

Assembly Bill No. 523

CHAPTER 445

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

[Approved by Governor September 19, 2014. Filed with
Secretary of State September 19, 2014.]

LEGISLATIVE COUNSEL'S DIGEST

AB 523, 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 would require the additional tax credit equity generated by the change to be used for rehabilitation of the development. 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.

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

SECTION 1. Section 50406.7 is added to the Health and Safety Code, to read:

50406.7. (a) Notwithstanding any other law, the department is authorized to reduce the interest rate on any loan issued by the department to a rental housing development to as low as forty-two hundredths of 1 percent per annum, or a rate determined by the department that is sufficient to cover the costs of project monitoring described in subdivision (c) of Section

50675.6, whichever is greater, if the development meets all of the following requirements:

(1) The development has no other debt with regularly scheduled or amortizing debt service payments. The department reserves the right to impose a default interest rate of 3 percent should amortizing debt be placed on the project.

(2) The development will utilize low-income housing tax credits.

(3) The sponsor determines that the loan issued by the department is not eligible to be treated as debt for federal or state low-income housing tax credit purposes without a reduction in the interest rate of the loan. The determination must be acceptable to the department. The department may contract with a third-party tax professional for verification, the cost of which shall be borne by the sponsor.

(4) The development has no debt in a senior lien position to the department's debt.

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

(6) The new department loan shall not be used to supplant or replace an existing department loan.

(b) The department is authorized 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 applicable federal rate most recently published by the United States Internal Revenue Service. The additional tax credit equity generated by the change in interest rate shall be used for rehabilitation of the development. 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 department may forgive an amount of accrued interest equal to the lesser of either the amount necessary to make the expected principal and accrued interest the same as it would have been using the original interest rate, or the total amount of interest accrued at the time of the sponsor's request.

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