

AMENDED IN SENATE AUGUST 12, 2014
AMENDED IN SENATE JUNE 23, 2014
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 0.42% 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, and require the additional tax credit equity generated by the change to be used for rehabilitation of the project. The bill would also authorize the department 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 require 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 forty-two
6 hundredths of 1 percent per annum, or a rate determined by the
7 department that is sufficient to cover the costs of project monitoring
8 described in subdivision (c) of Section 50675.6, whichever is
9 greater, if the development meets all of the following requirements:
10 (1) The development has no other debt with regularly scheduled
11 or amortizing debt service payments. The department reserves the
12 right to impose a default interest rate of 3 percent should amortizing
13 debt be placed on the project.
14 (2) The development will utilize low-income housing tax credits.
15 (3) The sponsor determines that the loan issued by the
16 department is not eligible to be treated as debt for federal or state
17 low-income housing tax credit purposes without a reduction in the
18 interest rate of the loan. The determination must be acceptable to
19 the department. The department may contract with a third-party
20 tax professional for verification, the cost of which shall be borne
21 by the sponsor.
22 (4) The development has no debt in a senior lien position to the
23 department's debt.

1 (5) The development has 35 percent or more of the total units
2 in the project serving households with income not exceeding 30
3 percent of the area median income.

4 (6) The new department loan shall not be used to ~~supplement~~
5 *supplant* or replace an existing department loan.

6 (b) The department is authorized to change the current interest
7 rate for any loan for which it receives a loan extension request
8 associated with an award of federal or state low-income housing
9 tax credits made on or after January 1, 2014, to the applicable
10 federal rate most recently published by the United States Internal
11 Revenue Service. The additional tax credit equity generated by
12 the change in interest rate shall be used for rehabilitation of the
13 development. If the total amount of debt and accrued interest at
14 the end of the loan term would be greater after making this change
15 than it would have been under the original interest rate, the
16 department may forgive an amount of accrued interest equal to the
17 lesser of either the amount necessary to make the expected principal
18 and accrued interest the same as it would have been using the
19 original interest rate, or the total amount of interest accrued at the
20 time of the sponsor's request.

21 (c) The department shall charge a fee in an amount sufficient
22 to cover administrative costs associated with a loan modification
23 requested by a borrower pursuant to this section.