

AMENDED IN ASSEMBLY MAY 2, 2001

AMENDED IN ASSEMBLY APRIL 18, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

ASSEMBLY BILL

No. 1170

Introduced by Assembly Member Firebaugh

February 23, 2001

An act to add Chapter 14.5 (commencing with Section 50860) to Part 2 of Division 31 of the Health and Safety Code, relating to housing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1170, as amended, Firebaugh. Housing: ~~down-payment~~ *downpayment* assistance.

Existing law requires the Department of Housing and Community Development, the California Housing Finance Agency, and various other state and local agencies to administer programs to provide affordable housing through incentives to developers, rental housing assistance, and loans or grants for downpayment, interest subsidy, relocation, veterans, and other home purchase assistance. Existing law requires the housing element of a local general plan to identify adequate sites for affordable housing to be made available through appropriate zoning and development standards, including those relating to density.

This bill would create the Building Equity and Growth in Neighborhoods Fund and would continuously appropriate any money in the fund to the department for grants to cities, counties, and cities and counties for assistance for ~~down-payments~~ *downpayment* to qualifying new home buyers in those cities, counties, and cities and counties in



specified areas that have taken prescribed actions to remove barriers to affordable housing.

This bill would transfer \$50,000,000 to that fund from the General Fund for the purposes of the bill.

Vote: ²/₃. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. (a) The Legislature finds and declares all of the
2 following:

3 (1) Homeownership is a vital piece of California’s social and
4 economic fabric and remains a top priority for new California
5 families and individuals.

6 (2) Homeownership has been shown to reduce crime, while
7 increasing school retention and graduation, civic engagement,
8 children’s future earning potential, and overall life satisfaction.

9 (3) Home equity represents two-thirds of all low-income
10 family wealth. The median wealth of nonelderly low-income
11 homeowners is 12 times greater than the median wealth of similar
12 renters with the same income.

13 (4) Yet, while more Americans (67 percent) own their homes
14 today than in any time in American history, homeownership in
15 California lags well behind the rest of the nation at 56 percent.

16 (5) The homeownership rate in California is even worse for
17 ethnic minorities. According to the California Budget Project, the
18 rate of homeownership among Latino households is only 42
19 percent and only 40 percent among African-American households
20 in the state.

21 (6) The high cost of building homes in California is a key
22 contributor to the state’s low homeownership rate. Today,
23 California has nine of the nation’s 10 least affordable housing
24 markets.

25 (7) Home prices are so high in California that the average
26 newly formed household would have to nearly double its income
27 to qualify to buy a median-priced home.

28 (8) While land prices in California are a key contributor to the
29 state’s low housing affordability, permitting and regulatory cost
30 add significant costs to new housing construction. According to a
31 recent study by Northwestern University, permitting and



1 regulatory costs in a San Diego County community add, on
2 average, more than \$96,000 to the price of a new home.

3 (9) According to the National Association of Home Builders
4 (NAHB), even a small cost increase has a significant impact on
5 affordability. An NAHB study shows that every \$1,000 added to
6 the price of a moderately priced home disqualifies as many as
7 49,000 California households from becoming homebuyers.

8 (b) The Legislature further finds and declares that a
9 combination of lowering regulatory costs and increasing
10 purchasing power for low- and moderate-income households,
11 primarily through downpayment assistance, will significantly
12 increase homeownership rates in California.

13 SEC. 2. Chapter 14.5 (commencing with Section 50860) is
14 added to Part 2 of Division 31 of the Health and Safety Code, to
15 read:

16
17 CHAPTER 14.5. BUILDING EQUITY AND GROWTH IN
18 NEIGHBORHOODS FUND
19

20 50860. (a) The Building Equity and Growth in
21 Neighborhoods (BEGIN) Fund is hereby created in the State
22 Treasury under the direction and control of the department.
23 Notwithstanding Section 13340 of the Government Code, all
24 money deposited in that fund from any source whatsoever is
25 hereby continuously appropriated to the department for
26 expenditure pursuant to this chapter.

27 (b) From the fund, the department may make grants to
28 qualifying cities, counties, or cities and counties for downpayment
29 purposes to qualifying new homebuyers.

30 50861. The department shall issue a notification to all cities,
31 counties, or cities and counties when funds are available for the
32 BEGIN program. A city, county, or city and county that desires to
33 receive a grant from the BEGIN Fund may apply to the
34 department. The application shall include a copy of the program
35 adopted by the city, county, or city and county pursuant to Section
36 50863. In addition, in order to qualify for funding, the city, county,
37 or city and county shall be located in one of the following areas:

38 (a) The Los Angeles and Long Beach metropolitan statistical
39 area.

40 (b) The Orange County metropolitan statistical area.



- 1 (c) The San Diego County metropolitan statistical area.
- 2 (d) The San Francisco metropolitan statistical area.
- 3 (e) The Oakland metropolitan statistical area.
- 4 (f) The San Jose metropolitan statistical area.
- 5 (g) The Sacramento metropolitan statistical area.
- 6 (h) *The Fresno metropolitan statistical area.*
- 7 (i) *The Modesto metropolitan statistical area.*

8 50862. A city, county, or city and county that receives a grant
 9 from the BEGIN Fund shall use at least 95 percent of the grant for
 10 downpayment assistance to a prospective new homebuyer who
 11 qualifies as a person or family of low- or moderate-income, as
 12 defined in Section 50093. *Any residence assisted with*
 13 *downpayment financing provided by the BEGIN Fund shall be*
 14 *continuously occupied by the grantee homebuyer as his or her*
 15 *principal residence for at least five years following recordation of*
 16 *the deed of trust. If the grantee fails to meet this condition, the*
 17 *grant amount shall become immediately due and payable to the*
 18 *granting city, county, or city and county.*

19 50863. Grants shall only be made to a qualifying city, county,
 20 or city and county that has demonstrated that it has removed
 21 barriers to affordable housing through any or all of the following
 22 measures:

23 (a) Zoning land for the project for which the application was
 24 made at densities equal to or greater than 30 percent higher than
 25 the average density of the city, county, or city and county.

26 (b) Designing the project for which the application was made
 27 for efficient land use through any measures that may be
 28 practicable, including, but not limited to, the following:

29 (1) Clustered housing with shared walls, reduced sideyards or
 30 zero lot lines.

31 (2) Tandem parking.

32 (3) Reduced street widths and rolled curbs.

33 (c) Streamlining the local permitting process for the project in
 34 ways that include, but are not limited to, combining entitlement
 35 hearings, such as a hearing for a conditional use permit together
 36 with a hearing for a variance permit.

37 (d) Reducing impact fees for the project by at least 25 percent.

38 (e) The project for which an application has been made is an
 39 infill project within city limits and is substantially surrounded by
 40 urban uses.



1 50864. The department shall adopt regulations that establish
2 the application procedures. The regulations shall prioritize and
3 quantify the criteria in Section 50863 ~~for the purpose of providing~~
4 ~~an incentive to any~~ *by assigning points to each of the criteria.*
5 *Applications of a city, county, or city and county that has a housing*
6 *element that the department has found ~~does not substantially~~*
7 *~~comply~~ substantially complies with the requirements of Article*
8 *10.6 (commencing with Section ~~65850~~ 65580) of Chapter 3 of*
9 *Division 1 of Title 7 of the Government Code shall receive*
10 *additional points, not exceeding the points granted for any one of*
11 *the criteria in Section 50863.*

12 SEC. 3. The sum of fifty million dollars (\$50,000,000) is
13 hereby transferred from the General Fund to the Building Equity
14 and Growth in Neighborhoods Fund created by Section 50860 of
15 the Health and Safety Code.

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