

## **Proposition 41: Veterans Housing and Homeless Prevention Bond Act of 2014**

SDCTA **SUPPORTS** Proposition 41. The proposed measure does not increase the amount of additional debt that will be created by other general obligation bond measures previously approved by voters. Rather, the proposed measure demonstrates the Legislature's ability to repurpose a program to address a changing demographic based off statistics. The ability to issue debt will still be determined by the state's fiscal health, but should bonds be able to be issued, proceeds will go toward needed programs. One-third of the funds originally approved by voters are still allocated to the original intent.

- Measure would enact the Veterans Housing and Homeless Prevention Bond Act of 2014 and authorize the issuance of \$600 million in bonds for specified assistance to veterans.
- The measure would amend the Veteran's Bond Act of 2008 to restructure \$600 million of the \$900 million approved by voters under Proposition 12.
- The \$600 million will be allowed to be used for other veterans services such as transitional housing, multifamily housing, and homelessness assistance.
- The remaining \$300 million will be available to be issued under the original purpose of providing assistance to veterans for purchasing single-family homes.
- Issuance of the bonds will cost approximately \$25 million annually, depending on the time of the sale of bonds and interest rates.
- While the bonds are an obligation of the General Fund, the bonds authorized for the CalVet home loan program are unusual because the payments made by the veterans participating in the program have been sufficient to retire the bonds, so the General Fund has been protected.
- However, if payments made by veterans participating in the program do not fully cover principal and interest payments on the bonds, the General Fund would pay the difference.
- It is unknown if the program proposed by this bill can achieve the same record of repayment.

**Proposition 41: The Veterans Housing and Homeless Prevention Bond  
Act of 2014**  
*March 2014*

**SDCTA Position:**

**Support**

**Rationale for Position:**

The proposed measure does not increase the amount of additional debt that will be created by other general obligation bond measures previously approved by voters. Rather, the proposed measure demonstrates the Legislature's ability to repurpose a program to address a changing demographic based off statistics. The ability to issue debt will still be determined by the state's fiscal health, but should bonds be able to be issued, proceeds will go toward needed programs. One-third of the funds originally approved by voters are still allocated to the original intent.

**Title:** Proposition 41 – Veterans Housing and Homeless Prevention Bond Act of 2014

**Jurisdiction:** State of California

**Type:** Ballot Measure

**Vote:** Majority

**Status:** June 2014 Ballot Measure

**Issue:** State General Obligation Bond

**Description:** Measure would amend the Veteran's Bond Act of 2008 to restructure \$600 million of the \$900 million approved by voters under Proposition 12. The \$600 million will be allowed to be used for other veterans services such as transitional housing, multifamily housing, and homelessness assistance. The remaining \$300 million will be available to be issued under the original purpose of providing assistance to veterans for purchasing single-family homes. Measure would enact the Veterans Housing and Homeless Prevention Bond Act of 2014 and authorize the issuance of \$600 million in bonds for specified assistance to veterans.

**Fiscal Impact:** Approximately \$25 million annually, depending on the time of the sale of bonds and interest rates. While the bonds are an obligation of the General Fund, the bonds authorized for the CalVET home loan program are unusual because the payments made by the veterans participating in the program have been sufficient to retire the bonds, so the General Fund has been protected. However, if payments made by veterans participating in the program do not fully cover principal and interest payments on the bonds, the General Fund would pay the difference. It is unknown if the program proposed by this bill can achieve the same record of repayment.

**Background:**

*CalVET Program*

Since 1921, the California Department of Veteran Affairs (CalVET) has administered the California Veteran Farm and Home Purchase Program. The Program provides loans to veterans for the purchase of single-family residences, farms, units in cooperative developments and mobile homes. Eligibility requires service under honorable conditions. There are no prior residency rules--a veteran may have entered service from outside California. NG or reservists who have been ordered to active duty, including Active Guard/Reserve (AGR) duty are eligible.

The Program receives funding from the issuance of general obligation bonds that voters have approved. The state’s General Fund has never contributed to repaying the bonds as CalVET repays the bonds with the mortgage payments its borrowers make.

Table 1: Recent Voter Approved Veteran Bonds

Voter Approved Measure	Amount Approved	Amount Remaining
Proposition 12: Veterans Bond Act of 2008	\$900,000,000	\$900,000,000
Proposition 32: Veterans Bond Act of 2000	\$500,000,000	\$238,610,000
Proposition 206: Veterans Bond Act of 1996	\$400,000,000	\$0

*Proposition 12 – 2008*

In November 2008, California voters passed Proposition 12, the Veterans’ Bond Act of 2008. The measure authorized the state to sell \$900 million in general obligation bonds for the CalVet program. CalVet enables veterans to obtain low-interest rate loans for the purchase of conventional homes, manufactured homes, and mobile homes. At the time, the California Legislative Analyst’s Office (LAO) estimated the bonds would provide sufficient funds for at least 3,600 additional veterans to receive loans.

Supporters have noted that as a result of the recession, the state’s housing downturn, and changing demographics of veterans, the CalVet Farm and Home Loan Program authorized under Proposition 12 has been significantly undersubscribed. Five years since its passage, the full \$900 million remains unspent.<sup>1</sup> In 2003, the program issued 1,130 new loans; in 2012 it issued just 83. In the same time period, the program’s portfolio of outstanding loans declined from 20,169 to 7,913. It has also been noted interest rates offered under the program are also not competitive with interest rates offered by commercial lenders.

Funding from the program is restricted to single family homes while, at the same time, the need by veterans for multifamily housing and supportive housing has greatly increased.

SDCTA did not review Proposition 12 during the November 2008 election cycle.

*Assembly Bill 639*

On February 20, 2013, Assembly Leader John Perez introduced Assembly Bill (AB) 639, with the purpose of restructuring \$600 million of the \$900 million approved under Proposition 12, while allowing for the remaining \$300 million to be used for its original purpose.

The bill was eventually approved by both chambers within the Legislature, and signed by Governor Brown on October 10, 2013. The bill requires the measure be put before voters on the June 3, 2014 Primary ballot for approval.

<sup>1</sup> State Treasurer Report of Authorized and Outstanding General Obligation Bonds. As of December 1, 2013.

**Proposal:**

*Restructuring of Bonds*

The proposed measure, if approved by voters, will restructure the \$600 million of authorized but unissued bonds approved under Proposition 12. Section 998.540(j) of AB 639 states:

“The Veterans Housing and Homeless Prevention Bond Act of 2014 will restructure six hundred million dollars (\$600,000,000) of the existing Proposition 12 bond moneys to allow for the construction and rehabilitation of multifamily housing for veterans and prioritize projects that align housing with services.”

Under Proposition 12, the bonds must be issued to support the CalVet Farm and Home Loan Program, limiting support for purchase of single family homes, farms, and mobile homes. Section 987.002(a) states the purpose of the measure is:

“To provide the acquisition, construction, rehabilitation, and preservation of affordable multifamily supportive housing, affordable transitional housing<sup>2</sup>, affordable rental housing<sup>3</sup>, or related facilities for veterans and their families to allow veterans to access and maintain housing stability.”

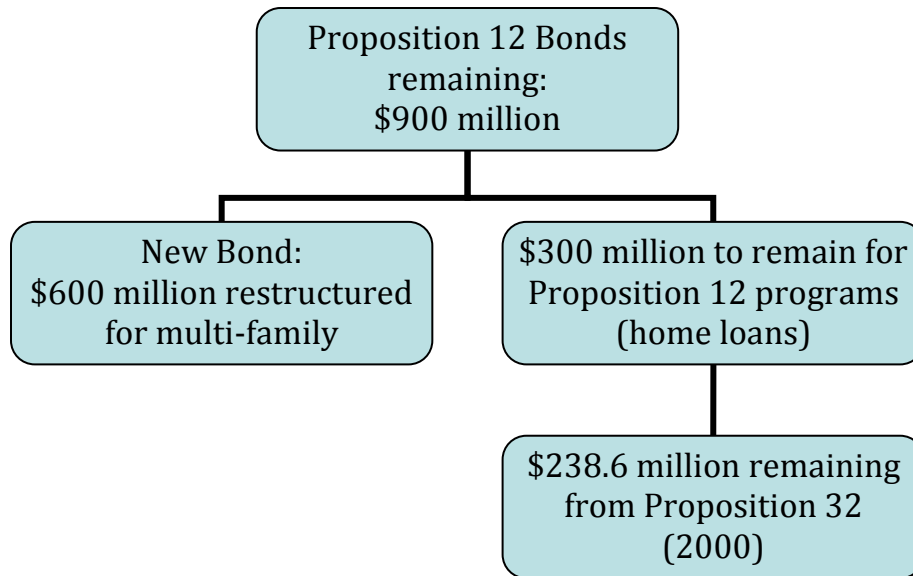
This would leave \$300 million of original Proposition 12 funds to be used for the purposes outlined within the Veterans’ Farm and Home Purchase Act of 1974. This amount, in addition to the \$238.6 million in unissued bonds from the Veterans Bond Act of 2000 (Proposition 32), leaves \$538 million in bonds to be used for the current CalVet Program.

---

<sup>2</sup> “Transitional housing” means buildings configured as rental housing developments, but operated under program requirements that call for the termination of assistance and recirculation of the assisted unit to another eligible program recipient at some predetermined future point in time, which shall be no less than six months.

<sup>3</sup> “Rental housing development” means a structure or set of structures with common financing, ownership, and management, and which collectively contain five or more dwelling units, including efficiency units. No more than one of the dwelling units may be occupied as a primary residence by a person or household who is the owner of the structure or structures.

*Figure 1: Restructuring of Proposition 12 Bonds*



*Target Population*

Under the proposal, veteran is defined as “any person who served in the active military, naval or air service of the United States, or as a member of the National Guard who was called to and released from active duty or active service, for a period of not less than 90 consecutive days or was discharged from the service due to a service-connected disability within that 90-day period.”

*Dedication of Funds*

The measure also states that the new programs shall do the following:

- Leverage public, private, and nonprofit program and fiscal resources.
- Prioritize projects that combine housing and supportive services, including, but not limited to, job training, mental health and drug treatment, case management, care coordination, or physical rehabilitation.
- Promote public and private partnerships.
- Foster innovative financing opportunities.
- Ensure threshold requirements and/or scorecards advance applicants with programmatic experience.

In addition, 50 percent of the funds awarded for capital development under the program must go to veteran households with extremely low incomes, and 60 percent of that funding for extremely low income households shall be supportive housing<sup>4</sup>.

<sup>4</sup> "Supportive housing" means housing with no limit on length of stay, that is occupied by the target population, and that is linked to onsite or offsite services that assist the supportive housing resident in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community.

### *Shared Responsibility*

Under the measure, the California Housing Finance Agency, Department of Housing and Community Development, and the Department of Veterans Affairs, are required to enter into a memorandum of understanding no later than August 15, 2014 to address their respective and shared responsibilities in implementing, overseeing and evaluating these programs.

Per the measure, the total cost to administer these programs shall not exceed five (5) percent of the bond funds issued.

### **Policy Implications:**

#### *State, Local Government & Local Taxpayer Impact*

With the loss of redevelopment, the state and local jurisdictions are attempting to find alternative funding sources for affordable housing. In the legislative analysis of AB 639, it was noted that, “various studies indicate that veterans are more likely than the general population to become homeless, and make up a disproportionate share of the homeless population.”

The Department of Housing and Community Development offers various programs for affordable housing and multifamily housing programs for low-income Californians, but none are veteran-specific. The current housing program offered to veterans targets those veterans able to afford a single-family residence, and recent program indicators demonstrate the demand for this program has declined.

It is the feeling of the Legislature that the veteran-specific housing programs currently offered must be revised to include affordable housing, supportive housing and multifamily housing programs. This revision in scope will allow for cities with a high population of homeless or low-income veterans, such as San Diego, to receive additional funding to build units or fund programs that have lacked funding due to the loss of redevelopment. The San Diego VA estimates that 1,753 veterans are homeless within this region.<sup>5</sup>

### **Fiscal Impact:**

The cost of issuing the bonds will total approximately \$25 million annually, depending on the time of the sale of bonds and interest rates. While the bonds are an obligation of the General Fund, the bonds authorized for the CalVet home loan program are unusual because the payments made by the veterans participating in the program have been sufficient to retire the bonds, so the General Fund has been protected. However, if payments made by veterans participating in the program do not fully cover principal and interest payments on the bonds, the General Fund would pay the difference. It is unknown if the program proposed by this bill can achieve the same record of repayment.

### **List of Proponents:**

- California Association of Veteran Services Agencies (co-sponsor)
- Corporation for Supporting Housing (co-sponsor)

---

<sup>5</sup> “The real story behind our homeless vets”. By Jeanette Steele. *UT San Diego*. February 2, 2013.



- American Legion – Department of California
- Veterans Village of San Diego
- San Diego Housing Commission

**Proponent Arguments:**

- California is home to almost two million veterans, many in need of housing, employment, mental health and drug treatment, and physical rehabilitation.
- California also leads the nation in the number of homeless veterans; roughly 25 percent of the nation's homeless veterans live in California.
- Five years ago, Californians overwhelmingly affirmed their gratitude to our veterans by approving Proposition 12, a \$900 million general obligation bond intended to help veterans specifically purchase single family homes.
- As a result of the nation's economic crisis and state's housing downturn coupled with the changing demographics of our veterans, the Farm and Home Loan Program has been significantly undersubscribed.
- California voters should be granted the opportunity to restructure the Proposition 12 veterans' bond program to better respond to the housing needs as well as the changing demographics of the current veteran population.

**List of Opponents:**

N/A

**Opponent Arguments:**

N/A