

1990

## Housing And Homeless Bond Act Of 1990

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## Official Title and Summary

HOUSING AND HOMELESS BOND ACT OF 1990. This act provides for a bond issue of one hundred fifty million dollars (\$150,000,000) to provide funds for a housing program that includes: (1) emergency shelters and transitional housing for homeless families and individuals, (2) new rental housing for families and individuals including rental housing which meets the special needs of the elderly, disabled, and farmworkers, (3) rehabilitation and preservation of older homes and rental housing, and (4) home purchase assistance for first-time homebuyers.

## Final Vote Cast by the Legislature on SB 1693 (Proposition 107)

Assembly: Ayes 54	Senate: Ayes 27
Noes 16	Noes 3

## Analysis by the Legislative Analyst

## Background

The state administers various housing programs to help meet the need for affordable and decent housing. Most of these programs provide either low-interest loans or grants for the construction or rehabilitation of housing for low-income persons. In recent years, voters have approved a total of \$450 million in general obligation bonds to finance several affordable housing programs.

## Proposal

This measure authorizes the state to sell \$150 million in general obligation bonds to provide funds for four housing programs administered by the state. General obligation bonds are backed by the state, meaning that the state is obligated to pay the principal and interest costs on these bonds. General Fund revenues would be used to pay these costs. These revenues come primarily from the state corporate and personal income taxes and the state sales tax. (An overview of the state's bond debt is presented at the end of the argument section in the supplemental ballot pamphlet.)

The \$150 million in bond proceeds would be used to assist low-income persons by providing assistance for the development or rehabilitation of affordable rental housing and temporary housing for the homeless, and by providing financial assistance to first-time home buyers. The state would use specific definitions of "low-income" and "affordable" to administer the programs.

The \$150 million in bond proceeds would be divided among four existing state programs as follows:

*Rental Housing Construction Program (\$100 million).* The state would use \$100 million to provide affordable rental housing for low-income households. Under this program, the state makes low-interest "deferred-payment" loans to public and private developers to develop and finance affordable rental housing. Borrowers generally do not pay principal and interest for the first 30 years, but fully repay the loan by the 40th year. In return for the low-interest loans, the

state requires borrowers to rent at least 30 percent of the units to low-income households at affordable rents.

*Home Purchase Assistance Program (\$25 Million).* The state would use \$25 million to help low-income persons buy their first home. Under this program, the state provides low-interest 30-year *second mortgages* to low-income persons. These second mortgages make homes more affordable because they reduce the amount households must borrow and repay for *first mortgages*. Borrowers delay repayment of the principal and interest on the second mortgage until the end of the 30-year loan period, or until they sell or refinance their home. This program supplements the low-interest first mortgages provided under two state programs that assist California veterans and low- and moderate-income households in buying homes.

*California Housing Rehabilitation Program (\$15 million).* The state would make \$15 million in loans for the purchase and rehabilitation of residential hotels. These hotels typically rent rooms to low-income individuals on a month-to-month basis. Under this program, the state lends money at low interest rates for periods of at least 20 to 30 years. During this time, hotel owners may not raise rents on units rehabilitated or purchased with program loans above levels affordable to the low-income tenants. Borrowers generally pay interest on an annual basis, but postpone payment of principal until the end of the loan period.

*Emergency Shelter Program (\$10 million).* The state would make \$10 million in grants to nonprofit agencies and local governments to purchase and repair emergency shelters for the homeless.

## Fiscal Effect

*Direct Cost of Paying Off the Bonds.* The state would receive loan repayments under the three loan program discussed above. These repayments, however, would be used for additional loans, not for repayment of the general obligation bonds. As a result, the state's General Fund would be responsible for the bond principal and

interest payments, which typically would be paid off over a period of about 20 years.

Generally, the interest on bonds issued by the state is exempt from both federal and state income taxes. However, most of the programs covered by this measure are not eligible for the federal (but they are eligible for the state) income tax exemption on the interest income.

As a result, the average interest rate on these bonds will be higher than on other state bonds. If the authorized bonds are sold at an average interest rate of about 9 percent, the cost would be about \$295 million to pay off both the principal (\$150 million) and interest (\$145 million). The average payment would be about \$15 million each year.

## Text of Proposed Law

This law proposed by Senate Bill 1693 (Statutes of 1988, Ch. 48) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Health and Safety Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

### PROPOSED LAW

SEC. 2. Part 10 (commencing with Section 53180) is added to Division 31 of the Health and Safety Code, to read:

#### PART 10. HOUSING AND HOMELESS BOND ACT OF 1990

##### CHAPTER 1. GENERAL PROVISIONS

53180. *This part shall be known and may be cited as the Housing and Homeless Bond Act of 1990.*

53181. *As used in this part, the following terms have the following meanings:*

(a) "Committee" means the Housing Committee created pursuant to Section 53202.

(b) "Fund" means the Home Building and Rehabilitation Fund created pursuant to Section 53190.

##### CHAPTER 2. HOME BUILDING AND REHABILITATION FUND

53190. *The proceeds of bonds issued and sold pursuant to this part shall be deposited in the Home Building and Rehabilitation Fund. Moneys in the fund shall be allocated and utilized in accordance with Part 8 (commencing with Section 53130), as added by Senate Bill 1692 of the 1987-88 Regular Session.*

##### CHAPTER 3. FISCAL PROVISIONS

53200. *Bonds in the total amount of one hundred fifty million dollars (\$150,000,000), exclusive of refunding bonds issued pursuant to Section 53201, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this part and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds shall, when sold, be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.*

53201. *Any bonds issued and sold pursuant to this chapter may be refunded by the issuance of refunding bonds in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 2 of Title 2 of the Government Code. Approval by the electors of the state for the issuance of these bonds shall include the approval of the issuance of any bonds issued to refund any bonds originally issued or any previously issued refunding bonds.*

53202. *The bonds authorized by this part shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this part and are hereby incorporated in this part as though set forth in full in this part.*

53203. (a) *Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of bonds authorized by this part, the Housing Committee is hereby created. For purposes of this part, the Housing Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Controller, the Treasurer, the Director of Finance, the Director of the*

*Department of Housing and Community Development, and the Executive Director of the California Housing Finance Agency, or their designated representatives. A majority of the committee may act for the committee.*

(b) *For purposes of the State General Obligation Bond Law, the Department of Housing and Community Development is designated as the "board" for programs administered by the department and the California Housing Finance Agency is designated as the "board" for programs administered by the agency.*

53204. *The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this part in order to carry out the actions specified in Part 8 (commencing with Section 53130) as added by Senate Bill 1692 of the 1987-88 Regular Session, and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.*

53205. *There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds maturing each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.*

53206. *Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this part, an amount that will equal the total of the following:*

(a) *The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this part, as the principal and interest become due and payable.*

(b) *The sum which is necessary to carry out the provisions of Section 53207, appropriated without regard to fiscal years.*

53207. *For the purposes of carrying out this part, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds which have been authorized to be sold for the purpose of carrying out this part. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, plus interest that the amounts would have earned in the Pooled Money Investment Account, from money received from the sale of bonds for the purpose of carrying out this part.*

53208. *The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out the provisions of this chapter. The amount of the request shall not exceed the amount of unsold bonds which the committee has by resolution authorized to be sold for the purpose of carrying out this chapter. The board shall execute such documents as are required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.*

53209. *The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this part are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.*

## Argument in Favor of Proposition 107

Proposition 107 is the right thing to do and the right way to do it.

This responsible and effective state program can help communities and citizens groups do something about homelessness in California.

Who are the homeless?

Many are frail elderly, families with small children, single mothers, veterans, mentally ill, handicapped men and women.

They all have one thing in common. They can't find affordable housing.

Anyone can end up without shelter. Serious illness or injury, low wages, an unexpected job layoff, mental illness, loss of spouse, a major earthquake or other disaster. Any of these can spell devastation for someone barely able to balance the cost of food, clothing, medical bills and shelter on a limited or fixed income.

Sadly, the holes in the safety net of low-income housing are still growing. And the forecasts are unsettling. While homelessness grows, federal housing subsidies are ending.

California, the sixth largest economic power in the world, has a severe shortage of affordable homes and rental units. Shelters throughout the state are overcrowded and turning people away.

But there is something you can do.

Support Proposition 107.

This bond will produce 5,560 new emergency shelter beds, 612 rehabilitated residential hotel units, 2,000 rental units for low-income tenants and help 1,500 first-time homebuyers.

This bond act will do a lot of good.

For those in need of emergency shelter: a bed in a secure place, the chance to clean up, stop the humiliation of living on the street and seek out new or improved employment.

For elderly renters: the chance to live without fear of eviction or premature nursing home institutionalization.

For single parents and couples with children: the chance to leave a friend's overcrowded apartment, a neighbor's couch or the family car to find child care and jobs.

For the growing number of homeless children: the chance to go to school regularly instead of becoming part of the growing population of uneducated California children.

For veterans: the chance to own a home.

For earthquake victims: a chance to get their lives back in order.

Please help bring the homeless inside. Help restore their sense of community and family. Help break the cycle of hopelessness that threatens so many Californians.

Vote "yes" on Proposition 107.

**DAVID ROBERTI**

*State Senator, 23rd District*

*Senate President pro Tempore*

**PETER CAMERON**

*Executive Director*

*Vietnam Veterans of California*

**PATTI WHITNEY-WISE**

*Executive Director*

*California Council of Churches*

## Rebuttal to Argument in Favor of Proposition 107

Proposition 107 is too much, too soon.

Voters in 1988 approved \$300 million in bonds to build shelters for the homeless. These bonds are being issued now and specific homeless projects are getting underway.

The problem is, we have no idea yet whether this approach will actually help the people who need it most. Indeed, there is evidence this program may even hurt those for whom it is intended.

Respected advocates for the homeless from throughout the United States believe the real problems of the homeless are their drug and alcohol addiction and mental illness. One New York City study estimated 70 percent of the homeless were addicts or mentally ill.

Tragically, some shelters are havens for drug and alcohol addicts, becoming scenes of drug quarrels and violence. Many of the mentally ill are so seriously impaired they are irrational and combative.

The mothers with children, the frail elderly and the handicapped would become victims if they were to stay in homeless shelters alongside addicts and the mentally ill.

Let's focus our attention on drug and alcohol education to stop the growth in the number of addicts. Let's set up a safety net to catch the mentally ill.

Finally, let's complete the homeless shelters that the voters approved back in 1988.

Once we see how well those shelters are taking care of the homeless, we can decide whether we need another \$150 million.

For now, vote NO on Proposition 107.

**PHILLIP D. WYMAN**

*Member of the Assembly, 34th District*

**BILL LEONARD**

*State Senator, 25th District*

## Argument Against Proposition 107

California's homeless deserve our concern and our committed action. But Proposition 107 would treat the symptoms and neglect the disease. Spending state money to build a small amount of housing for the homeless isn't going to cure the problem.

Proposition 107 leaves untouched the major causes of homelessness—mental illness and drug and alcohol abuse. Advocates for the homeless throughout the United States are now admitting that as many as 70 percent of their clients either are addicted to drugs or alcohol or are mentally ill.

Some residents of homeless shelters are workers who have lost their jobs, been evicted or been devastated financially by illness, but those people are the minority.

In Los Angeles, with one of the largest homeless populations in the country, a UCLA researcher found 50 percent of the men were addicts.

Homeless shelters and single room occupancy units are, in some cases, actually making the drug problems worse, experts say. Homeless drug addicts move in, then use the housing as a "safe house" for drug use. They may even have jobs, but spend all their earnings on drugs.

These drug and alcohol problems must be addressed first. Governor Deukmejian and President Bush are attacking the problem with greatly increased funding for enforcement and education.

The homeless mentally ill are often unprepared for residence in homeless housing. They may even make it dangerous and uninhabitable for the other residents.

Greater efforts must be made to retain the mentally ill in treatment programs, for their own safety and for the safety of the public.

Another cause of homelessness is government policies that

choke off the supply of low-cost housing. Land use laws, zoning restrictions, planning bottlenecks and unreasonable building codes are driving up the cost of building housing. The permit process can involve as many as 230 regulatory steps.

The delays, fees and bureaucratic regulations add thousands and thousands of dollars to the cost of every residence or rental unit.

Restrictive building regulations have combined with government rent control to create special hardships for low-income families. In areas with rent control, builders are discouraged from constructing units. As a result, the supply of rentals shrinks even more and the rents stay high.

Plentiful low-cost housing will never materialize, even with Proposition 107, unless government relaxes its stiff restrictions and encourages builders to get back in the market.

Voters in 1988 approved \$300 million in bonds to build homeless shelters. The money hasn't been spent yet. Specific proposals have been given the go-ahead and the bonds are being prepared for issuance.

No more bonds should be approved by the voters until Californians have a chance to see how effective the housing program has been at reducing the number of the homeless on our streets.

At best, Proposition 107 is a stopgap measure. It will create no permanent solutions. At worst, it may create more problems than it solves. And it will perpetuate the existing crisis.

Vote no.

**PHILLIP D. WYMAN**  
*Member of the Assembly, 34th District*

**BILL LEONARD**  
*State Senator, 25th District*

## Rebuttal to Argument Against Proposition 107

The arguments by the two ultra-conservative politicians are both cruel and inaccurate.

Proposition 107 will help families living in doorways, cars and neighbors' living rooms. The suggestion that the homeless "wait for changes in land use and local zoning laws" will not.

If Mr. Wyman and Mr. Leonard want unrestricted construction and growth in California, they should fight for that in the Legislature where they serve and not victimize the homeless to make their point.

### WHO ARE CALIFORNIA'S HOMELESS?

Our California homeless are single mothers, frail elderly, families with small children, veterans and disabled.

Contrary to the opposition arguments, 90 percent are *not* drug addicts and 70 percent are *not* mentally ill.

### GETTING BEHIND THE SMOKE SCREEN

The assertion that mentally ill homeless people don't need shelter is preposterous. Both Mr. Wyman and Mr. Leonard know that policies they supported cut funding for the mentally ill and increased the number of patients on the streets.

Now these same legislators are attacking Proposition 107 because it would provide 5,560 new emergency shelter beds without solving the shortfall in mentally ill funding that the two of them helped create.

Their point about drug abuse is equally inappropriate. Both politicians know that California jails are overcrowded. Are they recommending that addicts sleep in our parks and backyards because there aren't enough available shelter beds?

The two politicians opposing Prop. 107 offer no solutions, no suggestions, no hope.

Please tell them you're ready to act, even if they're not, by supporting Proposition 107.

**DAVID P. RILEY**  
*Lieutenant Colonel, the Salvation Army*

**HOWARD OWENS**  
*President, Congress of California Seniors*

**SCOTT MATHER**  
*Chairperson, California Homeless Coalition*