

AMENDED IN ASSEMBLY JULY 1, 2009

AMENDED IN SENATE MAY 12, 2009

SENATE BILL

No. 813

Introduced by Senator Kehoe

February 27, 2009

~~An act to amend Section 33080.2 of the Health and Safety Code, relating to redevelopment.~~ *An act to add Sections 50517.12, 50650.8, 50862.6, and 50896.4 to the Health and Safety Code, relating to community development.*

LEGISLATIVE COUNSEL'S DIGEST

SB 813, as amended, Kehoe. ~~Local agencies: redevelopment: annual report.~~ *Community development: grant and loan securitization programs.*

Under existing law, there are programs providing assistance for, among other things, multifamily housing, emergency housing, farmworker housing, home ownership for very low and low-income households, and downpayment assistance for first-time home buyers administered by the Department of Housing and Community Development. The Joe Serna, Jr. Farmworker Housing Grant program provides grants and loans for the construction or rehabilitation of housing for agricultural employees and their families or for the acquisition of manufactured housing to address and remedy the impacts of displacement of farmworker families. The CalHome program provides grants and loans to enable low- and very low income households to become or remain homeowners. The Building Equity and Growth in Neighborhoods (BEGIN) program is established to make grants and loans to be used for downpayment assistance to qualifying first-time home buyers of low- and moderate-incomes purchasing newly

constructed homes in a BEGIN project. Existing federal law establishes the HOME Investment Partnership Act, which allocated funds to states and local governments to eligible states to among other things, expand the supply of affordable housing. The department is the state agency responsible for the state's allocation of HOME funds.

This bill would make legislative findings and declarations relating the securitization of second mortgage loans with funds made available by the department. The bill would require, for the purposes of each of the above programs, a grant or loan for an individual household in a mutual self-help housing program to include a deferred payment grant or loan, respectively, due on sale or transfer, or when the property ceases to be owner-occupied, as specified. The bill would require the department to implement the special grant and loan securitization programs through regulation exempt from a specified provision of existing law. The bill would provide that the authority for the special grant and loan securitization programs expire on January 1, 2014.

~~Under the Community Redevelopment Law, a redevelopment agency is required to submit to its legislative body annually any audit undertaken by another governmental agency, and an annual report, as specified. Existing law requires the agency to inform the legislative body of any major violations of the Community Redevelopment Law based on the independent financial report and that the failure to correct a major violation may result in the filing of an action by the Attorney General. Existing law requires the legislative body to review any report submitted and take any appropriate action on that report within the first meeting of the legislative body occurring more than 21 days from the receipt of the report.~~

~~This bill would instead require the legislative body to review any report submitted and, within 30 days of receiving the audit, adopt a written response that indicates what action, if any, the agency intends to take to correct the major audit violation. The bill would require the legislative body to send a copy of its written response to the grand jury.~~

~~Vote: majority. Appropriation: no. Fiscal committee: no-yes.
State-mandated local program: no.~~

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

- 1 *SECTION 1. The Legislature finds and declares all of the*
- 2 *following:*

1 (a) Many first-time home owners assisted by nonprofit
2 corporations to achieve home ownership through mutual self-help
3 construction have been challenged by a combination of costs of
4 land purchased before current market conditions arose, low
5 appraised values of proposed homes due to foreclosures and
6 related economic conditions, and the costs of land, government
7 fees, and construction.

8 (b) These nonprofit corporations and potential homeowners are
9 eligible for financial assistance under the Joe Serna Jr.
10 Farmworker Housing Grant, CalHome, Building Equity and
11 Growth in Neighborhoods (BEGIN), and HOME programs
12 administered by the Department of Housing and Community
13 Development.

14 (c) As a result of present market conditions, financing to pay
15 all costs often exceeds the depressed level of current home values.
16 Therefore, neither adequate construction lending nor sufficient
17 permanent financing can be obtained.

18 (d) Authorizing an alternative but financially sound means of
19 securing second mortgage loans made with funds available through
20 the Department of Housing and Community Development would
21 provide housing for hard-working households, stimulate the
22 construction labor and materials industry, and improve
23 neighborhoods and areas with empty lots.

24 (e) Because self-help first-time home buyers usually remain in
25 their homes for extended periods of time, an alternative
26 unconventional means of securing loans by utilizing future
27 increases in value when market conditions stabilize should be
28 employed for at least five years in order to allow for orderly
29 resumption and continuation of these first-time homeowner
30 programs.

31 SEC. 2. Section 50517.12 is added to the Health and Safety
32 Code, to read:

33 50517.12. (a) For purposes of this chapter, a grant for an
34 individual household in a mutual self-help housing program shall
35 include a deferred payment grant due on sale or transfer, except
36 as provided herein, or when the property ceases to be
37 owner-occupied, which shall be payable only from the difference
38 between the appraised value at the time that the grant made
39 pursuant to this chapter is recorded and the appraised value at
40 the time repayment is due.

1 (b) The amount of the deferred payment grant specified in
2 subdivision (a) shall not be treated for any purposes as affecting
3 the loan-to-value ratio of the financing on the property at the time
4 the grant is made, and the amount of the grant shall not exceed
5 the difference between the loan secured by a first deed of trust and
6 the total development cost, including an amount attributable to
7 sweat equity as approved by the department, for the home and
8 property secured by that grant.

9 (c) If necessary to achieve the housing costs required by this
10 chapter and qualify for a first mortgage, the department shall
11 approve the deferred payment grant authorized by this section in
12 addition to grants or loans otherwise authorized by this chapter.
13 However, the latter grants or loans shall not be secured only by
14 the increase in equity but, instead, shall be payable upon sale or
15 transfer after satisfaction of other approved liens on the property.

16 SEC. 3. Section 50650.8 is added to the Health and Safety
17 Code, to read:

18 50650.8. (a) For purposes of this chapter, a loan for an
19 individual household in a mutual self-help housing program shall
20 include a deferred payment loan due on sale or transfer, except
21 as provided herein, or when the property ceases to be
22 owner-occupied, which shall be payable only from the difference
23 between the appraised value at the time that the CalHome loan is
24 recorded and the appraised value at the time repayment is due.

25 (b) The amount of the deferred payment loan specified in
26 subdivision (a) shall not be treated for any purposes as affecting
27 the loan-to-value ratio of the financing on the property at the time
28 the CalHome loan is made, and the amount of the deferred payment
29 loan shall not exceed the difference between the loan secured by
30 a first deed of trust and the total development cost, including an
31 amount attributable to sweat equity as approved by the department,
32 for the home and property secured by that loan.

33 (c) If necessary to achieve the housing costs required by this
34 chapter and qualify for a first mortgage, the department shall
35 approve the deferred payment loan authorized by this section in
36 addition to loans otherwise authorized by this chapter. However,
37 the latter loans shall not be secured only by the increase in equity
38 but, instead, shall be payable upon sale or transfer after
39 satisfaction of other approved liens on the property.

1 SEC. 4. Section 50862.6 is added to the Health and Safety
2 Code, to read:

3 50862.6. (a) For purposes of this chapter, a loan for an
4 individual household in a mutual self-help housing program shall
5 include a deferred payment loan due on sale or transfer, except
6 as provided herein, or when the property ceases to be
7 owner-occupied, which shall be payable only from the difference
8 between the appraised value at the time that the BEGIN loan is
9 recorded and the appraised value at the time repayment is due.

10 (b) The amount of the deferred payment loan specified in
11 subdivision (a) shall not be treated for any purposes as affecting
12 the loan-to-value ratio of the financing on the property at the time
13 the BEGIN loan is made, and the amount of the deferred payment
14 loan shall not exceed the difference between the loan secured by
15 a first deed of trust and the total development cost, including an
16 amount attributable to sweat equity as approved by the department,
17 for the home and property secured by that loan. If necessary to
18 achieve the housing costs required by this chapter and qualify for
19 a first mortgage, the department shall approve both the deferred
20 payment loan authorized by this section in addition to loans
21 otherwise authorized by this chapter. However, the latter loans
22 shall not be secured only by the increase in equity but, instead,
23 shall be payable upon sale or transfer after satisfaction of other
24 approved liens on the property.

25 SEC. 5. Section 50896.4 is added to the Health and Safety
26 Code, to read:

27 50896.4. (a) For purposes of this chapter, a loan for an
28 individual household in a mutual self-help housing program shall
29 include a deferred payment loan due on sale or transfer, except
30 as provided herein, or when the property ceases to be
31 owner-occupied, which shall be payable only from the difference
32 between the appraised value at the time that the HOME loan is
33 recorded and the appraised value at the time repayment is due.

34 (b) The amount of deferred payment loan specified in subdivision
35 (a) shall not be treated for any purposes as affecting the
36 loan-to-value ratio of the financing on the property at the time the
37 HOME loan is made, and the amount of the deferred payment loan
38 shall not exceed the difference between the loan secured by a first
39 deed of trust and the total development cost, including an amount

1 *attributable to sweat equity as approved by the department, for*
2 *the home and property secured by that loan.*

3 *(c) If necessary to achieve the housing costs required by this*
4 *chapter and qualify for a first mortgage, the department shall*
5 *approve both the deferred payment loan authorized by this section*
6 *in addition to loans otherwise authorized by this chapter. However,*
7 *the latter loans shall not be secured only by the increase in equity*
8 *but, instead, shall be payable upon sale or transfer after*
9 *satisfaction of other approved liens on the property.*

10 *SEC. 6. (a) The Department of Housing and Community*
11 *Development shall implement the special grant and loan*
12 *securitization programs authorized by Sections 2, 3, 4, and 5 of*
13 *this act through regulations that shall be exempt from Chapter 3.5*
14 *(commencing with Section 11340) of Part 1 of Title 2 of the*
15 *Government Code, following at least one consultation with the*
16 *program sponsors who receive, and represent the homeowners*
17 *benefiting from, the special grant or loan.*

18 *(b) The special grant and loan securitization programs*
19 *established by this act shall apply to any existing contract with a*
20 *local government or nonprofit entity for funds under the Joe Serna*
21 *Jr. Farmworker Housing Grant Program (Chapter 3.2,*
22 *(commencing with Section 50517.5) of Part 2 of Division 31 of the*
23 *Health and Safety Code), CalHOME Program (Chapter 6*
24 *(commencing with section 50650) of Part 2 of Division 31 of the*
25 *Health and Safety Code), Building Equity and Growth in*
26 *Neighborhoods (BEGIN) (Chapter 14.5 (commencing with Section*
27 *50860) of Part 2 of Division 31 of the Health and Safety Code),*
28 *or HOME program (Chapter 16 (commencing with Section 50896)*
29 *of Part 2 of Division 31 of the Health and Safety Code) and shall*
30 *authorize homeowner loans or grants with funds that have not yet*
31 *been expended for mortgage, grant, or take-out financing on behalf*
32 *of eligible households.*

33 *(c) The authority for the special grant and loan securitization*
34 *programs authorized by this act shall expire on January 1, 2014,*
35 *unless a later enacted statute, that is enacted before January 1,*
36 *2014, deletes or extends that date.*

37 ~~SECTION 1. Section 33080.2 of the Health and Safety Code~~
38 ~~is amended to read:~~

39 ~~33080.2. (a) When the agency presents the annual report to~~
40 ~~the legislative body pursuant to Section 33080.1, the agency shall~~

1 ~~inform the legislative body of any major violations of this part~~
2 ~~based on the independent financial audit report. The agency shall~~
3 ~~inform the legislative body that the failure to correct a major~~
4 ~~violation of this part may result in the filing of an action by the~~
5 ~~Attorney General pursuant to Section 33080.8.~~

6 ~~(b) The legislative body shall review any report submitted~~
7 ~~pursuant to Section 33080.1 and, within 30 days of receiving the~~
8 ~~audit, adopt a written response that indicates what action, if any,~~
9 ~~the agency intends to take to correct the major violation. The~~
10 ~~legislative body shall send a copy of its written response to the~~
11 ~~grand jury.~~