



COUNCIL AGENDA: 06-05-07  
ITEM: 3.8(a)

## Memorandum

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**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

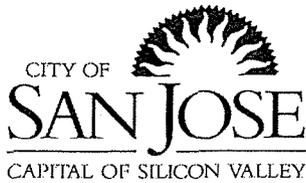
**FROM:** Lee Price, MMC  
City Clerk

**SUBJECT:** SB 586 (DUTTON) – PROPOSITION 1C INNOVATION FUND  
**DATE:** May 24, 2007

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### RECOMMENDATION

As recommended by the Rules and Open Government Committee on May 16, 2007, approve position to oppose SB 586 (Dutton) – Proposition 1C Innovation Fund as outlined in the attached memo previously submitted to and approved by the Rules & Open Government Committee.



# Memorandum

**TO: RULES AND OPEN  
GOVERNMENT COMMITTEE**

**FROM:** Leslye Krutko

**SUBJECT: SEE BELOW**

**DATE:** May 16, 2007

Approved

*Deanna Fajre*

Date

*5/17/07*

Council District: All  
SNI: All

**SUBJECT: SB 586 (DUTTON) – PROPOSITION 1C INNOVATION FUND**

## RECOMMENDATION

The Housing Department recommends that:

1. The Mayor and City Council oppose, unless amended, SB 586 (Dutton).
2. A one-week turn around for Mayor and City Council review.

## OUTCOME

If the Rules and Open Government Committee and the Mayor and City Council accept staff's recommendation, the City lobbyist could begin conveying concerns about SB 586. Staff believes that SB 586 deserves the utmost attention of the City, because if passed, it could have significant impacts on affordable housing and its programs in San José.

## BACKGROUND

The 2006-2007 State Legislative cycle has featured over 100 housing-related bills. Of these, over 20 bills seem to be particularly relevant to the residents of San José, the Housing Department, and the City. SB 586 is one of these bills; as such, Housing Department staff are presenting it to the Rules and Open Government Committee.

## ANALYSIS

A fact sheet and analysis of SB 586 is attached.

**PUBLIC OUTREACH/INTEREST**

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This legislative does not meet any of the above criteria.

**COORDINATION**

This memorandum was coordinated with the City Attorney's Office.

**POLICY ALIGNMENT**

The attached fact sheet and analysis are consistent with the Council-adopted 2007 Legislative Guiding Principles and the 2007 Proposition 1C Guiding Principles.

**CEQA**

Not a project

  
LESLYE KRUTKO  
Director of Housing

## SB 586 (Dutton) – PROPOSITION 1C INNOVATION FUND

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### *What's the issue the bill is trying to resolve?*

SB 586 (Dutton) seeks to specify how the State Department of Housing and Community Development (HCD) will allocate its \$100 million Affordable Housing Innovation Fund through the voter-approved Proposition 1C.

SB 586 proposes the following allocation:

- \$50 million to form the “California Affordable Housing Revolving Development and Acquisition Program.” This program would provide loans to purchase real property for the development or preservation of affordable housing affordable to lower-income households.
- \$35 million for the existing Local Housing Trust Fund Matching Grant Program with new preferences for trust funds in counties with fewer than 260,000 residents. SB 586 would dedicate 65% of available matching funds for direct assistance to first-time homebuyers.
- \$10 million for the existing Mobilehome Park Resident Ownership Program.
- \$5 million for the Construction Liability Insurance Reform Project proposed in separate legislation (Assemblymember Garcia’s AB 792).

### *How would the passage of this bill affect San José?*

While San José may qualify for some of the money from the Proposition 1C Innovations Fund as allocated by SB 586, we believe the City would be at a distinct disadvantage. For instance, if SB 586 passes as currently written, the City would be less competitive for the \$35 million addition to the Local Housing Trust Fund Matching Grant Program, because the City is located in a populous county, and SB 586 calls for a preference for smaller counties.

### *Staff's Proposed Position:*

SB 586 is inconsistent with the Proposition 1C Guiding Principles adopted by the City Council on May 1, 2007. The City’s position is that the Innovation Fund should be used for innovative programs administered by local governments, and not for separate, small programs administered by the State. Therefore, staff recommends that the City **oppose SB 586 unless it is amended** to require the funds be used for more innovative, local approaches to creating or preserving affordable housing; however, if the bill is not amended to include truly innovative programs, then the City should ensure the competitiveness of the City of San José and Santa Clara County for moneys through the Proposition 1C Innovation Fund.

### *Who are the bill's supporters and opponents?*

As of May 9, 2007, staff has not identified the sponsors, nor any supporters or opponents of SB 586.

### *What is the current status of the measure?*

On April 23, 2007, SB 586 passed out of the Senate Transportation and Housing Committee by a vote of 9-1, and now goes to the Assembly Floor for consideration. Its hearing, which was scheduled for May 7, 2007, was postponed by the Committee.