CONSENT CALENDAR  
May 2, 2017

To:       Honorable Members of the City Council
From:     Mayor Jesse Arreguín  
          Councilmember Bartlett  
          Councilmember Maio  
          Councilmember Hahn

Subject:  Support of AB 45, California School Employee Housing Assistance Program

RECOMMENDATION
Adopt a Resolution supporting AB 45, which would provide financial assistance to school districts to help fund developments for teacher and staff housing. Send a copy of the Resolution to Governor Jerry Brown, State Senator Nancy Skinner, and Assemblymember Tony Thurmond.

BACKGROUND
Berkeley and the Bay Area are experiencing an unprecedented housing crisis. According to the Resources for Community Development, the median rent for a two bedroom apartment in Berkeley has increased by 37% between 2012 and 2015, with the average two bedroom unit now costing $3,500. This would require an annual household income of at least $140,000 to be considered affordable. A starting K-12 teacher has a salary of approximately $50,000, and a late career K-12 teacher receives approximately $83,000. The discrepancies between salaries and the cost of living makes it difficult for teachers and staff to be able to live in the communities they serve.

Last year, SB 1413, introduced by State Senator Mark Leno, was approved. This law enables school districts to use affordable housing financing to create affordable housing for school district staff on district-owned land.

AB 45, introduced by Assemblymember Tony Thurmond, will create a $100 million program that provides financial assistance to school districts to help fund predevelopment and development of housing for school district employees. Similar models have proven to be successful in recruiting and retaining teachers in the states of North Carolina and West Virginia. The passing of this bill could contribute to the development of workforce housing for the Berkeley Unified School District, which has been discussed at the 2X2 Committee.

FINANCIAL IMPLICATIONS
None
ENVIRONMENTAL SUSTAINABILITY
No adverse effects to the environment.

CONTACT PERSON
Mayor Jesse Arreguín 510-981-7100

Attachments:
1: Resolution
2: Text of AB 45
RESOLUTION NO. ##,###-N.S.

IN SUPPORT OF AB 45, CALIFORNIA SCHOOL EMPLOYEE HOUSING ASSISTANCE PROGRAM

WHEREAS, Berkeley and the Bay Area are experiencing an unprecedented housing crisis; and

WHEREAS, the median rent for a two bedroom apartment in Berkeley has increased by 37% between 2012 and 2015, with the average two bedroom unit now costing $3,500; and

WHEREAS, in order for the rent of the average two bedroom apartment to be considered affordable, the an annual household income would need to be at least $140,000; and

WHEREAS, a starting K-12 teacher has a salary of approximately $50,000, and a late career K-12 teacher receives approximately $83,000; and

WHEREAS, the discrepancies between salaries and the cost of living makes it difficult for teachers and staff to be able to live in the communities they serve; and

WHEREAS, in 2016, SB 1413, introduced by State Senator Mark Leno, was adopted, which enables school districts to use affordable housing financing to create affordable housing for school district staff on district-owned land; and

WHEREAS, AB 45, introduced by Assemblymember Tony Thurmond, will create a $100 million program that provides financial assistance to school districts to help fund predevelopment and development of housing for school district employees; and

WHEREAS, similar models have proven to be successful in recruiting and retaining teachers in the states of North Carolina and West Virginia; and

WHEREAS, the creation of teacher housing for the Berkeley Unified School District has been discussed at the 2X2 Committee.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it hereby supports AB 45, the California School Employee Housing Assistance Program.

BE IT FURTHER RESOLVED that copies of the Resolution be sent to Governor Jerry Brown, State Senator Nancy Skinner, and Assemblymember Tony Thurmond.
An act to add Chapter 12 (commencing with Section 51520) to Part 3 of Division 31 of the Health and Safety Code, relating to housing, and making an appropriation therefor.

LEGISLATIVE COUNSEL’S DIGEST

AB 45, as amended, Thurmond. California School Employee Housing Assistance Grant Program.

Existing law requires the California Housing Finance Agency to administer various housing programs.

This bill would require the California Housing Finance Agency to administer a program to provide financing assistance, as specified, to a qualified school district, as defined, and to a qualified developer, as defined, for the creation of affordable rental housing for school employees, including teachers. The bill would require the State Department of Education to certify that a school district seeking a grant meets the definition of qualified school district, as provided. The bill would transfer $100,000,000 from the General Fund to the California School Employee Housing Assistance Fund, which this bill would create, and would appropriate those moneys to the agency for the purposes described above and to reimburse the agency and the State Department of Education for costs incurred in the administration of the program. This bill would state that funds appropriated by this bill would

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not be applied toward the minimum funding requirements for school districts and community college districts imposed by Section 8 of Article XVI of the California Constitution. The bill would require qualified school districts and qualified developers to apply for the financing assistance, as provided.


The people of the State of California do enact as follows:

SECTION 1. Chapter 12 (commencing with Section 51520) is added to Part 3 of Division 31 of the Health and Safety Code, to read:

CHAPTER 12. CALIFORNIA SCHOOL EMPLOYEE HOUSING ASSISTANCE PROGRAM

51520. For purposes of this chapter, all of the following shall apply:

(a) “Affordable rental housing” means housing that serves persons and families of low or moderate income as defined by Section 50093.

(b) “Qualified developer” means a developer that has partnered with a qualified school district to create affordable rental housing for school district employees, including teachers.

(c) “Qualified school district” means a school district that satisfies all of the following:

(1) Has acquired land that may be used to engage in a lease and development agreement, including, but not limited to, a joint occupancy agreement, for the purposes of design, construction, financing, and long-term operation of a housing development and amenities, from any of the following:

(A) A school district.

(B) A special district.

(C) A city.

(2) Has a high percentage, as determined by the State Department of Education, of teachers with intern credentials, permits, and waivers based upon the most recent report published by the Commission on Teacher Credentialing at the time that the
school district has submitted an application pursuant to Section 51521.5.

(3) Demonstrates to the State Department of Education that any project funded through a predevelopment grant pursuant to this chapter meets both of the following requirements:

(A) The project is subject to a project labor agreement, as defined in paragraph (1) of subdivision (b) of Section 2500 of the Public Contract Code.

(B) The project either is a public work for purposes of Article 2 (commencing with Section 1770) of Chapter 1 of Part 7 of Division 2 of the Labor Code or is otherwise subject to a legally binding requirement that prevailing wages be paid to all workers employed on the project.

51521. (a) The agency shall administer a program to provide financing assistance for the creation of affordable rental housing for school district employees, including teachers. The financing assistance shall be in both of the following forms:

(1) Predevelopment grants to qualified school districts.

(2) Loans to qualified developers.

(b) The agency shall do all of the following:

(1) Be responsible for overseeing the program.

(2) Award predevelopment grants as follows:

(A) Grants shall be awarded to qualified school districts and qualified developers in partnership.

(B) Grants shall be based on the accomplishment of predevelopment milestones, as determined by the agency.

(C) The agency shall give priority to partnerships in which the qualified school district has 60 percent or more of its students participating in the National School Lunch Program.

(3) Make loans to qualified developers.

(4) Publish deadlines and written procedures for qualified school districts and qualified developers to apply for financing assistance.

(5) Require the affordability of units built with financing assistance pursuant to this chapter to be restricted for at least 55 years.

(c) A qualified school district seeking a grant shall do both of the following:

(1) Apply for a predevelopment grant, in partnership with a qualified developer, in the form and manner prescribed by the agency.
(2) Submit the certification provided by the State Department of Education pursuant to Section 51521.5 to the agency.

(d) A qualified developer seeking a loan shall apply for a loan in the form and manner prescribed by the agency.

51521.5. (a) A school district seeking a predevelopment grant in partnership with a qualified developer shall apply to the State Department of Education, in the form and manner prescribed by the department, for certification as a qualified school district.

(b) (1) Subject to paragraph (2), the State Department of Education shall certify that a school district seeking a predevelopment grant in partnership with a qualified developer meets the definition of qualified school district as defined by Section 51520 and provide the qualified school district with the certification.

(2) The State Department of Education shall consult with the agency in determining whether a school district has satisfied the requirements of paragraph (3) of subdivision (c) of Section 51520.

51522. (a) There is hereby transferred from the General Fund to the California School Employee Housing Assistance Fund, which is hereby created in the State Treasury, the sum of one hundred million dollars ($100,000,000).

(b) The moneys in the fund are hereby appropriated to the agency for all of the following purposes:

(1) To reimburse the agency for any administrative costs incurred in the administration of this chapter. This amount shall not exceed 5 percent of the amount appropriated to the agency pursuant to this section.

(2) To reimburse the State Department of Education for the costs of certifying qualified school districts pursuant to Section 51521.5. This amount shall not exceed ____ percent of the amount appropriated to the agency pursuant to this section.

(3) For making predevelopment grants to partnerships of qualified school districts and qualified developers. This amount shall not exceed 20 percent of the amount appropriated to the agency pursuant to this section.

(4) For making loans to qualified developers.

(c) For purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by this section shall not be deemed to be “General Fund revenues appropriated for school districts,” as defined in
subdivision (c) of Section 41202 of the Education Code, for the 2017–18 fiscal year and annually thereafter, and shall not be included within the “total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B,” as defined in subdivision (e) of Section 41202 of the Education Code, for the 2016–17 fiscal year and annually thereafter.

51523. (a) The agency shall make loans to qualified developers using a project selection process established by the agency that meets all of the following requirements:

(1) To the extent feasible, ensures a reasonable geographic distribution of funds.

(2) Requires applications for projects to meet minimum threshold requirements, including, but not limited to, all of the following:

(A) The proposed project is located within reasonable proximity to public transportation and services.

(B) Development costs for the proposed project are reasonable compared to costs of comparable projects in the area.

(C) The proposed project is feasible.

(3) The proposed project leverages other funds where they are available.

(b) (1) Loans made pursuant to this section shall be for a term of not less than 55 years.

(2) Principal and accumulated interest is due and payable upon completion of the term of the loan. The loan shall bear simple interest at the rate of 3 percent per annum on the unpaid principal balance. The agency shall require annual loan payments in a minimum amount necessary to cover the costs of project monitoring. For the first 30 years of the loan term, the amount of the required loan payments shall not exceed 0.42 percent per annum.

(3) Any moneys that the agency receives in repayment of the loans, including interest, shall be deposited in the California School Employee Housing Assistance Fund. These moneys shall be used for the purposes of this chapter.

(c) Each project shall be eligible for a loan not to exceed ten million dollars ($10,000,000).
AB 45 – School Employee Housing Assistance Program

IN BRIEF
AB 45 provides a tool to be used by school districts in order to increase recruitment and retention. Specifically, the bill creates a $100 million program which will provide financial assistance to school districts to help fund the predevelopment and development of housing for school employees, including teachers.

BACKGROUND
Districts throughout California still struggle recruiting and retaining teachers. In fact, non-retirement attrition accounts for two-thirds of teachers who leave. Further, increases in student enrollment have left many districts scrambling to find and retain qualified teachers.

Recruiting and retaining teachers affects the classroom as the turnover of teachers feeds into the increasing achievement gap. According to the Center for Education Policy Analysis at Stanford University, teacher turnover has a significant and negative impact on the achievement of students in schools with large populations of low-performing and minority students. These schools, like most schools in California, have seen a rise in the number of temporary permits, waivers, and intern credentials issued by the California Commission on Teacher Credentialing. This means that more students are being taught by individuals who have not completed, or in some instances begun, teacher credentialing.

This dynamic of teacher recruitment and retention has been exacerbated by many factors, including housing. Teachers and school employees, like other civil servants, are paid based on available state funding and not on market pressures. School teacher housing provides a creative tool that school districts can use in order to attract and retain new, qualified teachers.

In high housing cost areas, the issue of teacher retention rests largely on the insufficiency of salaries’ capacity to cover housing costs. This year alone, the average rental price in Oakland has risen 13.7 percent to $2,806 per month. In the City of Richmond, exit interviews have pointed to housing as the number one reason for teachers leaving their post.

For small school districts, especially those in rural areas, compensation tends to be low while housing is too expensive and in many instances unavailable. For other hard-to-staff rural school districts, recruiting teachers to live in remote districts has proved difficult. Teacher housing models have been used successfully in such rural school districts throughout the United States in order to recruit and retain new teachers, including North Carolina and West Virginia.

The long commute faced by such teachers and other classified employees in both high-cost areas is a detriment to children and their communities. When educators are forced to live outside of the community they serve, they are unable to truly become a member of that community. Research shows that teachers living in the communities where they work were more likely to develop the multicultural awareness and sensitivity that is presumably needed by teachers who commit to and continue teaching in the school.

Without living in the community, they are unable to spend as much time before or after class with students nor can they provide the individualized teaching that is grounded in the culture of the community they serve. Ultimately, these school employees endure long commutes home and sometimes are forced to leave the profession entirely—leading to the very turnover that perpetuates the achievement gap.

In California, school districts have begun to increase teacher retention by providing housing to teachers School districts in Los Angeles and Santa Clara, with San Francisco considering such a plan, have teachers in district-sponsored housing. However, for financially-strapped districts who cannot levy a bond to fund such a proven solution is not an option. For school districts in high-cost areas, current public housing subsidies is not a viable funding source due to the cap on income for qualified residents that are placed below the beginning wages for teachers.

SOLUTION
Provide financial assistance to school districts seeking to develop housing for school employees who (1) have land available for development (2) has a high percentage of teachers with intern credentials, permits, and waivers, as determined by the California Department of Education. School districts who have
60% of students participating in the Free and Reduced Lunch Program are prioritized.
Predevelopment assistance, excluding costs for land acquisition, are provided to developers who have partnered with qualified school districts.
Development funds are provided to a developer partnered with a qualifying school district. Any development funded by this program must remain affordable for 55 years.

SUPPORT

FOR MORE INFORMATION
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