

Date of Hearing: April 8, 2021

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 1377 (McCarty) – As Introduced February 19, 2021

**SUBJECT:** Student housing: California Student Housing Revolving Loan Fund Act of 2021: community college student housing

**SUMMARY:** Establishes the California Student Housing Revolving Loan Fund Act of 2021 to provide loans to qualifying applicants of the University of California (UC), the California State University (UC), and the California Community Colleges (CCC) for the purpose of constructing affordable student housing, as specified, and establishes a fund for competitive feasibility and planning grants to provide technical assistance to community colleges interested developing student housing. Specifically, **this bill:**

*Findings, Declarations, and Intent*

- 1) Makes various findings and declarations.
- 2) Establishes the intent of the Legislature that:
  - a) One-time state funding be used to provide loans to public college and university applicants to support affordable student housing projects;
  - b) The rates charged to students for housing supported by the California Student Housing Revolving Loan Fund will be below local market rental rates for comparable housing, also taking into account the costs of utilities, food service, operations, maintenance, and other services included in the rent for student housing; and,
  - c) To the extent practical, loan repayments and interest earned on the loans serve as a source of reserve and security for the payment of principal and interest on future revenue bonds, the proceeds of which are to be used for affordable student housing projects.
- 3) Establishes that Chapter 14.28, commencing with Section 67329.1 of the Education Code (EDC) will be known, and may be cited, as the California Student Housing Revolving Loan Fund Act of 2021 (the Act)

*The California Student Housing Revolving Loan Fund*

- 4) Declares that the California Student Housing Revolving Loan Fund (the fund) is established in the State Treasury to provide loans to qualifying college and university applicants for the purpose of constructing affordable student housing. Except as specified, all moneys in the fund will be continuously appropriated without regard to fiscal years for purposes of the chapter.
- 5) Specifies that the Treasurer may pledge any or all of the moneys in the fund as security for payment of the principal of, and interest on, a particular issuance of bonds by a designated lending authority pursuant to this chapter. For that purpose, or as necessary or convenient to

the accomplishment of any other purpose of the Act, the Treasurer may divide the fund into separate accounts or subaccounts.

- 6) Specifies that the Treasurer may invest moneys in the fund that are not required for its current needs, including proceeds from the sale of bonds, in eligible securities as specified, and may include deposit for investment in the Surplus Money Investment Fund as specified. Except as specified, all interest or other increment resulting from the investment or deposit of moneys from the fund be will posited in the fund. Moneys in the fund will not be subject to transfer to any other as specified, except to the Surplus Money Investment Fund.
- 7) Establishes that, if the Treasurer sells bonds for either authority that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment of earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

#### *Criteria and Process*

- 8) Specifies that each authority will develop a uniform application that includes requests for relevant information, such as project goals, costs, number of students to be housed, timeline for the project, financial feasibility of the project, and other information deemed necessary for evaluation of creditworthiness and public benefit criteria established by each authority pursuant to the Act. The applications will be available by February 1, 2022, in accordance with each authority's existing regulations or any necessary amendments, which will be undertaken as emergency regulations, if necessary.
- 9) Specifies that the initial preliminary applications for projects to be considered pursuant to the Act must be submitted to the designated authority by July 1, 2022. Thereafter, the authority may establish subsequent application periods, as necessary.
- 10) Specifies that applications may be submitted to the designated authority by college and university applicants as set forth in the Act pursuant to the following:
  - a) The California Educational Facilities Authority (CEFA) must consider applications from university applicants; and,
  - b) The California School Finance Authority (CSFA) must consider applications from college applicants.
- 11) Specifies that applications must demonstrate all of the following:
  - a) Construction on the project could begin by December 31, 2022, or by the earliest possible date thereafter, as stated in the application;

- b) The per-bed rate for students will be below local market rental rates for comparable student housing, also taking into account the costs of utilities, food service, operations, maintenance, and other services included in the student housing rent; and,
  - c) Receipt of a loan from the authority must result in a public benefit, such as the ability to reduce rents, serve more students, provide additional onsite student support services, or other tangible benefits that would not be practical without receipt of the loan.
- 12) Specifies that, in the event that an authority receives or anticipates receiving more applications than its allocation of state funding can support, the authority may consider any of the following criteria in selecting projects:
- a) The timeline for construction, with priority given to projects that can begin construction the earliest.
  - b) The campus' unmet demand for student housing, with priority given to applicants with greater unmet demand for student housing.
  - c) A local match is available, with priority given to applicants with a local match.
  - d) When considered as a whole, the applications approved pursuant to this chapter are fairly representative of various geographical regions of the state and the UC, the CSU, and the CCC.
- 13) Specifies that:
- a) Each authority must establish a schedule for lease payments to be made for each loan, within a reasonable period of time not to exceed a 30-year period, designed to result in full payment of the loan, together with interest thereon, at a rate set by the authority;
  - b) Each authority may issue revenue bonds and enter into related agreements, and take all other actions necessary and convenient for the issuance of revenue bonds, in accordance with its authorizing statutes, as amended from time to time; and,
  - c) Each authority may use amounts deposited in the fund, including, but not limited to, loan repayments and interest earned on the loans, as a source of reserve and security for the payment of principal and interest on revenue bonds, the proceeds of which are deposited in the fund or in a designated fund or account of the authority established for that purpose. The purpose of any such revenue bonds is to augment the fund.
- 14) Requires each authority to develop a uniform application that includes requests for relevant information, such as project goals, costs, number of students to be housed, timeline for the project, financial feasibility of the project, and other information deemed necessary for evaluation of creditworthiness and public benefit criteria established by each authority pursuant to this chapter. The applications will be available by February 1, 2022, in accordance with each authority's existing regulations or any necessary amendments, which will be undertaken as emergency regulations, if necessary.

- 15) The initial preliminary applications for projects to be considered pursuant to the Act must be submitted to the designated authority by July 1, 2022. Thereafter, the authority may establish subsequent application periods, as necessary.
- 16) Applications may be submitted to the designated authority by college and university applicants as set forth in this chapter pursuant to the following:
  - a) The CEFA applicants; and,
  - b) The CSFA must consider applications from college applicants.
- 17) Applications must demonstrate all of the following:
  - a) Construction on the project could begin by December 31, 2022, or by the earliest possible date thereafter, as stated in the application.
  - b) The per-bed rate for students will be below local market rental rates for comparable student housing, also taking into account the costs of utilities, food service, operations, maintenance, and other services included in the student housing rent.
  - c) Receipt of a loan from the authority must result in a public benefit, such as the ability to reduce rents, serve more students, provide additional onsite student support services, or other tangible benefits that would not be practical without receipt of the loan.
- 18) In the event that an authority receives or anticipates receiving more applications than its allocation of state funding can support, the authority may consider any of the following criteria in selecting projects:
  - a) The timeline for construction, with priority given to projects that can begin construction the earliest;
  - b) The campus' unmet demand for student housing, with priority given to applicants with greater unmet demand for student housing;
  - c) A local match is available, with priority given to applicants with a local match; and,
  - d) When considered as a whole, the applications approved pursuant to this chapter are fairly representative of various geographical regions of the state and the UC, the CSU, and the CCC.

#### *Repayment and Bond Issuance*

- 19) Requires each authority to establish a schedule for lease payments to be made for each loan, within a reasonable period of time not to exceed a 30-year period, designed to result in full payment of the loan, together with interest thereon, at a rate set by the authority.
- 20) Authorizes each authority may issue revenue bonds and enter into related agreements, and take all other actions necessary and convenient for the issuance of revenue bonds, in accordance with its authorizing statutes, as amended from time to time.

- 21) Each authority may use amounts deposited in the fund, including, but not limited to, loan repayments and interest earned on the loans, as a source of reserve and security for the payment of principal and interest on revenue bonds, the proceeds of which are deposited in the fund or in a designated fund or account of the authority established for that purpose. The purpose of any such revenue bonds is to augment the fund.
- 22) Notwithstanding any other provision of law, revenue bonds issued under the Act are not and will not be deemed to constitute a debt or liability of the state, or any political subdivision thereof, and are not and will not be deemed to be a pledge of the faith and credit of the state, or any political subdivision thereof, other than the authority. Revenue bonds of the authority will be payable solely from funds provided under the Act.
- 23) Requires that each revenue bond of the authority will include a statement on the face of the bond that neither the State of California nor the authority is obligated to pay the principal or interest thereon, except from revenues of the authority, and will also include a statement that neither the faith or credit, nor the taxing power of the State of California, or any political subdivision, is pledged to the payment of the principal or interest of the bonds.
- 24) Specifies that the issuance of revenue bonds under the Act will not directly, indirectly, or contingently obligate the state, or any political subdivision thereof, to levy or pledge any form of taxation, or make any appropriation for their payment.

#### *Rulemaking*

- 25) Authorizes each authority to adopt, amend, or repeal rules and regulations pursuant to the Act as emergency regulations. The adoption, amendment, or repeal of these regulations is conclusively presumed to be necessary for the immediate preservation of the public peace, health, safety, or general welfare within the meaning of the Government Code, as specified.

#### *Reporting*

- 26) Requires each authority to provide a report to the Department of Finance and the budget committees of the Assembly and Senate by March 15, 2023. The report must include, but will not necessarily be limited to, all of the following information:
  - a) The number of projects receiving loans;
  - b) The total dollar amount of loans made;
  - c) The dollar amount of the loan provided for each project; and,
  - d) The terms of the loan for each project.

#### *Administrative Costs*

- 27) Authorizes each authority to charge against the fund its administrative costs, which will not exceed three percent of the authority's respective allocation amount or proportion of the fund, as the fund may be augmented by revenue bonds over time.

*Definitions*

- 28) Defines “Allocation” to mean the portion of the initial California Student Housing Revolving Loan Fund Act of 2021 appropriation allocated to each designated authority to provide loans pursuant to the Act.
- 29) Defines “Authority” to mean, for a college applicant, the CSFA created and authorized pursuant to the CSFA Act. For a university applicant, “authority” means the CEFA created and authorized pursuant to the CEFA Act. The meaning of “authority” as used in the Act depends on the college or university system of which the applicant is a member.
- 30) Defines “Campus” to mean a community college district, or a campus of the UC or CSU.
- 31) Defines “College applicant” to mean a community college district, or the Office of the Chancellor of the CCC on behalf of a community college district.
- 32) Defines “Fund” to mean the California Student Housing Revolving Loan Fund established by this chapter.
- 33) Defines “Student housing project” to mean one or more housing facilities to be occupied by students of one or more campuses. These facilities are determined to be educational facilities, which also may include dining, academic and student support service spaces, and other necessary and usual attendant and related facilities and equipment.
- 34) Defines “University applicant” to mean a campus of the UC or the CSU, the Office of the President of the UC on behalf of one or more campuses of the UC, or the Office of the Chancellor of the CSU on behalf of one or more campuses of the CSU.

*Community College Competitive Grant (separate from the Act)*

- 35) Requires the CSFA to administer a competitive grant program to provide planning grants for CCCs that are exploring or determining if they can offer affordable student rental housing.
- 36) Requires that, In awarding grants pursuant to this section to qualified community colleges, the CSFA must ensure that the selection process meets all of the following requirements:
  - a) To the extent feasible, ensures a reasonable geographic distribution of funds;
  - b) Requires that the proposed affordable student rental housing project be feasible;
  - c) Requires that the planning activities related to the proposed affordable student rental housing project be reasonable compared to the costs of comparable projects in the area; and,
  - d) The proposed affordable student rental housing project leverages other funds where they are available.

- 37) A community college that receives a grant pursuant to this section may use those grant moneys for one or more of the following purposes in connection with an affordable student rental housing project:
- a) Feasibility studies;
  - b) Engineering studies;
  - c) Financing studies;
  - d) Environmental impact studies;
  - e) Architectural plans;
  - f) Application fees;
  - g) Legal services;
  - h) Permitting costs;
  - i) Bonding; and,
  - j) Site preparation.
- 38) The CSFA must provide technical assistance to community colleges that receive planning grant funds for the purpose of exploring and determining if they can offer affordable student rental housing.
- 39) Defines, for the purposes of this section, the following definitions:
- a) “Affordable student rental housing” means housing for students charged at below market rate; and,
  - b) “Feasible” means that a project may be accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological factors; and,
- 40) Specifies that the implementation of this section is contingent upon an appropriation by the Legislature in the annual Budget Act or another statute for purposes of this section.

**EXISTING LAW:**

- 1) Existing law establishes the CCC, under the administration of the Board of Governors of the CCC, UC, under the administration of the Regents of the UC, and the CSU, under the administration of the Trustees of the CSU, as the three segments of public postsecondary education in this state. (Education Code (EDC) Section 66010, et seq.)
- 2) Existing law establishes the CSFA, and authorizes the authority to issue revenue bonds to finance projects for a single or several participating parties, defined to include a community

college district that undertakes the financing or refinancing of a project. (EDC Section 17170, et seq.)

- 3) Existing law, the CEFA Act, authorizes CEFA, among other things, to develop student housing on or near public institutions of higher education through the use of agreements with participating nonprofit entities. (EDC Section 94110, et seq.)

**FISCAL EFFECT:** Unknown.

**COMMENTS:** *Purpose.* According to the author, “Housing accounts for nearly half of the total cost of attending college. Lack of affordable housing for students is driving rising levels of housing insecurity, and even homelessness among college students. In 2018, nearly one in five community college students in California experienced homelessness. In order to learn and thrive, students need to have their basic needs met. This bill will provide the financial and technical support necessary to help CSU, UC, and community college campuses build affordable housing to meet the urgent and growing needs of California’s students.”

*Housing and Basic Needs Insecurity.* Students attending California’s public institutions of higher education face high levels of housing and basic needs insecurity.

According to a November 2020 report UC Regent’s Special Committee on Basic Needs 44% of UC undergraduate students suffered from food insecurity and 16% experienced housing insecurity within the prior 12 months. The report also noted that the average four year graduation rate among students with food and housing insecurity was 11% lower than students with food and housing security.

Survey data as part of the CSU’s Basic Needs Initiative found that 41% of students experienced food insecurity, while 10.9% of CSU students experience homelessness. Especially concerning is that 18% of African American and first generation students experienced homelessness.

2018-19 statewide survey data from 150,000 college students across CSU, UC, and community colleges show that 35% of all college students were facing housing insecurity. The level of housing insecurity was over 30% across the state, but varied regionally. The Central Valley (42%) and the Greater Sacramento (41%) regions had the highest rates of housing insecurity.

A report was released in March of 2019 The Hope Center for College, Community, and Justice, in collaboration with the CCC Chancellor’s Office and The Institute for College Access and Success, titled the *California Community Colleges #RealCollege Survey*. This survey included nearly 40,000 students at 57 community colleges, and found that:

- 1) 19% of respondents experienced homelessness in the previous year.
- 2) 60% of respondents were housing insecure in the previous year.
- 3) 50% of respondents were food insecure in the prior 30 days.

Additionally, the report noted that rates of basic needs insecurity are higher for marginalized students, including African Americans, students identifying as LGBTQ, and students considered independent from their parents or guardians for financial aid purposes. Students who have served



in the military, former foster youth, and formerly incarcerated students are all at greater risk of basic needs insecurity. Working during college is not associated with a lower risk of basic needs insecurity, and neither is receiving the federal Pell Grant; the latter is associated with higher rates of basic needs insecurity.

*Arguments in support.* The Community College Faculty Coalition writes that, “Community college students face high rates of homelessness and housing insecurity, making it less likely that they will complete their education. Last year, 35% of California’s community college students reported experiencing housing insecurity or homelessness. California has some of the most expensive rental housing markets in the nation, making it difficult for students to attend college and receive job training in their own community.”

“In order to address barriers to student success, many colleges are exploring ways to solve immediate and longer-term housing needs. While some are using creative solutions like tiny houses and community partnerships to provide stop-gap measures to address homelessness, many are also evaluating the possibility of constructing on-campus student housing. Currently only 12 community colleges have on-campus housing, many of which are in rural areas.”

“Community college student housing projects provide substantial benefits to local communities, including job-creation. While providing direct support to individual students, these projects also free up housing units off campus in the local community to address broader regional housing needs.”

*Prior legislation.* AB 2353 (McCarty, 2020) would have established the feasibility and planning grant fund for community college students. This bill was held in the Assembly Committee on Higher Education as a result of COVID-19 hearing limits.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

Community College Faculty Coalition  
Rio Hondo College  
San Jose-Evergreen Community College District

### **Opposition**

None on file.

**Analysis Prepared by:** Kevin J. Powers / HIGHER ED. / (916) 319-3960