

AMENDED IN SENATE APRIL 24, 2007

AMENDED IN SENATE APRIL 10, 2007

**SENATE BILL**

**No. 586**

---

---

**Introduced by Senator Dutton  
(Principal coauthor: Senator Correa)**

February 22, 2007

---

---

An act to add Section 53545.9 to, and to add Chapter 8.5 (commencing with Section 50705) to Part 2 of Division 31 of, the Health and Safety Code, relating to housing, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 586, as amended, Dutton. Affordable Housing Innovation Fund: California Affordable Housing Revolving Development and Acquisition Program.

Existing law, the Housing and Emergency Shelter Trust Fund Act of 2006, authorizes the issuance of bonds in the amount of \$2,850,000,000 pursuant to the State General Obligation Bond Law. Proceeds from the sale of these bonds are required to be used to finance various existing housing programs, capital outlay related to infill development, brownfield cleanup that promotes infill development, and housing-related parks. The act establishes the Housing and Emergency Shelter Trust Fund of 2006 in the State Treasury and requires the sum of \$1,500,000,000 to be deposited in the Affordable Housing Account, which the act establishes in the fund. The act continuously appropriates the money in the account in accordance with a specified schedule that requires, among other things, the transfer of the sum of \$100,000,000 to the Affordable Housing Innovation Fund, which the act establishes in the State Treasury, to be administered by the Department of Housing

and Community Development and expended for competitive grants or loans to sponsoring entities that develop, own, lend, or invest in affordable housing, and to create pilot programs to demonstrate innovative, cost-saving approaches to creating or preserving affordable housing.

This bill would establish the California Affordable Housing Revolving Development and Acquisition Program under the administration of the department and would require the department to issue a Notice of Funding Availability to select a program manager to review and approve loan applications, originate loans, and service loans. The bill would authorize applicants under the program to apply for loans to purchase real property for the development or preservation of housing affordable to low-income households and would require applicants to demonstrate certain qualification factors. The bill would require the department to adopt regulations establishing the minimum criteria required of the program manager and applicants, as well as a point system for prioritizing requests in the event that requests exceed the funds available for the program in any given year.

The bill would require the funds in the Affordable Housing Innovation Fund to be allocated in the amount of \$50,000,000 for the California Affordable Housing Revolving Development and Acquisition Program; \$5,000,000 for the Construction Liability Insurance Reform Pilot Program proposed under AB 792 of the 2007–08 Regular Session, as amended March 29, 2007, if that program is established; \$35,000,000 for a local housing trust fund matching grant program established under a specified provision of existing law; and \$10,000,000 for the Mobilehome Park Resident Ownership Program established under a specified provision of existing law. The bill would make an appropriation by authorizing the funds in the continuously appropriated fund to be expended for these additional purposes.

The bill would require the department to ~~grant certain preferences and priorities~~ *preference to a housing trust fund that declares its intention to provide more than 65% of available funds to a specified first-time homebuyers' program and to set aside funding for a specified 36-month period for newly established housing trust funds that are in a county with a population of less than 260,000 persons* when awarding the \$35,000,000 under the local housing trust fund matching grant program.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . 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 hereby finds and declares  
2 that the Housing and Emergency Shelter Trust Fund Act of 2006  
3 allocates the amount of one hundred million dollars (\$100,000,000)  
4 to the Affordable Housing Innovation Fund established in the State  
5 Treasury under subparagraph (F) of paragraph (1) of subdivision  
6 (a) of Section 53545 of the Health and Safety Code and state that  
7 the expenditure of those funds is subject to the enactment of a  
8 subsequent statute approved by a  $\frac{2}{3}$  vote of each house of the  
9 Legislature.

10 (b) Accordingly, it is the intent of the Legislature in enacting  
11 this act to program the funds made available under subparagraph  
12 (F) of paragraph (1) of subdivision (a) of Section 53545 of the  
13 Health and Safety Code from the Affordable Housing Innovation  
14 Fund.

15 SEC. 2. Chapter 8.5 (commencing with Section 50705) is added  
16 to Part 2 of Division 31 of the Health and Safety Code, to read:

17

18 CHAPTER 8.5. AFFORDABLE HOUSING PROGRAMS

19

20 50705. (a) The California Affordable Housing Revolving  
21 Development and Acquisition Program is hereby established under  
22 the administration of the department for the purpose of funding  
23 projects to develop or preserve affordable housing.

24 (b) The department shall issue a Notice of Funding Availability  
25 to select a program manager to review and approve loan  
26 applications, originate loans, and service loans.

27 (c) Applicants may apply for loans to purchase real property  
28 for the development or preservation of housing affordable to  
29 low-income households.

30 (d) Applicants shall demonstrate all of the following:

31 (1) The support of the local government in which the real  
32 property is located for the proposed development project. Support  
33 may be demonstrated through a letter from the governing board  
34 or the manager of the housing or community development  
35 department.

1 (2) Availability of additional funds equal to three times the loan  
2 amount.

3 (3) Sufficient organizational stability and capacity to carry out  
4 the proposed development project for which the property is being  
5 purchased. Capacity may be demonstrated by substantial successful  
6 experience performing similar activities, or through other means  
7 acceptable to the department.

8 (e) Loans made under this section shall be for a term of two to  
9 five years.

10 (f) The department shall adopt regulations establishing the  
11 minimum criteria required of the program manager and applicants,  
12 as well as a point system for prioritizing requests in the event that  
13 requests exceed the funds available for the program in any given  
14 year, and procedures allowing loans to close within 30 days after  
15 application.

16 SEC. 3. Section 53545.9 is added to the Health and Safety  
17 Code, to read:

18 53545.9. Of the one hundred million dollars (\$100,000,000)  
19 transferred to the Affordable Housing Innovation Fund established  
20 in the State Treasury under subparagraph (F) of paragraph (1) of  
21 subdivision (a) of Section 53545, the following amounts shall be  
22 allocated as follows:

23 (a) The department shall make available the amount of fifty  
24 million dollars (\$50,000,000) for the California Affordable Housing  
25 Revolving Development and Acquisition Program established  
26 under Chapter 8.2 (commencing with Section 50705) of Part 2.

27 (b) The department shall make available the amount of five  
28 million dollars (\$5,000,000) for the Construction Liability  
29 Insurance Reform Pilot Program proposed under Assembly Bill  
30 792 of the 2007–08 Regular Session, as amended March 29, 2007,  
31 if that program is established.

32 (c) ~~(1)~~ The department shall make available the amount of  
33 thirty-five million dollars (\$35,000,000) for the local housing trust  
34 fund matching grant program established under Section 50843.5.

35 ~~(2)~~

36 *(1) When awarding grants or loans under this subdivision from*  
37 *the funds allocated under this subdivision to existing trust funds,*  
38 *the department shall grant preference to a housing trust fund that*  
39 *meets one or more of the following criteria: a housing trust fund*  
40 *that declares to the department an intention to provide more than*

1 65 percent of available funds for the purpose of downpayment  
2 assistance to qualified first-time homebuyers.

3 ~~(A) Is a newly established program.~~

4 ~~(B) Is established in a county with a population of less than  
5 260,000 persons.~~

6 ~~(C) Declares to the department an intention to provide more  
7 than 65 percent of available funds for the purpose of downpayment  
8 assistance to qualified first-time homebuyers.~~

9 ~~(D) Submits to the department analytical studies, goals, policies,  
10 objectives, and feasible implementation programs to extend the  
11 life of funds made available under this subdivision.~~

12 ~~(3)~~

13 (2) When awarding grants ~~or loans~~ from the funds allocated  
14 under this subdivision to newly established housing trust funds,  
15 the department shall ~~grant priority to those~~ *set aside funding for a*  
16 *period of 36 months from the date funds are first made available*  
17 *for newly established housing trust funds that are in a county with*  
18 *a population of less than 260,000 persons.*

19 (d) The department shall make available the amount of ten  
20 million dollars (\$10,000,000) for the Mobilehome Park Resident  
21 Ownership Program established under Chapter 11 (commencing  
22 with Section 50780) of Part 2.

23 SEC. 4. This act is an urgency statute necessary for the  
24 immediate preservation of the public peace, health, or safety within  
25 the meaning of Article IV of the Constitution and shall go into  
26 immediate effect. The facts constituting the necessity are:

27 In order to make available at the earliest possible time funds to  
28 address the state's pressing need for affordable housing, it is  
29 necessary that this act take effect immediately.