

AMENDED IN SENATE SEPTEMBER 3, 2013

AMENDED IN SENATE JUNE 24, 2013

AMENDED IN ASSEMBLY MAY 24, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 523

Introduced by Assembly Members Ammiano and Brown
(Principal coauthor: Senator Leno)

February 20, 2013

An act to add Section 50406.7 to the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

AB 523, as amended, Ammiano. Department of Housing and Community Development: loans.

Existing law authorizes the Department of Housing and Community Development to make advance payments to eligible borrowers and grantees under certain loan or grant programs for housing, if the department makes specified determinations.

This bill would additionally authorize the department to reduce the interest rate on any loan issued by the department to a rental housing development to as low as ~~0%~~ *0.42% per annum, or a rate determined by the department that is sufficient to cover the costs of project monitoring, as specified*, if the development meets specified requirements. The bill would also authorize the department to change the current interest rate for any loan for which it receives a loan extension request associated with an award of federal or state low-income housing tax credits made on or after January 1, 2014, to the most recently published applicable federal rate, as specified, and to

forgive an amount of accrued interest if the total amount of debt and accrued interest at the end of the loan term would be greater after making this change than it would have been under the original interest rate. *The bill would also authorize the department to charge a fee sufficient to cover administrative costs associated with a loan modification requested by a borrower.*

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 50406.7 is added to the Health and Safety
2 Code, to read:
3 50406.7. (a) Notwithstanding any other law, the department
4 is authorized to reduce the interest rate on any loan issued by the
5 department to a rental housing development to as low as ~~0 percent~~
6 *forty-two hundredths of 1 percent (0.42%) per annum, or a rate*
7 *determined by the department that is sufficient to cover the costs*
8 *of project monitoring described in subdivision (c) of Section*
9 *50675.6, whichever is greater, if the development meets all of the*
10 *following requirements:*

11 (1) The development has no other debt with regularly scheduled
12 or amortizing debt service payments.
13 (2) The development will utilize low-income housing tax credits.
14 (3) The sponsor provides evidence acceptable to the department
15 that demonstrates that the loan issued by the department is not
16 eligible to be treated as debt for federal or state low-income
17 housing tax credit purposes without a reduction in the interest rate
18 of the loan.

19 (b) The department is authorized to change the current interest
20 rate for any loan for which it receives a loan extension request
21 associated with an award of federal or state low-income housing
22 tax credits made on or after January 1, 2014, to the applicable
23 federal rate most recently published by the United States Internal
24 Revenue Service. If the total amount of debt and accrued interest
25 at the end of the loan term would be greater after making this
26 change than it would have been under the original interest rate,
27 the department may forgive an amount of accrued interest equal
28 to the lesser of either the amount necessary to make the expected
29 principal and accrued interest the same as it would have been using

- 1 the original interest rate, or the total amount of interest accrued at
- 2 the time of the sponsor's request.
- 3 *(c) The department may charge a fee in an amount sufficient to*
- 4 *cover administrative costs associated with a loan modification*
- 5 *requested by a borrower pursuant to this section.*

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