

AMENDED IN ASSEMBLY JUNE 20, 2011

AMENDED IN ASSEMBLY JUNE 13, 2011

AMENDED IN SENATE MARCH 29, 2011

**SENATE BILL**

**No. 562**

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**Introduced by Committee on Transportation and Housing (Senators DeSaulnier (Chair), Gaines, Harman, Huff, Kehoe, Lowenthal, Pavley, Rubio, and Simitian)**

February 17, 2011

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An act to amend Section 8869.84 of the Government Code, to amend Sections 18028, 18070.2, 18214, 18218, 18218.5, 18551, 18866.2, ~~and 33420.1~~ 33420.1, 50668.5, 50771.1, and 50893 of, and to repeal Section 33334.29 of, the Health and Safety Code, and to amend Section 2705 of, and to repeal Section 2706 of, the Public Resources Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 562, as amended, Committee on Transportation and Housing. Housing omnibus bill.

(1) Existing law authorizes the California Debt Limit Allocation Committee to require any issuer making an application to the committee or the California Tax Credit Allocation Committee for allocation of a portion of the state ceiling, as defined, to make a deposit of up to 1% of the portion requested. If an allocation is given, the committee is required to keep the deposit, in proportion to the amount of allocation given, until bonds are issued. If bonds are not issued prior to the expiration of the allocation, the committee is required to keep the deposit, unless the committee determines there is good cause to return all or part of the deposit.

This bill would specify that in cases where only a portion or none of the bonds are issued, the committee may return all or part of the deposit if it determines there is good cause to do so.

(2) Existing law establishes the Manufactured Home Recovery Fund, which is continuously appropriated to make payments and distributions for actual and direct losses, as defined, arising out of specified transactions regarding the purchase or sale of a manufactured home, if certain conditions are met. Existing law prescribes a fee collected by the Department of Housing and Community Development for each reported sale of a manufactured home, to be deposited in the fund. Whenever the balance in the fund exceeds \$1,000,000 the department is authorized to reduce or increase the fee, respectively.

This bill would instead provide that the department may reduce the fee when the balance exceeds \$2,000,000.

(3) Existing law authorizes the redevelopment agency of the City of Redding to borrow and use a specified amount from its Low and Moderate Income Housing Fund to provide financial assistance for the acquisition of property for a veterans home.

The bill would repeal this provision of law.

*(4) Existing law authorizes the Department of Housing and Community Development to extend the terms and repayment schedules of loans for an additional 10 years, subject to specified conditions.*

*The bill would instead provide that the extension of terms be for a period of not less than 10 years and that the total term of the revised loan not exceed 55 years.*

~~(4)~~

(5) Existing law requires a city and county to collect a fee from each applicant for a building permit, equal to a specific amount of the proposed construction for which the permit is being issued, or at specified rates, for seismic hazards mapping and for the strong-motion instrument program. The city and county is authorized to retain up to 5% of the total amount it collects for data utilization, for seismic education incorporating data interpretations from data of the strong-motion instruments program, the seismic hazards mapping program, and to improve the preparation for damage assessment after strong seismic motion events. Any other funds collected are required to be deposited in the Strong-Motion Instrumentation and Seismic Hazards Mapping Fund to be used exclusively for the strong-motion instruments program and the seismic hazards mapping program, as specified.

This bill would make technical changes to those provisions.

(5)

(6) The bill would correct and eliminate erroneous cross-references, update obsolete terms, correct technical errors, and make conforming changes to existing law relating to housing.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

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

1 SECTION 1. Section 8869.84 of the Government Code is  
2 amended to read:

3 8869.84. (a) The committee shall, as soon as is practicable  
4 after the start of each calendar year, determine and announce the  
5 state ceiling for the calendar year.

6 (b) The entire state ceiling for each calendar year is hereby  
7 allocated to the committee to further allocate to state and local  
8 agencies as provided in this chapter.

9 (c) The committee shall prepare application forms and announce  
10 procedures for receipt and review of applications from state and  
11 local agencies desiring to issue private activity bonds.

12 (d) The committee may at any time, before or after granting any  
13 allocations in any calendar year to any state agencies or local  
14 agencies, announce priorities or reservations of any part of the  
15 state ceiling not theretofore allocated either for certain categories  
16 of bonds or categories of issuers.

17 (e) The committee may require any issuer making an application  
18 to the committee or MBTCAC for allocation of a portion of the  
19 state ceiling to make a deposit, as determined by the committee,  
20 of up to 1 percent of the portion requested. If an allocation is not  
21 given, the deposit shall be returned. If an allocation is given, the  
22 deposit shall be kept, in proportion to the amount of allocation  
23 given, until bonds are issued. Upon that issuance, the deposit shall  
24 be returned to the issuer in an amount equal to the product of (1)  
25 the amount of the deposit retained times (2) the ratio between the  
26 amount of bonds issued divided by the amount of allocation  
27 granted. If no bonds are issued prior to the expiration of the  
28 allocation, the deposit shall be kept. However, in cases where only  
29 a portion or none of the bonds are issued, the committee may return

1 all or part of the deposit if it determines there is good cause to do  
2 so. Any portion of a deposit kept shall be deposited in the fund.

3 (f) The committee may transfer part of the state ceiling to the  
4 MBTCAC, to be used for qualified mortgage bonds and exempt  
5 facility bonds or for qualified residential rental projects, as those  
6 terms are used in the Internal Revenue Code, together referred to  
7 as “housing bonds,” with directions and conditions pursuant to  
8 which MBTCAC may allocate those amounts to issuers of housing  
9 bonds at both the state and local levels. In carrying out these  
10 functions, MBTCAC shall act solely as directed or authorized by  
11 the committee. If the committee makes the transfer to MBTCAC  
12 authorized by this subdivision, the references in Sections 8869.85,  
13 8869.86, 8869.87, and 8869.88 to the “committee” shall, for  
14 purposes of any housing bonds, be deemed to mean MBTCAC.

15 (g) (1) The committee may establish the Extra Credit Teacher  
16 Home Purchase Program to provide federal mortgage credit  
17 certificates and reduced interest rate loans funded by mortgage  
18 revenue bonds to eligible teachers, principals, vice principals,  
19 assistant principals, and classified employees who agree to teach  
20 or provide administration or service in a high priority school.  
21 Priority for assistance shall be given to eligible teachers, principals,  
22 vice principals, and assistant principals.

23 (2) For purposes of this program, the following definitions shall  
24 apply:

25 (A) “High priority school” means a state K–12 public school  
26 that is ranked in the bottom half of the Academic Performance  
27 Index developed pursuant to subdivision (a) of Section 52052 of  
28 the Education Code. However, priority shall be given to schools  
29 that are ranked in the lowest three deciles.

30 (B) “Classified employee” means an employee of a school  
31 district, employed in a position not requiring certification  
32 qualifications.

33 (3) The committee may make reservations of a portion of future  
34 calendar year state ceiling limits for up to five future calendar  
35 years for that program. The committee may also make future  
36 allocations of the state ceiling for up to five years for any issuer  
37 under that program. Any future allocation made by the committee  
38 shall constitute an allocation of the state ceiling for a future year  
39 specified by the committee and shall be deemed to have been made  
40 on the first day of the future year so specified. The committee may

1 condition allocations under the Extra Credit Teacher Home  
2 Purchase Program on any terms and conditions that the committee  
3 deems necessary or appropriate, including, but not limited to, the  
4 execution of a contract between the teacher, principal, vice  
5 principal, assistant principal, or classified employee and the issuer  
6 whereby the teacher, principal, vice principal, assistant principal,  
7 or classified employee agrees to comply with the terms and  
8 conditions of the program. The contract may include, among other  
9 things, an agreement by the teacher, principal, vice principal,  
10 assistant principal, or classified employee to teach or provide  
11 administration or service in a high priority school for a minimum  
12 number of years, and provisions for enforcing the contract that the  
13 committee deems necessary or appropriate.

14 (4) If a teacher, principal, vice principal, assistant principal, or  
15 classified employee does not fulfill the requirements of a contract  
16 entered into pursuant to paragraph (3), the issuer of the mortgage  
17 credit certificate or mortgage revenue bond may recover as an  
18 assessment from the teacher, principal, vice principal, assistant  
19 principal, or classified employee a monetary amount equal to the  
20 lesser of (A) one-half of the teacher's, principal's, vice principal's,  
21 assistant principal's, or classified employee's net proceeds from  
22 the sale of the related residence or (B) the amount of monetary  
23 benefit conferred on the teacher, principal, vice principal, assistant  
24 principal, or classified employee as a result of the federal mortgage  
25 credit certificate or reduced interest rate loan funded by a mortgage  
26 revenue bond, offset by the amount of any federal recapture, as  
27 defined by Section 143(m) of the Internal Revenue Code. The  
28 assessment may be secured by a lien against the residence, which  
29 shall decline in amount over the term of the contract as the teacher,  
30 principal, vice principal, assistant principal, or classified employee  
31 fulfills the term of the contract, and which shall be collected at the  
32 time of sale of the residence. Any assessment collected pursuant  
33 to this paragraph shall be used for the issuer's costs in  
34 administering the Extra Credit Teacher Home Purchase Program.  
35 The issuers shall report annually to the committee the total amount  
36 of any assessments collected pursuant to this paragraph and how  
37 those assessments were used by the issuer.

38 (5) If the committee establishes the Extra Credit Teacher Home  
39 Purchase Program pursuant to this subdivision, the committee shall

1 report annually to the Legislature the results of the program,  
2 including all of the following:

3 (A) The amount of state ceiling limits allocated to or reserved  
4 for the program.

5 (B) The agencies to which state ceiling limits were issued.

6 (C) The number of loans or mortgage credit certificates issued  
7 to teachers, principals, vice principals, assistant principals, and  
8 classified employees.

9 (D) The schools or school districts at which recipients of  
10 assistance are employed, aggregated by decile in which the schools  
11 rank on the Academic Performance Index and by the percentage  
12 of uncredentialed teachers employed at the schools.

13 (6) The committee shall not make any reservations of future  
14 calendar year state ceiling limits or future allocations of the state  
15 ceiling pursuant to this subdivision on or after January 1, 2004,  
16 unless a later enacted statute, that is enacted before January 1,  
17 2004, deletes or extends that date. However, reservations and  
18 allocations made prior to that date shall remain valid.

19 SEC. 2. Section 18028 of the Health and Safety Code is  
20 amended to read:

21 18028. (a) The department may adopt regulations regarding  
22 the construction of commercial modulars and special purpose  
23 commercial modulars, other than mobile food facilities subject to  
24 Article 11 (commencing with Section 114250) of Chapter 4 of  
25 Part 7 of Division 104, and of multifamily manufactured homes,  
26 manufactured homes, and mobilehomes that are not subject to the  
27 National Manufactured Housing Construction and Safety Act of  
28 1974 (42 U.S.C. Sec. 5401 et seq.) that the department determines  
29 are reasonably necessary to protect the health and safety of the  
30 occupants and the public.

31 (b) Requirements for the construction, alteration, or conversion  
32 of commercial modulars shall be those contained, with reasonably  
33 necessary additions or deletions, as adopted by department  
34 regulations, in all of the following:

35 (1) The 1991 Edition of the Uniform Building Code, published  
36 by the International Conference of Building Officials.

37 (2) The 1993 Edition of the National Electrical Code, published  
38 by the National Fire Protection Association.

39 (3) The 1991 Edition of the Uniform Mechanical Code,  
40 published jointly by the International Conference of Building

1 Officials and the International Association of Plumbing and  
2 Mechanical Officials.

3 (4) The 1991 Edition of the Uniform Plumbing Code, published  
4 by the International Association of Plumbing and Mechanical  
5 Officials.

6 (c) (1) The department shall, on or after January 1, 2008, adopt  
7 regulations for the construction, alteration, or conversion of  
8 commercial modulars based on Parts 2, 3, 4, 5, 6, and 11 of the  
9 California Building Standards Code, as contained in Title 24 of  
10 the California Code of Regulations, with appropriate additions,  
11 deletions, and other implementing provisions. The regulations  
12 adopted under this paragraph shall be placed within Title 25 of the  
13 California Code of Regulations.

14 (2) The requirements promulgated by the department pursuant  
15 to this section shall apply only to the construction, alteration, and  
16 conversion of commercial modulars, and not to the use or operation  
17 of commercial modulars.

18 (d) A municipality shall not prohibit the use of commercial  
19 modulars that bear a valid insignia, based on the date the insignia  
20 was issued.

21 SEC. 3. Section 18070.2 of the Health and Safety Code is  
22 amended to read:

23 18070.2. (a) Fees for the establishment and operation of the  
24 Manufactured Home Recovery Fund shall be collected on or after  
25 January 1, 1985. Claims against the fund arising from sales which  
26 occur after January 1, 1985, may not be submitted to the  
27 department before January 1, 1986. For purposes of this section,  
28 the date of sale shall be either of the following:

29 (1) The date escrow closes for sales by dealers that are subject  
30 to Section 18035 or 18035.2.

31 (2) For all other sales, including sales by dealers in which escrow  
32 does not close, the date when the purchaser has paid the purchase  
33 price or, in lieu thereof, has signed a security agreement, option  
34 to purchase, or purchase contract and has taken physical possession  
35 or delivery of the manufactured home.

36 (b) Notwithstanding any other provision of law, whenever the  
37 balance in the Manufactured Home Recovery Fund exceeds two  
38 million dollars (\$2,000,000) on January 1 of any year, the  
39 department may reduce the fee provided for in subdivision (c) of  
40 Section 18070.1. The department may again increase the fee up

1 to a maximum of ten dollars (\$10) whenever the balance in the  
2 fund falls below one million dollars (\$1,000,000).

3 SEC. 4. Section 18214 of the Health and Safety Code is  
4 amended to read:

5 18214. (a) "Mobilehome park" is any area or tract of land  
6 where two or more lots are rented or leased, held out for rent or  
7 lease, or were formerly held out for rent or lease and later converted  
8 to a subdivision, cooperative, condominium, or other form of  
9 resident ownership, to accommodate manufactured homes,  
10 mobilehomes, or recreational vehicles used for human habitation.  
11 The rental paid for a manufactured home, a mobilehome, or a  
12 recreational vehicle shall be deemed to include rental for the lot  
13 it occupies. This subdivision shall not be construed to authorize  
14 the rental of a mobilehome park space for the accommodation of  
15 a recreational vehicle in violation of Section 798.22 of the Civil  
16 Code.

17 (b) Notwithstanding subdivision (a), employee housing that has  
18 obtained a permit to operate pursuant to the Employee Housing  
19 Act (Part 1 (commencing with Section 17000)) and that both meets  
20 the criteria of Section 17021.6 and is comprised of two or more  
21 lots or units held out for lease or rent or provided as a term or  
22 condition of employment shall not be deemed a mobilehome park  
23 for the purposes of the requirement to obtain an initial or annual  
24 permit to operate or pay any related fees required by this part.

25 (c) Notwithstanding subdivision (a), an area or tract of land  
26 shall not be deemed a mobilehome park if the structures on it  
27 consist of residential structures that are rented or leased, or held  
28 out for rent or lease, if those residential structures meet both of  
29 the following requirements:

30 (1) The residential structures are manufactured homes  
31 constructed pursuant to the National Manufactured Housing  
32 Construction and Safety Act of 1974 (42 U.S.C. Sec. 5401 et seq.)  
33 or mobilehomes containing two or more dwelling units for human  
34 habitation.

35 (2) Those manufactured homes or mobilehomes have been  
36 approved by a city, county, or city and county pursuant to  
37 subdivision (e) of Section 17951 as an alternate which is at least  
38 the equivalent to the requirements prescribed in the California  
39 Building Standards Code or Part 1.5 (commencing with Section

1 17910) in performance, safety, and for the protection of life and  
2 health.

3 SEC. 5. Section 18218 of the Health and Safety Code is  
4 amended to read:

5 18218. “Commercial modular” as used in this part has the same  
6 meaning as defined in Section 18001.8.

7 SEC. 6. Section 18218.5 of the Health and Safety Code is  
8 amended to read:

9 18218.5. “Special purpose commercial modular” as used in  
10 this part has the same meaning as defined in Section 18012.5.

11 SEC. 7. Section 18551 of the Health and Safety Code is  
12 amended to read:

13 18551. The department shall establish regulations for  
14 manufactured home, mobilehome, and commercial modular  
15 foundation systems that shall be applicable throughout the state.  
16 When established, these regulations supersede any ordinance  
17 enacted by any city, county, or city and county applicable to  
18 manufactured home, mobilehome, and commercial modular  
19 foundation systems. The department may approve alternate  
20 foundation systems to those provided by regulation where the  
21 department is satisfied of equivalent performance. The department  
22 shall document approval of alternate systems by its stamp of  
23 approval on the plans and specifications for the alternate foundation  
24 system. A manufactured home, mobilehome, or commercial  
25 modular may be installed on a foundation system as either a fixture  
26 or improvement to the real property, in accordance with subdivision  
27 (a), or a manufactured home or mobilehome may be installed on  
28 a foundation system as a chattel, in accordance with subdivision  
29 (b).

30 (a) Installation of a manufactured home, mobilehome, or  
31 commercial modular as a fixture or improvement to the real  
32 property shall comply with all of the following:

33 (1) Prior to installation of a manufactured home, mobilehome,  
34 or commercial modular on a foundation system, the manufactured  
35 home, mobilehome, or commercial modular owner or a licensed  
36 contractor shall obtain a building permit from the appropriate  
37 enforcement agency. To obtain a permit, the owner or contractor  
38 shall provide the following:

39 (A) Written evidence acceptable to the enforcement agency that  
40 the manufactured home, mobilehome, or commercial modular

1 owner owns, holds title to, or is purchasing the real property where  
2 the mobilehome is to be installed on a foundation system. A lease  
3 held by the manufactured home, mobilehome, or commercial  
4 modular owner, that is transferable, for the exclusive use of the  
5 real property where the manufactured home, mobilehome, or  
6 commercial modular is to be installed, shall be deemed to comply  
7 with this paragraph if the lease is for a term of 35 years or more,  
8 or if less than 35 years, for a term mutually agreed upon by the  
9 lessor and lessee, and the term of the lease is not revocable at the  
10 discretion of the lessor except for cause, as described in  
11 subdivisions 2 to 5, inclusive, of Section 1161 of the Code of Civil  
12 Procedure.

13 (B) Written evidence acceptable to the enforcement agency that  
14 the registered owner owns the manufactured home, mobilehome,  
15 or commercial modular free of any liens or encumbrances or, in  
16 the event that the legal owner is not the registered owner, or liens  
17 and encumbrances exist on the manufactured home, mobilehome,  
18 or commercial modular, written evidence provided by the legal  
19 owner and any lienors or encumbrancers that the legal owner,  
20 lienor, or encumbrancer consents to the attachment of the  
21 manufactured home, mobilehome, or commercial modular upon  
22 the discharge of any personal lien, that may be conditioned upon  
23 the satisfaction by the registered owner of the obligation secured  
24 by the lien.

25 (C) Plans and specifications required by department regulations  
26 or a department-approved alternate for the manufactured home,  
27 mobilehome, or commercial modular foundation system.

28 (D) The manufactured home, mobilehome, or commercial  
29 modular manufacturer's installation instructions, or plans and  
30 specifications signed by a California licensed architect or engineer  
31 covering the installation of an individual manufactured home,  
32 mobilehome, or commercial modular in the absence of the  
33 manufactured home, mobilehome, or commercial modular  
34 manufacturer's instructions.

35 (E) Building permit fees established by ordinance or regulation  
36 of the appropriate enforcement agency.

37 (F) A fee payable to the department in the amount of eleven  
38 dollars (\$11) for each transportable section of the manufactured  
39 home, mobilehome, or commercial modular, that shall be  
40 transmitted to the department at the time the certificate of

1 occupancy is issued with a copy of the building permit and any  
2 other information concerning the manufactured home, mobilehome,  
3 or commercial modular which the department may prescribe on  
4 forms provided by the department.

5 (2) (A) On the same day that the certificate of occupancy for  
6 the manufactured home, mobilehome, or commercial modular is  
7 issued by the appropriate enforcement agency, the enforcement  
8 agency shall record with the county recorder of the county where  
9 the real property is situated, that the manufactured home,  
10 mobilehome, or commercial modular has been installed upon, a  
11 document naming the owner of the real property, describing the  
12 real property with certainty, and stating that a manufactured home,  
13 mobilehome, or commercial modular has been affixed to that real  
14 property by installation on a foundation system pursuant to this  
15 subdivision.

16 (B) When recorded, the document referred to in subparagraph  
17 (A) shall be indexed by the county recorder to the named owner  
18 and shall be deemed to give constructive notice as to its contents  
19 to all persons thereafter dealing with the real property.

20 (C) Fees received by the department pursuant to subparagraph  
21 (F) of paragraph (1) shall be deposited in the  
22 Mobilehome-Manufactured Home Revolving Fund established  
23 under subdivision (a) of Section 18016.5.

24 (3) The department shall adopt regulations providing for the  
25 cancellation of registration of a manufactured home, mobilehome,  
26 or commercial modular that is permanently attached to the ground  
27 on a foundation system pursuant to subdivision (a). The regulations  
28 shall provide for the surrender to the department of the certificate  
29 of title and other indicia of registration. For the purposes of this  
30 subdivision, permanent affixation to a foundation system shall be  
31 deemed to have occurred on the day a certificate of occupancy is  
32 issued to the manufactured home, mobilehome, or commercial  
33 modular owner and the document referred to in subparagraph (A)  
34 of paragraph (2) is recorded. Cancellation shall be effective as of  
35 that date and the department shall enter the cancellation on its  
36 records upon receipt of a copy of the certificate of occupancy. This  
37 subdivision shall not be construed to affect the application of  
38 existing laws, or the department's regulations or procedures with  
39 regard to the cancellation of registration, except as to the  
40 requirement therefor and the effective date thereof.

1 (4) Once installed on a foundation system in compliance with  
2 this subdivision, a manufactured home, mobilehome, or commercial  
3 modular shall be deemed a fixture and a real property improvement  
4 to the real property to which it is affixed. Physical removal of the  
5 manufactured home, mobilehome, or commercial modular shall  
6 thereafter be prohibited without the consent of all persons or  
7 entities who, at the time of removal, have title to any estate or  
8 interest in the real property to which the manufactured home,  
9 mobilehome, or commercial modular is affixed.

10 (5) For the purposes of this subdivision:

11 (A) “Physical removal” shall include, without limitation, the  
12 unattaching of the manufactured home, mobilehome, or commercial  
13 modular from the foundation system, except for temporary  
14 purposes of repair or improvement thereto.

15 (B) Consent to removal shall not be required from the owners  
16 of rights-of-way or easements or the owners of subsurface rights  
17 or interests in or to minerals, including, but not limited to, oil, gas,  
18 or other hydrocarbon substances.

19 (6) At least 30 days prior to a legal removal of the manufactured  
20 home, mobilehome, or commercial modular from the foundation  
21 system and transportation away from the real property to which it  
22 was formerly affixed, the manufactured home, mobilehome, or  
23 commercial modular owner shall notify the department and the  
24 county assessor of the intended removal of the manufactured home,  
25 mobilehome, or commercial modular. The department shall require  
26 written evidence that the necessary consents have been obtained  
27 pursuant to this section and shall require application for either a  
28 transportation permit or manufactured home, mobilehome, or  
29 commercial modular registration, as the department may decide  
30 is appropriate to the circumstances. Immediately upon removal,  
31 as defined in this section, the manufactured home, mobilehome,  
32 or commercial modular shall be deemed to have become personal  
33 property and subject to all laws governing the same as applicable  
34 to a manufactured home, mobilehome, or commercial modular.

35 (b) The installation of a manufactured home or a mobilehome  
36 on a foundation system as chattel shall be in accordance with  
37 Section 18613 and shall be deemed to meet or exceed the  
38 requirements of Section 18613.4. This subdivision shall not be  
39 construed to affect the application of sales and use or property  
40 taxes. No provisions of this subdivision are intended, nor shall

1 they be construed, to affect the ownership interest of any owner  
2 of a manufactured home or mobilehome.

3 (c) Once installed on a foundation system, a manufactured home,  
4 mobilehome, or commercial modular shall be subject to state  
5 enforced health and safety standards for manufactured homes,  
6 mobilehomes, or commercial modulares enforced pursuant to  
7 Section 18020.

8 (d) No local agency shall require that any manufactured home,  
9 mobilehome, or commercial modular currently on private property  
10 be placed on a foundation system.

11 (e) No local agency shall require that any manufactured home  
12 or mobilehome located in a mobilehome park be placed on a  
13 foundation system.

14 (f) No local agency shall require, as a condition for the approval  
15 of the conversion of a rental mobilehome park to a resident-owned  
16 park, including, but not limited to, a subdivision, cooperative, or  
17 condominium for mobilehomes, that any manufactured home or  
18 mobilehome located there be placed on a foundation system. This  
19 subdivision shall only apply to the conversion of a rental  
20 mobilehome park that has been operated as a rental mobilehome  
21 park for a minimum period of five years.

22 SEC. 8. Section 18866.2 of the Health and Safety Code is  
23 amended to read:

24 18866.2. Any notice of violation of this part, or any rule or  
25 regulation adopted pursuant thereto, issued by the enforcement  
26 agency shall be issued to the appropriate persons designated in  
27 Section 18867 and shall include a statement that any willful  
28 violation is a misdemeanor under Section 18874.

29 SEC. 9. Section 33334.29 of the Health and Safety Code is  
30 repealed.

31 SEC. 10. Section 33420.1 of the Health and Safety Code is  
32 amended to read:

33 33420.1. Within a project area, for any project undertaken by  
34 an agency for building rehabilitation or alteration in construction,  
35 an agency may take those actions which the agency determines  
36 necessary and which is consistent with local, state, and federal  
37 law, to provide for seismic retrofits as follows:

38 (a) For unreinforced masonry buildings, to meet the  
39 requirements of Appendix Chapter A1 of the current California

1 Existing Building Code (Part 10 of Title 24 of the California Code  
2 of Regulations).

3 (b) For any buildings that qualify as “historical property” under  
4 Section 37602, to meet the requirements of the State Historical  
5 Building Code (Part 2.7 (commencing with Section 18950) of  
6 Division 13) and the current California Historical Building Code  
7 (Part 8 of Title 24 of the California Code of Regulations).

8 (c) For buildings other than unreinforced masonry buildings  
9 and historical properties, to meet the requirements of Appendix  
10 A: Guidelines for the Seismic Retrofit of Existing Buildings of  
11 the International Existing Building Code unless superseding  
12 building standards for existing buildings are adopted in the  
13 California Building Code (Part 2 of Title 24 of the California Code  
14 of Regulations).

15 If an agency undertakes seismic retrofits and proposes to add  
16 new territory to the project area, to increase either the limitation  
17 on the number of dollars to be allocated to the redevelopment  
18 agency or the time limit on the establishing of loans, advances,  
19 and indebtedness established pursuant to paragraphs (1) and (2)  
20 of Section 33333.2, to lengthen the period during which the  
21 redevelopment plan is effective, to merge project areas, or to add  
22 significant additional capital improvement projects, as determined  
23 by the agency, the agency shall amend its redevelopment plan and  
24 follow the same procedure, and the legislative body is subject to  
25 the same restrictions, as provided for in Article 4 (commencing  
26 with Section 33330) for the adoption of a plan.

27 *SEC. 11. Section 50668.5 of the Health and Safety Code is*  
28 *amended to read:*

29 50668.5. For the purpose of providing financial assistance  
30 pursuant to this chapter utilizing bond proceeds transferred to the  
31 Housing Rehabilitation Loan Fund pursuant to paragraph (2) of  
32 subdivision (a) of Section 53130, paragraph (2) of subdivision (b)  
33 of Section 53130, and Sections 8878.20 and 8878.21 of the  
34 Government Code, deferred payment loans made with these funds  
35 shall be subject to all of the following special provisions, which  
36 shall prevail over conflicting provisions of this chapter:

37 (a) (1) Applications for fund commitments shall be accepted  
38 by the department at any time. Fund commitments shall be based  
39 on a ranking of applications, which shall occur at least once every  
40 three months until there are insufficient funds available to commit

1 according to this ranking. In making this ranking for rental housing  
2 developments, priority shall be given to those projects which (A)  
3 serve the greater number of eligible households as defined in  
4 Section 50105 with the lowest incomes, (B) provide the greater  
5 number of units with three or more bedrooms, (C) are located in  
6 areas where the housing need is great as determined by the  
7 department, taking into consideration, among other factors, low  
8 vacancy rates, high market rents, long waiting lists for subsidized  
9 housing, the stock of substandard housing, and the potential loss  
10 of subsidized rental housing to market-rate housing through  
11 demolition, foreclosure, or subsidy termination, (D) complement  
12 the implementation of an existing housing program, (E) maximize  
13 private, local, and other funding sources, and (F) maximize  
14 long-term benefits for eligible households, as defined in Sections  
15 50079.5 and 50105. Subparagraph (B) above shall not apply to  
16 applications for fund commitments submitted pursuant to Section  
17 50670 or to any application for residential hotels and motels. In  
18 making this ranking for owner-occupied housing, priority shall be  
19 given to those applications which (A) serve the greater number of  
20 eligible households, as defined in Section 50105, with the lowest  
21 income, (B) provide the greater number of units with three or more  
22 bedrooms, (C) are located in areas where the need for rehabilitation  
23 is great as determined by the department, taking into consideration,  
24 among other factors, the amount of substandard owner-occupied  
25 housing, low vacancy rates, and limited availability of affordable  
26 housing, (D) complement the implementation of an existing  
27 housing program, and (E) maximize available and appropriate  
28 private, local, and other funding sources. The department shall  
29 also evaluate the capability of the sponsor to rehabilitate, own, and  
30 manage the rental housing development or the capability of the  
31 applicant for funding for owner-occupied housing to implement  
32 the proposed program.

33 (2) Loans for rental housing developments may be reviewed,  
34 approved, and funded by the department directly to the sponsor.  
35 In these cases, the department shall ensure that the sponsor notifies  
36 the local legislative body of the sponsor's loan application prior  
37 to a funding award. Loans to owner-occupants may be made by  
38 local public entities or nonprofit corporations which have received  
39 fund commitments from the department. The department shall  
40 ensure that the local public entity or nonprofit corporation applying

1 for fund commitments for loans to owner-occupants notifies the  
2 local legislative body of the application prior to a funding award.  
3 When the department certifies a local public entity or nonprofit  
4 corporation as being capable of making these loans, the department  
5 shall delegate responsibility for reviewing and approving these  
6 loans to the local public entity or nonprofit corporation. If it is  
7 determined by the department that the local public entity or  
8 nonprofit corporation is no longer capable of making or managing  
9 these loans, the department may, at its sole discretion, revoke that  
10 delegation of responsibility or cancel the funding commitment to  
11 the local public entity or nonprofit corporation, or both. The  
12 department's regulations shall include procedures and standards  
13 for certification and decertification.

14 (3) A sponsor may apply for loans for one or more rental housing  
15 developments.

16 (b) (1) A housing development may utilize any combination  
17 of federal, state, local, and private financial resources necessary  
18 to make the development affordable, for the term of the state's  
19 regulatory agreement, to the eligible households. Notwithstanding  
20 the requirements of Section 50663, rental housing developments  
21 and owner-occupied units assisted by the program may be located  
22 anywhere in the state.

23 (2) In the case of loans for rental housing developments awarded  
24 to nonprofit sponsors, the total secured debt in a superior position  
25 to the department's loan, plus the department's loan, shall not  
26 exceed 100 percent of the after rehabilitation value of the property,  
27 as determined by an appraisal of the property conducted pursuant  
28 to guidelines established in regulations of the department.

29 (3) The maximum loan amounts per unit established in  
30 regulations pursuant to Section 50670 shall also apply to rental  
31 housing developments rehabilitated or acquired and rehabilitated  
32 pursuant to paragraph (1) of subdivision (a) of Section 50661,  
33 except that there shall not be a maximum loan amount established  
34 per project. These dollar limitations may be increased by the  
35 department, as necessary, in high-cost areas of the state or where  
36 the correction of severe health and safety defects or the provisions  
37 of handicapped accessibility standards necessitate greater  
38 assistance. The department, by regulation, may specify unit loan  
39 limits for loans made for owner-occupied housing and the

1 circumstances under which it may grant exceptions to, or variances  
2 from, these limits.

3 (4) (A) Loans made to sponsors of rental housing developments  
4 for acquisition and rehabilitation shall be for terms of not less than  
5 30 years. Loans made to sponsors of rental housing developments  
6 for rehabilitation only shall be for terms of not less than 20 years.  
7 However, the term shall not exceed the useful life of the rental  
8 housing development for which the loan is made. The sponsor may  
9 elect to begin to repay the loan at any time in accordance with the  
10 prepayment plan established in accordance with paragraph (6), if  
11 it is determined by the department, that the sponsors can continue  
12 to maintain the rents at levels affordable to eligible households.

13 (B) The term of the loan and the time for repayment may be  
14 extended by the department for additional ~~10-year~~ terms as long  
15 as the rental housing development is operated in a manner  
16 consistent with the regulatory agreement and the sponsor requires  
17 an extension in order to continue to operate in a manner consistent  
18 with this chapter. *Each extension shall be for a period of not less*  
19 *than 10 years and the total term of the revised loan shall not exceed*  
20 *55 years.*

21 (5) (A) In the case of loans made for rental housing  
22 developments, eligible costs shall include those costs relating to  
23 (i) real property acquisition, including refinancing of existing debt  
24 to the extent necessary to reduce debt service to a level consistent  
25 with the provision of affordable rents and the fiscal integrity of  
26 the project; (ii) rehabilitation or reconstruction, including the  
27 conversion of nonresidential structures to residential use; (iii)  
28 general property improvements which are necessary to correct  
29 unsafe, unhealthy, or unsanitary conditions, including renovations  
30 and remodeling, including, but not limited to, remodeling of  
31 kitchens and bathrooms, installation of new appliances,  
32 landscaping, and purchase or installation of central air conditioning;  
33 (iv) necessary and related onsite improvements; (v) reasonable  
34 administrative expenses in connection with the planning and  
35 execution of the project, as determined by the department; (vi)  
36 reasonable consulting costs; (vii) rent-up costs; (viii) seismic  
37 rehabilitation improvements; and (ix) any other costs of  
38 rehabilitation authorized by the department. “Rent-up costs,” as  
39 used in this section, means costs incurred while a unit is on the  
40 housing market but not rented to its first tenant. “Seismic

1 rehabilitation improvements,” as used in this section, means  
2 improvements which are designed to increase seismic structural  
3 safety in accordance with a plan developed by a civil engineer, a  
4 structural engineer, or an architect for a particular building that  
5 has been identified as hazardous by the city or county in which  
6 the building is located in accordance with the criteria established  
7 by the Seismic Safety Commission pursuant to Section 8875.1 of  
8 the Government Code or in accordance with a previously adopted  
9 city or county seismic safety ordinance adopted pursuant to Section  
10 19163.

11 (B) In the case of loans made for owner-occupied housing,  
12 eligible costs shall include those costs relating to (i) rehabilitation  
13 work expenses; (ii) cost of room additions necessary to alleviate  
14 overcrowding; (iii) costs of general property improvements  
15 including renovations and remodeling, including, but not limited  
16 to, remodeling of kitchens and bathrooms, installation of new  
17 appliances, landscaping and purchase or installation of central air  
18 conditioning, to the extent that they are necessary to correct unsafe,  
19 unhealthy, or unsanitary conditions; (iv) costs related to necessary  
20 architectural, engineering, and other technical consultants; (v)  
21 costs of preliminary reports, title policies, credit reports, appraisal  
22 reports, and fees for recording documents related to the  
23 department’s loans; (vi) costs of building permits and other  
24 governmental fees; and (vii) if in conjunction with other  
25 rehabilitation work, costs for improvements related to making the  
26 housing accessible to the handicapped.

27 (C) Notwithstanding the provisions of Section 53130 which  
28 limit the use of allocated proceeds with respect to project operating  
29 costs, and Sections 53131 and 53133, the department may set aside  
30 or use any amounts available in the fund to establish a rental  
31 housing development default reserve for the purpose of curing or  
32 avoiding a sponsor’s defaults on the terms of any loan or other  
33 obligation which jeopardizes the financial integrity of a rental  
34 housing development or the department’s security in the rental  
35 housing development. The payment or advance of funds by the  
36 department pursuant to this subparagraph shall be solely within  
37 the discretion of the department and no sponsor shall be entitled  
38 to or have any right to payment of these funds. Funds advanced  
39 pursuant to this subparagraph shall be added to the loan amount

1 secured by the deed of trust and shall be payable to the department  
2 upon demand.

3 (D) Notwithstanding the provisions of Section 53130 which  
4 limit the use of allocated proceeds with respect to project operating  
5 costs, or Sections 53131 and 53133, the department may set aside  
6 or use proceeds in the fund in an amount not to exceed 3 percent  
7 of the amount of encumbrances for loans for owner-occupied  
8 housing to establish an owner-occupied housing default reserve  
9 for the purpose of curing or avoiding an owner's default on the  
10 terms of any loan or other obligation which jeopardizes the  
11 department's security in the owner-occupied housing. The payment  
12 or advance of funds by the department pursuant to this  
13 subparagraph shall be solely within the discretion of the  
14 department, and no homeowner shall be entitled to, or have any  
15 right to payment of, these funds. Funds advanced pursuant to this  
16 subparagraph shall be added to the loan amount secured by the  
17 deed of trust and shall be payable to the department upon demand.  
18 Interest payments from loans for owner-occupied housing shall  
19 be allocated by the department into this reserve to replace the  
20 allocated proceeds until the percent established by the department  
21 is achieved solely with interest payments.

22 (6) Upon request of the sponsor, the department may permit  
23 repayment of a sponsor's loan on the basis of net cash-flow. The  
24 department shall develop a prepayment plan in conjunction with  
25 the sponsor which will ensure the maintenance of affordable rents  
26 and the fiscal integrity of the rental housing development. As an  
27 incentive to encourage the prepayment of loans, the department  
28 may permit the sponsor to retain one-half of the net cash-flow.  
29 The department shall determine the method for calculating net  
30 cash-flow, which may include a factor for excess debt service  
31 coverage or a return on cash investment to the sponsor.

32 (7) If a loan is made pursuant to this chapter for both seismic  
33 rehabilitation improvements and other eligible rehabilitation costs,  
34 only those costs related to the seismic rehabilitation improvements  
35 shall be counted and included for purposes of the fund reservation  
36 made by Section 8878.20 of the Government Code.

37 (c) Principal and accumulated interest is due and payable upon  
38 completion of the term of the loan. The loan shall bear interest at  
39 the rate of 3 percent per annum on the unpaid principal balance.  
40 However, the department shall reduce or eliminate interest

1 payments on a loan for any year or, alternatively, defer interest  
2 until the deferred payment loan is repaid, if necessary to provide  
3 affordable rents to households of very low and low income. The  
4 ability to pay all or part of the 3 percent simple annual interest  
5 shall not be considered in determining the fiscal integrity of the  
6 rental housing development at the time of the rating and ranking  
7 of an application.

8 (1) “Maintain affordable rent levels,” as used in this section,  
9 means rents may be automatically increased by the sponsor on an  
10 annual basis pursuant to an inflation index to be determined by  
11 the department. The inflation index shall reflect anticipated annual  
12 changes in rental housing development operating costs from a base  
13 year when the rents are initially established. Any sponsor may  
14 appeal to the department for a greater adjustment in rents necessary  
15 to ensure the fiscal integrity of the rental housing development. If  
16 the department does not respond within 60 days, the request shall  
17 be deemed approved. A 30-day written notice shall be given to  
18 each eligible household prior to an adjustment in the amount of  
19 rent.

20 (2) (A) Upon prior written approval by the department, a  
21 sponsor may set income limits for incoming tenants at a level  
22 below the limit specified in Section 50079.5. If a tenant’s income  
23 exceeds this income limit established by the sponsor, but does not  
24 exceed the limit specified in Section 50079.5, that fact alone shall  
25 neither constitute cause for the tenant’s eviction, nor be a violation  
26 of the sponsor’s loan agreement. If a tenant’s income exceeds the  
27 income limit for a household specified in Section 50079.5, the  
28 tenant shall be required to vacate the assisted unit within six months  
29 from the date of income recertification or notice to the sponsor of  
30 an increase in income over the permissible income level. That  
31 period may be extended by the sponsor for an additional six-month  
32 period in high cost rental areas with low vacancy rates, as  
33 determined by the department. Any vacant units shall be rented to  
34 eligible households until the required residency by eligible  
35 households is attained.

36 (B) In the case of limited equity housing cooperatives, the  
37 provisions of this paragraph shall apply, except that tenants whose  
38 incomes, upon recertification, exceed the limit specified in Section  
39 50079.5 shall not be required to vacate their units. Instead, and  
40 upon six months’ notice, these tenants shall be required to pay rent

1 in an amount equal to the market rate rent for comparable units,  
2 as determined by the department. When a tenant's income exceeds  
3 the limit specified in Section 50079.5, the next available  
4 membership share for occupancy in a comparable unit shall be  
5 sold to a household with an income at or below this limit.

6 (3) When operating income as defined by the department is  
7 greater than operating expenses, debt service, deposits required  
8 for reserve accounts, payments pursuant to paragraph (6) of  
9 subdivision (b) if elected by the sponsor, approved annual  
10 distributions, and any other disbursements approved by the  
11 department, these excess funds shall be paid into an account  
12 established in the fund. Funds in this account shall be appropriated  
13 to the department for use to assist rental housing developments  
14 funded pursuant to this section with proceeds of bonds issued  
15 pursuant to Chapter 27 of the Statutes of 1988, Chapter 30 of the  
16 Statutes of 1988, or Chapter 48 of the Statutes of 1988, subject to  
17 the following requirements:

18 (i) Excess funds in the account shall be allocated first into the  
19 rental housing development default reserve established pursuant  
20 to subparagraph (C) of paragraph (5) of subdivision (b). The  
21 balance of this default reserve shall not exceed the maximum level  
22 of funding established by regulations adopted by the department.

23 (ii) After the rental housing development default reserve is fully  
24 funded with these excess funds, the department shall use all  
25 additional excess funds in the account for payment of either  
26 unforeseen capital improvements, the cost of which would  
27 jeopardize the fiscal integrity and affordability of a rental housing  
28 development, or to further reduce rents in a rental housing  
29 development. The department may adopt regulations which specify  
30 the procedures and standards for application for, and use of, these  
31 funds. Those payments used for capital improvements shall be  
32 added to the loan amount secured by the deed of trust and shall be  
33 payable to the department upon demand.

34 (d) Prior to disbursement of any funds for loans to rental housing  
35 developments made pursuant to this section, the department shall  
36 enter into a regulatory agreement with the sponsor in accordance  
37 with subdivision (d) of Section 50670, except that (1) the term of  
38 the regulatory agreement shall be for the original term of the loan  
39 and the agreement shall be binding upon the sponsor and successors  
40 in interest upon sale or transfer of the rental housing development

1 or prepayment of the loan and (2) a nonprofit sponsor, other than  
2 a governmental agency, may maintain a debt service coverage  
3 ratio of 115 percent and distribute earnings in an amount no greater  
4 than 8 percent of the nonprofit sponsor's actual investment. The  
5 regulatory agreement also shall contain provisions requiring annual  
6 inspections and review of year-end fiscal audits and related reports  
7 by the department and provisions to maintain affordable rent levels  
8 to serve eligible households.

9 (e) Where loans will be used in conjunction with federal or other  
10 housing assistance or tax credits and a conflict exists between the  
11 other state or federal program requirements and those of this  
12 chapter with respect to the calculation of rents, the requirements  
13 of the Deferred Payment Rehabilitation Loan Program and the  
14 Special User Housing Rehabilitation Program may be waived only  
15 to the extent necessary to permit federal or other state financial  
16 participation or eligibility for tax credits.

17 (f) "Sponsor," for purposes of this section, has the same meaning  
18 as defined in subdivision (c) of Section 50669.

19 (g) (1) The department shall adopt emergency regulations to  
20 implement this chapter and to amend the maximum loan amounts  
21 per unit established in regulations adopted pursuant to Section  
22 50670, with respect to loans made with funding subject to this  
23 section. The regulations shall be conclusively presumed to be  
24 necessary for the immediate preservation of the public peace,  
25 health, safety, or general welfare within the meaning or purposes  
26 of Section 11346.1 of the Government Code.

27 (2) Notwithstanding conflicting provisions of this chapter, the  
28 department may elect to make the regulations referred to in  
29 paragraph (1) additionally applicable until December 31, 1993, to  
30 all other deferred payment loan programs authorized by this  
31 chapter, except the programs specified in Sections 50662.5 and  
32 50671, if the department determines that the uniformity achieved  
33 thereby will avoid significant additional administrative costs.

34 (h) For purposes of this section, "rental housing development"  
35 means a single family house or a multifamily structure or structures  
36 containing two or more dwelling units, including efficiency units.  
37 One or more of the dwelling units in a rental housing development  
38 shall be rented or leased or otherwise occupied as a primary  
39 residence by a person or household who is not the owner of the  
40 structure or structures. For the purposes of this section, motels

1 operated pursuant to subdivision (b) of Section 50669, residential  
2 hotels, group or congregate homes, and limited equity housing  
3 cooperatives are rental housing developments. Except for motels,  
4 the limitations concerning types of residents and minimum number  
5 of units set forth in subdivision (b) of Section 50669 shall not  
6 apply.

7 (i) “Affordable rent” for the purposes of this section shall be  
8 established by the department in the regulations authorized by  
9 subdivision (g). However, the initial rents shall be established by  
10 the department based on a designated family size for each unit  
11 size, and those initial rents shall not exceed 30 percent of 50  
12 percent of the area median income adjusted by that designated  
13 family size for units restricted to occupancy by very low income  
14 households; or 30 percent of 60 percent of area median income  
15 adjusted by that designated family size for units restricted to  
16 occupancy by low-income households. In establishing affordable  
17 rent levels, the department shall make provision in its regulations  
18 for projects serving the physically and mentally handicapped  
19 persons.

20 *SEC. 12. Section 50771.1 of the Health and Safety Code is*  
21 *amended to read:*

22 50771.1. For the purpose of providing deferred payment loans  
23 pursuant to this chapter for the development costs of rental housing  
24 developments utilizing moneys transferred to the Rental Housing  
25 Construction Fund pursuant to paragraph (1) of subdivision (a) of  
26 Section 53130 and paragraph (1) of subdivision (b) of Section  
27 53130, the following special provisions shall prevail over  
28 conflicting provisions of this chapter:

29 (a) (1) Applications for fund commitments shall be accepted  
30 by the department at any time. Fund commitments shall be based  
31 on a ranking of applications which shall occur at least once every  
32 three months until there are insufficient funds available to make  
33 commitments according to the ranking. In making this ranking,  
34 notwithstanding Sections 50737 and 50737.5, priority shall be  
35 given to projects which (A) maximize program benefits to eligible  
36 households, as defined in Section 50105 with the lowest incomes,  
37 (B) maximize program benefits to eligible households needing  
38 assisted units with three or more bedrooms, (C) are located in areas  
39 where the housing need is great, as determined by the department,  
40 taking into consideration, among other factors, variations in local

1 development costs, low vacancy rates, high market rents, and long  
2 waiting lists for subsidized housing, (D) complement the  
3 implementation of an existing housing program, (E) maximize  
4 private, local, and other funding sources, (F) are economically  
5 feasible given local market conditions, and (G) maximize the  
6 number of units which can be assisted under the program, relative  
7 to variances in market conditions for the development of rental  
8 housing. Subparagraph (B) above does not apply to applications  
9 for residential hotels.

10 (2) All loans shall be made directly from the department to the  
11 housing sponsor which applies to the department and will own,  
12 operate, and develop the housing development. The sponsor shall  
13 notify the local legislative body of its loan application prior to the  
14 funding award.

15 (3) A sponsor may apply for awards for one or more rental  
16 housing developments.

17 (4) The department shall evaluate the capability of the sponsor  
18 to own, construct, and manage the rental housing development.

19 (b) (1) A rental housing development may utilize any  
20 combination of federal, state, local, and private financial resources  
21 necessary to make the development affordable, for the term of the  
22 state's regulatory agreement, to eligible households.

23 (2) (A) Loans to sponsors of housing developments shall be  
24 for a term not less than 40 years. After 30 years from the time the  
25 loan is made, the sponsor shall begin to repay the loan in  
26 accordance with a payment plan, as determined by the department,  
27 that will maintain the rents affordable to eligible households.

28 (B) The term of the loan and the time for repayment may be  
29 extended by the department for additional ~~10-year~~ terms as long  
30 as the rental housing development is operated in a manner  
31 consistent with the regulatory agreement and the sponsor requires  
32 an extension in order to continue to operate in a manner consistent  
33 with this chapter. *Each extension shall be for a period of not less*  
34 *than 10 years and the total term of the revised loan shall not exceed*  
35 *55 years.*

36 (C) Loans provided under this section shall bear an interest rate  
37 of 3 percent per annum. The department, by regulations, shall  
38 establish the conditions under which the interest may be reduced,  
39 waived, or deferred. At the request of the sponsor, the department  
40 may charge a higher interest rate.

1 (3) (A) Development costs shall include reasonable consulting  
2 fees, and other reasonable administrative expenses in connection  
3 with the planning and execution of the rental housing development,  
4 as determined by the department, and initial funding of emergency  
5 reserves, as required by the department. The development costs  
6 also shall further include the acquisition and completion of  
7 construction of a rental housing development where construction  
8 has halted due to financial distress, as determined by the  
9 department.

10 (B) A rental housing development shall include residential  
11 hotels, as defined in subdivision (b) of Section 50669, and group  
12 homes.

13 (4) The sponsor shall maintain an emergency reserve to defray  
14 unanticipated cost increases or revenue shortfalls to maintain the  
15 fiscal integrity of the rental housing development and maintain  
16 affordable rents for eligible households.

17 (5) The department, by regulation, shall specify minimum equity  
18 requirements not to exceed 10 percent of total project development  
19 costs. This requirement does not apply to proposed projects where  
20 assisted units are less than 80 percent of the total number of units.

21 The department, by regulation, shall define “equity” for the  
22 purposes of this section, which shall include, but shall not be  
23 limited to, cash, real property, items of personal property having  
24 monetary value contributed by the sponsor and applied toward  
25 project costs, and the capitalized value of any exemption from  
26 local taxes on real property.

27 (6) The department, by regulation, may specify per-unit loan  
28 limits and circumstances under which it may grant exceptions to,  
29 or variances from, these limits. The loan amount shall not exceed  
30 either 100 percent of the development costs attributable to the  
31 assisted units or the amount necessary to maintain affordable rents  
32 for the assisted units, as determined by the department.

33 (c) (1) Initial rents, including a reasonable utility allowance,  
34 for assisted units reserved for occupancy by very low income  
35 households, and for all assisted units in residential hotels and group  
36 homes, shall not exceed 30 percent of 35 percent of area median  
37 income, adjusted by unit size. Initial rents, including a reasonable  
38 utility allowance, for assisted units reserved for occupancy by  
39 lower income households shall not exceed 30 percent of 60 percent  
40 of area median income, adjusted by unit size. The department, by

1 regulation, shall specify the method for adjusting rents by unit size  
2 and for computing allowances for utility costs.

3 (2) The department shall develop an inflation index reflecting  
4 the annual anticipated changes in rental housing development  
5 operating costs from a base year. The inflation index shall be used  
6 by the sponsor to adjust the initial rent of each unit occupied by  
7 an eligible household to determine the annual rent. Any sponsor  
8 may appeal to the department for a greater adjustment in rents  
9 necessary to ensure the fiscal integrity of the housing development.  
10 If the department does not respond within 60 days, the request  
11 shall be deemed approved. A 30-day written notice shall be given  
12 to each eligible household prior to an adjustment in the amount of  
13 rent.

14 (3) Upon prior written approval by the department, a sponsor  
15 may set income limits for occupancy of assisted units designated  
16 for lower income households at a level below the limit specified  
17 in Section 50079.5. If a tenant's income exceeds this income limit  
18 established by the sponsor, but does not exceed the limit specified  
19 in Section 50079.5, that fact alone shall neither constitute cause  
20 for the tenant's eviction, nor be a violation of the sponsor's loan  
21 agreement.

22 (4) The monthly rent including a reasonable utility allowance  
23 may be reduced by the sponsor, to make the units affordable to  
24 the lowest income household possible as long as the project remains  
25 economically feasible.

26 (5) (A) If a household's income exceeds the standard pursuant  
27 to which it was accepted for tenancy, that fact alone shall neither  
28 constitute cause for the household's immediate eviction nor be a  
29 violation of the owner's or sponsor's loan agreement.

30 (B) If, after annual income certification, an assisted unit becomes  
31 occupied by a household which does not meet the income limits  
32 specified in Section 50105, that household shall be permitted to  
33 continue to occupy that assisted unit. When there is a vacancy in  
34 an assisted unit formerly occupied by a household which meets  
35 the income limits specified in Section 50079.5, that unit shall be  
36 rented to a household which meets the income limits specified in  
37 Section 50105.

38 (C) If, after annual income certification, an assisted unit becomes  
39 occupied by a household which does not meet the income limits  
40 specified in Section 50079.5, that household shall be provided a

1 six-month notice of termination. That period may be extended for  
2 an additional six-month period in high cost rental areas with low  
3 vacancy rates, as determined by the department. That household  
4 shall have first right of refusal to occupy any nonassisted unit  
5 which becomes available during both periods.

6 (D) In the case of limited equity housing cooperatives, the  
7 provisions of subparagraph (C) shall apply, except that tenants  
8 whose incomes, upon recertification, exceed the limit specified in  
9 Section 50079.5 shall not be required to vacate their units. Instead,  
10 and upon six months' notice, these tenants shall be required to pay  
11 rent in an amount equal to the market rate rent for comparable  
12 units, as determined by the department. When a tenant's income  
13 exceeds the limit specified in Section 50079.5, the next available  
14 membership share for occupancy in a comparable unit shall be  
15 sold to a household with an income at or below this limit.

16 (d) (1) The department may contract with the sponsor to pay  
17 all or a portion of the development costs incurred in connection  
18 with the construction of a rental housing development consistent  
19 with the requirements of this article. The department shall include  
20 such provisions in the contract as are necessary to ensure  
21 compliance with the requirements of the program.

22 Any rental housing development assisted pursuant to this article  
23 shall be governed by a regulatory agreement between the sponsor  
24 and the department. The regulatory agreement shall be recorded  
25 or referenced in a recorded document in the office of the county  
26 recorder for the county in which the rental housing development  
27 is located. The regulatory agreement shall contain at least all of  
28 the following:

29 (A) Restrictions on occupancy of dwelling units within the rental  
30 housing development, to meet the requirements of Section 50736  
31 and this section for a period of at least 40 years.

32 (B) Provisions governing standards for tenant selection to ensure  
33 occupancy by eligible households of very low and low income for  
34 the term of the regulatory agreement.

35 (C) Provisions governing occupancy standards and rental  
36 agreements.

37 (D) Provisions for setting initial rents and rent increases  
38 consistent with paragraph (1) of subdivision (c) of Section 50771.1.  
39 Prior to the time any rent increase is effective, the sponsor shall  
40 notify every affected tenant, in writing, of the availability of

1 informal meetings with the sponsor to review the proposed rent  
2 increase. Each tenant, upon request, shall be provided the  
3 information submitted to the department pursuant to this  
4 subdivision.

5 (E) A requirement that the sponsor submit to the department  
6 for review and approval, annual operating budgets and periodic  
7 reports, which shall at a minimum include information on the fiscal  
8 condition of the rental housing development, the maintenance of  
9 the development, and the number of units occupied by eligible  
10 households.

11 (F) Provisions limiting distribution of sponsor's earnings as  
12 specified in paragraph (4).

13 (G) A provision which specifies the conditions under which the  
14 department and any intended beneficiary may enforce the  
15 regulatory agreement.

16 (H) Any other provisions necessary to carry out the purposes  
17 and to exercise the powers granted by this chapter.

18 The regulatory agreement shall be recorded against the property  
19 and shall be deemed a covenant running with the land and shall  
20 be binding upon the sponsor and any and all successors in interest  
21 in case of sale or transfer of the rental housing development for  
22 the original term of the loan, and any extensions thereof, regardless  
23 of any prepayment of the loan.

24 The department, by regulation, may require such other  
25 documents, instruments, and agreements as are reasonable and  
26 necessary to ensure compliance with the program requirements.

27 (2) The contract for the award of development funds to be  
28 provided as construction financing for a rental housing  
29 development shall contain at a minimum the provisions specified  
30 in Section 50766, excluding therefor subdivisions (j), (k), and (l).

31 (3) All state contracts and regulatory or development agreements  
32 subject to this article shall contain provisions requiring that assisted  
33 units remain affordable to eligible households for 40 years plus  
34 any permitted extension.

35 (4) A nonprofit sponsor, other than a governmental agency, may  
36 maintain a debt service coverage ratio of not more than 115 percent  
37 and distribute earnings from both assisted and nonassisted units  
38 in an amount no greater than 8 percent of the nonprofit sponsor's  
39 actual investment in the rental housing development. A for-profit  
40 sponsor may choose between the following options:

1 (A) It may distribute earnings from both assisted and nonassisted  
2 units in an annual amount no greater than 8 percent of its actual  
3 investment in the rental housing development.

4 (B) It may forego distribution of earnings from assisted units,  
5 and not be subject to any limitation on the amount of distributions  
6 it receives from nonassisted units.

7 (e) Where loans will be used in conjunction with federal and  
8 other state housing assistance or tax credit and a conflict exists  
9 between the other state and federal program requirements and this  
10 chapter regarding the test for determining a qualified low-income  
11 housing project, the requirements of the Rental Housing  
12 Construction Program may be waived only to the extent necessary  
13 to permit the federal or other state financial participation or  
14 eligibility for tax credits.

15 (f) (1) The department shall establish specific minimum  
16 development criteria to (A) ensure that the useful life of the rental  
17 housing development is at least equal to the term of the loan; (B)  
18 enhance the physical security of the tenants; (C) minimize  
19 long-term operating and maintenance costs; and (D) ensure that  
20 project design features and amenities are modest.

21 (2) No energy standards shall be required of any housing  
22 development in excess of the energy standards required for housing  
23 developments financed by conventional funding sources.

24 (3) The department shall employ a licensed architect or an  
25 experienced building inspector, or both, to review plans, inspect,  
26 and monitor construction of, rental housing developments.

27 (g) A sponsor of a housing development may receive payments  
28 from the annuity fund pursuant to Section 50738 to the extent that  
29 there are unobligated moneys available in the fund.

30 (h) The department shall establish an emergency reserve account  
31 in the Rental Housing Construction Fund established pursuant to  
32 Section 50740 equal to 3 percent of the moneys transferred to that  
33 fund pursuant to Section 53130.

34 Moneys transferred to the fund pursuant to Section 53130 shall  
35 not be subject to the requirements of Section 50770 or be used to  
36 ensure economic feasibility or enable construction pursuant to  
37 Section 50738. Notwithstanding the provisions of Sections 53130  
38 and 53133, the department may expend moneys in the account to  
39 defray unanticipated cost increases or revenue shortfalls not  
40 covered by a rental housing development emergency reserve to

1 the extent necessary to maintain the fiscal integrity of a rental  
2 housing development and maintain affordable rents for eligible  
3 households.

4 Notwithstanding the provisions of Section 53130 which limit  
5 the use of allocated proceeds with respect to project operating  
6 costs, and Section 53133, the department may use any amounts  
7 available in the account for the purpose of curing or avoiding a  
8 sponsor's defaults on the terms of any loan or other obligation  
9 which will jeopardize the financial integrity of a rental housing  
10 development or the department's security in the rental housing  
11 development. The payment or advance of any funds by the  
12 department pursuant to this subdivision shall be solely within the  
13 discretion of the department, and no sponsor shall be entitled to,  
14 or have any right to, payment of these funds. Funds advanced  
15 pursuant to this subdivision shall be added to the loan amount  
16 secured by the deed of trust and shall be payable to the department  
17 upon demand.

18 *SEC. 13. Section 50893 of the Health and Safety Code is*  
19 *amended to read:*

20 50893. The department shall make, or undertake commitments  
21 to make, construction or rehabilitation loans, including land  
22 acquisition costs, and mortgage loans in accordance with  
23 subdivisions (a) and (c) for new construction, and subdivisions (b)  
24 and (c) for rehabilitation, to sponsors to finance the development  
25 of community housing developments and congregate housing  
26 developments. The development cost payments may be provided  
27 as loans to be repaid at 3 percent interest and payments of principal  
28 or interest, or both, may be deferred or made payable over a period  
29 of time. For these purposes, the department shall enter into  
30 regulatory agreements and other agreements, and security  
31 documents, with the sponsors receiving funds from the fund. Upon  
32 the recordation, the regulatory agreement and all other agreements  
33 or documents included or incorporated by reference within the  
34 regulatory agreement shall constitute enforceable restrictions upon  
35 the property for the term of the loan. The term of the loan and its  
36 schedule for repayment may be extended by the department for  
37 additional ~~10-year~~ periods as long as the community housing  
38 development or congregate housing development is operated in a  
39 manner consistent with the regulatory agreement and the sponsor  
40 needs an extension in order to continue to operate the community

1 housing development or congregate housing development in a  
 2 manner consistent with this chapter. *Each extension shall be for*  
 3 *a period of not less than 10 years and the total term of the revised*  
 4 *loan shall not exceed 55 years.* However, the term of any loan,  
 5 including any extension thereof, shall not exceed the useful life of  
 6 the community or congregate housing development for which the  
 7 loan is made.

8 (a) Loans to sponsors for new construction of community  
 9 housing developments or congregate housing developments shall  
 10 be for terms not less than 40 years. After 30 years from the time  
 11 the loans are made, the sponsor shall begin to repay the loan in  
 12 accordance with a payment plan, as determined by the department,  
 13 that shall maintain the rents affordable to eligible households.

14 (b) Loans made to sponsors of community housing developments  
 15 or congregate housing developments for acquisition and  
 16 rehabilitation shall be for terms of not less than 30 years. Loans  
 17 made to sponsors of community housing developments or  
 18 congregate housing developments for rehabilitation shall only be  
 19 for terms of not less than 20 years. The sponsor may elect to begin  
 20 to repay the loan at any time in accordance with a payment plan,  
 21 as approved by the department, that shall maintain the rents at  
 22 levels affordable to eligible households.

23 (c) Notwithstanding any loan payment plan approved by the  
 24 department, the department may permit the prepayment of a loan  
 25 at any time, on the basis of net cash-flow of a development,  
 26 provided that the term of the regulatory agreement shall not be  
 27 reduced due to any prepayment.

28 ~~SEC. 11.~~

29 *SEC. 14.* Section 2705 of the Public Resources Code is  
 30 amended to read:

31 2705. (a) A city, county, and city and county shall collect a  
 32 fee from each applicant for a building permit. Each fee shall be  
 33 equal to a specific amount of the proposed building construction  
 34 for which the building permit is issued as determined by the local  
 35 building officials. The fee amount shall be assessed in the following  
 36 way:

37 (1) Group R occupancies, as defined in the California Building  
 38 Code (Part 2 of Title 24 of the California Code of Regulations),  
 39 one to three stories in height, except hotels and motels, shall be

1 assessed at the rate of ten dollars (\$10) per one hundred thousand  
2 dollars (\$100,000), with appropriate fractions thereof.

3 (2) All other buildings shall be assessed at the rate of twenty-one  
4 dollars (\$21) per one hundred thousand dollars (\$100,000), with  
5 appropriate fractions thereof.

6 (3) The fee shall be the amount assessed under paragraph (1)  
7 or (2), depending on building type, or fifty cents (\$0.50), whichever  
8 is the higher.

9 (b) (1) In lieu of the requirements of subdivision (a), a city,  
10 county, and city and county may elect to include a rate of ten  
11 dollars (\$10) per one hundred thousand dollars (\$100,000), with  
12 appropriate fractions thereof, in its basic building permit fee for  
13 any Group R occupancy defined in paragraph (1) of subdivision  
14 (a), and a rate of twenty-one dollars (\$21) per one hundred  
15 thousand dollars (\$100,000), with appropriate fractions thereof,  
16 for all other building types. A city, county, and city and county  
17 electing to collect the fee pursuant to this subdivision need not  
18 segregate the fees in a fund separate from any fund into which  
19 basic building permit fees are deposited.

20 (2) “Building,” for the purpose of this chapter, is any structure  
21 built for the support, shelter, or enclosure of persons, animals,  
22 chattels, or property of any kind.

23 (c) (1) A city, county, and city and county may retain up to 5  
24 percent of the total amount it collects under subdivision (a) or (b)  
25 for data utilization, for seismic education incorporating data  
26 interpretations from data of the strong-motion instrumentation  
27 program and the seismic hazards mapping program, and, in  
28 accordance with paragraph (2), for improving the preparation for  
29 damage assessment after strong seismic motion events.

30 (2) A city, county, and city and county may use any funds  
31 retained pursuant to this subdivision to improve the preparation  
32 for damage assessment in its jurisdiction only after it provides the  
33 Department of Conservation with information indicating to the  
34 department that data utilization and seismic education activities  
35 have been adequately funded.

36 (d) Funds collected pursuant to subdivisions (a) and (b), less  
37 the amount retained pursuant to subdivision (c), shall be deposited  
38 in the Strong-Motion Instrumentation and Seismic Hazards  
39 Mapping Fund, as created by Section 2699.5 to be used exclusively

1 for purposes of this chapter and Chapter 7.8 (commencing with  
2 Section 2690).  
3 ~~SEC. 12.~~  
4 *SEC. 15.* Section 2706 of the Public Resources Code is  
5 repealed.

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