affordable housing.

PROPOSED USES OF BOND FUNDS (in Millions)²	
State Housing Programs	
Affordable multifamily housing programs	\$1,800,000
Infrastructure programs	\$ 450,000
Homeownership programs	\$ 450,000
Farmworker housing program	\$ 300,000
Veterans Housing Program	
Veteran home loans	\$1,000,000
TOTAL	\$3,000,000

Proposition 1 provides \$3 billion for various state housing programs. Local governments, nonprofit organizations, and private developers would compete for these funds through programs administered by the state.

- **Affordable Multifamily Housing Programs**, \$1.8 billion to build or renovate rental housing projects. These programs generally provide local governments, nonprofits, and private developers with low-interest loans to fund part of construction costs. The projects must then reserve units for low-income households for a period of 55 years.
- **Infrastructure Programs**, \$450 million to build housing in existing urban areas and near public transportation. The funds also provide loans and grants for a wide variety of projects that support this housing, such as parks and water, sewage, and transportation infrastructure.
- **Homeownership Programs**, \$450 million to encourage homeownership for low- and moderate-income homebuyers. Most of these funds would be grants or loans to help the recipients with downpayments or to build their own homes.
- **Farmworker Housing Program**, \$300 million in loans and grants to build housing, both rental and owner-occupied, for farmworkers.

Proposition 1 also provides \$1 billion for home loan assistance to veterans.

- **Veteran Housing Program**, \$1 billion for home loan assistance to veterans. Veterans generally use these loans to purchase single-family residences, condominiums, farms, and mobile homes. In total, the bonds could provide annual subsidies for up to 30,000 multifamily and 7,500 farmworker households. In addition, about 15,000 homebuyers would be assisted with down payments, and about 3,000 veterans would receive home loans. Californians would quickly begin to benefit from the down payment assistance programs. Benefits from programs for construction of new affordable housing will take longer to be felt.

² Ibid

Fiscal Impact³

The LAO estimates the total cost to tax payers for Prop 1 to be \$5.9 billion. The principal amount is \$3 billion and the estimated cost of interest over the life of the bonds is \$2.9 billion.

- Proposition 1 would increase state costs to repay bonds by an average of about \$170 million annually, for 35 years. The annual cost is equal to about 1/10 of 1% of California's current General Fund budget and would come out of the General Fund.
- Participants in the CalVet Home Loan Program would pay the state monthly, consequently allowing the state to repay the bonds. These payments generally cover the amount owed on the bonds, thus allowing the programs to operate at no direct cost to the state.

Supporters

Two committees have been formed to support Prop 1: Affordable Housing Now and California Homeless and Housing Coalition Action Fund.⁴

- Affordable Housing Now, a coalition of affordable housing advocates, business leaders, labor, veterans, and environmental groups
- California Homeless and Housing Coalition Action Fund
- Habitat for Humanity
- Congress of California Seniors
- Coalition to End Domestic Violence

Affordable Housing Now has raised \$1,838,558, through July 31, 2018.⁵ Almost one-quarter of these funds, \$250,000, was donated by the Chan Zuckerberg Foundation.⁶

California Homeless and Housing Coalition Action Fund has raised \$77,000, through July 31, 2018.

Arguments of Supporters⁷

Supporters argue that Prop 1 would

- Provide affordable housing for veterans, working families, seniors, people with disabilities, and the homeless
- Not raise taxes

Opponents⁸

Prop 1 is opposed by Gary Wesley, from Mountain View, California.

³ <https://lao.ca.gov/ballot/2018/prop1-1106.pdf>

⁴ <http://cal-access.sos.ca.gov/Campaign/Committees/Detail.aspx?id=1401697&session=2017>

⁵ Ibid

⁶ [https://ballotpedia.org/California_Proposition_1,_Housing_Programs_and_Veterans%27_Loans_Bond_\(2018\)](https://ballotpedia.org/California_Proposition_1,_Housing_Programs_and_Veterans%27_Loans_Bond_(2018))

⁷ <http://cal-access.sos.ca.gov/Campaign/Committees/Detail.aspx?id=1401697&session=2017>

⁸ Ibid

Arguments of Opponents

- The housing shortage in California stemming from the influx of millions of people to the state requires a far bigger solution.⁹
- Programs aimed at helping a very limited number of people¹⁰
- Prop 1 is evading the issue of costly construction in California, especially in comparison to other states. As the San Diego Tribune puts it: “Rent control, prevailing wage on new home developments, and the imposition of solar panels on new developments (at a cost to taxpayers of \$30,000 per unit) all make homeownership more expensive.”¹¹
- Issuing bonds can be interpreted as legislators “throwing” money at a problem, as opposed to engaging in structural reform. Those who desire legislative solutions to lessen the cost of construction for affordable housing in California would not vote yes on Proposition 1.¹²

Conclusion

- Voting YES on Proposition 1 would authorize \$4 billion in bonds to fund veterans and affordable housing
- Voting NO on Proposition 1 would not authorize \$4 billion in bonds to fund veterans and affordable housing

For more information on Proposition 1, visit:

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www.roseinstitute.org

www.Vetsandaffordablehousingact.org

⁹ Ibid

¹⁰ Ibid

¹¹ <http://www.sandiegouniontribune.com/opinion/commentary/sd-oe-prop1-housing-coupal-20180801-story.html>

¹² <http://www.sandiegouniontribune.com/opinion/commentary/sd-oe-prop1-housing-coupal-20180801-story.html>