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AMENDED IN SENATE AUGUST 13, 2013

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AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 873

Introduced by Assembly Member Chau
(Coauthor: Senator Torres)

February 22, 2013

An act to amend Sections 50802 and 50803 of the Health and Safety Code, relating to housing and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 873, as amended, Chau. Housing: emergency housing and assistance funding.

Existing law requires the Department of Housing and Community Development to administer the Emergency Housing and Assistance Program. Under the program, moneys from the continuously appropriated Emergency Housing and Assistance Fund are available for the purposes of providing shelter, as specified, to homeless persons at as low a cost and as quickly as possible, without compromising the health and safety of shelter occupants, to encourage the move of homeless persons from shelters to a self-supporting environment as soon as possible, to encourage provision of services for as many persons at risk of homelessness as possible, to encourage compatible and effective funding of homeless services, and to encourage coordination among public agencies that fund or provide services to homeless

individuals, as well as agencies that discharge people from their institutions.

Existing law requires the department to distribute funds appropriated for activities providing for capital development programs, including acquisition, leasing, construction, and rehabilitation of sites for emergency shelter and transitional housing for homeless persons, as grants in the form of forgivable deferred loans, as prescribed. Existing law requires the department to make funding available to each project as a loan with a term of 5 years for rehabilitation, 7 years for substantial rehabilitation, or 10 years for acquisition and rehabilitation or new construction.

This bill would authorize the department to also make funding available as a loan with a term of 20 years for conversion to permanent supportive housing for homeless families and individuals.

Existing law requires that grants awarded by the department pursuant to these provisions be used by a grant recipient to defray costs of eligible activities defined in department regulations.

This bill would provide that these grants may also be awarded pursuant to department ~~guidelines~~ *requirements* and would authorize the department to ~~adopt guidelines~~ *develop requirements* that are not subject to review by the Office of Administrative Law, as specified. The bill would also expand eligible activities to include capital development loans for the conversion of emergency shelter or transitional housing to permanent supportive housing for homeless families or individuals, and the provision of effective approaches to rapidly rehouse homeless clients, including homeless system assessments, street outreach and housing and services engagement efforts, coordinated care services, housing location and stabilization services, and rental assistance costs, including deposits and costs necessary for occupancy. The bill would require the department to give priority for capital development funds to applicants proposing capital development loans for the conversion of emergency shelter or transitional housing to permanent supportive housing for homeless families or individuals and to give priority for noncapital development funds to applicants that propose effective approaches to rapidly rehouse homeless clients and that leverage additional funding sources or focus on high-cost users of more than one system of care.

The bill would require that the department, no later than June 30, 2015, transfer any unobligated Proposition 46 and Proposition 1C bond funds derived from bonds remaining in the Emergency Housing and

Assistance Fund to the Housing Rehabilitation Loan Fund, less any funds needed for state operations to support outstanding awards as determined by the Department of Housing and Community Development, to be expended for the Multifamily Housing Program for supportive housing for a specified target population.

By authorizing the use of continuously appropriated funds for new purposes, this bill would make an appropriation.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

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

1 SECTION 1. Section 50802 of the Health and Safety Code is
2 amended to read:

3 50802. (a) The department shall ensure that not less than 20
4 percent of the moneys in the Emergency Housing and Assistance
5 Fund shall be allocated to nonurban counties during any given
6 fiscal year. If the funds designated for facilities operation that are
7 allocated to nonurban counties are not awarded by the end of that
8 fiscal year, then those unencumbered funds shall be allocated in
9 the next fiscal year to urban counties. Funds for capital
10 development that are not awarded by the end of the second fiscal
11 year shall be awarded in the subsequent fiscal year to urban
12 counties.

13 (b) The amount of funds that the department allocates from the
14 Emergency Housing and Assistance Fund to each region, excluding
15 funds allocated pursuant to subdivision (a), shall be based upon a
16 formula that accords at least 20 percent weight to each of the
17 following factors:

18 (1) The relative number of persons in the region below the
19 poverty line according to the most recent federal census, updated,
20 if possible, with an estimate by the Department of Finance,
21 compared to the total of the urban counties.

22 (2) The relative number of persons unemployed within each
23 region, based on the most recent one-year period for which data
24 is available, compared to the total of the urban counties.

25 (c) Grant funds shall be disbursed as expeditiously as possible
26 by the department.

1 (d) The department shall use not more than 5 percent of the
2 amount available for funds pursuant to this chapter to defray the
3 department's administrative costs pursuant to this chapter.

4 (e) Notwithstanding any other provision of this chapter, the
5 department shall distribute funds appropriated for purposes of the
6 activities specified in paragraphs (2) and (7) of subdivision (a) of
7 Section 50803 as grants in the form of forgivable deferred loans,
8 subject to all of the following:

9 (1) Funding shall be made available to each project as a loan
10 with a term of five years for rehabilitation, seven years for
11 substantial rehabilitation, 10 years for acquisition and rehabilitation
12 or new construction, or 20 years for conversion to permanent
13 supportive housing for homeless families and individuals. Each
14 deferred loan shall be secured by a deed of trust and promissory
15 note. Repayment of the loan shall be deferred as long as the project
16 is used as an emergency shelter or transitional housing. At the
17 completion of the specified year term, the loan shall be forgiven.
18 If a transfer or conveyance of the project property, however, occurs
19 prior to that time that results in the property no longer being used
20 as an emergency shelter or transitional housing, the department
21 shall terminate the grant and require the repayment of the deferred
22 loan in full.

23 (2) Applications for funding shall be made pursuant to
24 department-issued statewide "Notices of Funding Availability"
25 without the need for additional regulations.

26 (3) The department shall set forth the criteria for evaluating
27 applications in the "Notices of Funding Availability" and shall
28 make deferred loans based on those applications that best meet the
29 criteria.

30 (4) The department shall specify in the "Notice of Funding
31 Availability" both maximum and minimum grant amounts that
32 may be varied for urban and nonurban counties.

33 (5) Contracts for projects that have not begun construction
34 within the initial 12-month period shall be terminated and funds
35 reallocated. The department, however, may extend this period by
36 a period not to exceed 12 months.

37 SEC. 2. Section 50803 of the Health and Safety Code is
38 amended to read:

39 50803. (a) Grants awarded by the department pursuant to this
40 chapter shall be used by a grant recipient to defray costs of eligible

1 activities defined in department regulations or guidelines,
2 including, but not limited to, any of the following activities:

3 (1) Operating facilities, including, but not limited to, operations
4 staff salaries, maintenance, repair, utilities, equipment, and debt
5 reduction.

6 (2) Providing for capital development programs, such as
7 acquisition, leasing, construction, and rehabilitation of sites for
8 emergency shelter and transitional housing for homeless persons.

9 (3) Administrative costs.

10 (4) Operating expenses relating to supervising and counseling
11 clients.

12 (5) Providing residential rental assistance.

13 (6) Leasing or renting rooms for provision of temporary shelter.

14 (7) Capital development loans for the conversion of emergency
15 shelter or transitional housing to permanent supportive housing
16 for homeless families or individuals. The department shall establish
17 the maximum loan limits for the loans in the notice of funding
18 availability.

19 (8) Providing effective approaches to rapidly rehouse homeless
20 clients. Eligible activities include, but are not limited to, homeless
21 system assessments, street outreach and housing and services
22 engagement efforts, coordinated care services, housing location
23 and stabilization services, and rental assistance costs, including
24 deposits and costs necessary for occupancy.

25 (b) Funds allocated to a nonurban county pursuant to subdivision
26 (a) of Section 50802 may be used to pay the cost of leasing or
27 renting individual units, hotel rooms, or motel rooms for use as
28 emergency shelters. No more than 15 percent of the funds allocated
29 to a region other than a nonurban county shall be expended for
30 this purpose.

31 (c) By regulation, the department shall establish a level, not to
32 exceed 5 percent of a grant award, which any eligible recipient
33 may use to defray administrative costs.

34 SEC. 3. (a) Notwithstanding any provision of Chapter 11.5
35 (commencing with Section 50800) of Part 2 of Division 31 of the
36 Health and Safety Code, the Department of Housing and
37 Community Development shall do all of the following with respect
38 to notices of funding availability issued on or after the effective
39 date of this act and prior to July 1, 2015:

40 (1) Make funding available on a competitive basis statewide.

- 1 (2) Give priority for capital development funds to applicants
2 proposing activities described in paragraph (7) of subdivision (a)
3 of Section 50803 of the Health and Safety Code.
- 4 (3) Give priority for noncapital development funds to applicants
5 that propose activities described in paragraph (8) of subdivision
6 (a) of Section 50803 and that leverage additional funding sources
7 or focus on high-cost users of more than one system of care.
- 8 (4) Accept applications from eligible organizations, public
9 housing authorities, tribal governments, and continuum of care
10 entities.
- 11 (b) The Department of Housing and Community Development
12 may award funds under the notices of funding available described
13 in subdivision (a) pursuant to ~~adopted guidelines~~ *requirements*
14 *developed by the department and included in the notices of funding*
15 *available* that are not subject to the requirements of Chapter 3.5
16 (commencing with Section 11340) of Part 1 of Title 2 of the
17 Government Code.
- 18 (c) No later than June 30, 2015, the Department of Housing and
19 Community Development shall transfer any unobligated
20 Proposition 46 and Proposition 1C bond funds remaining in the
21 Emergency Housing and Assistance Fund to the Housing
22 Rehabilitation Loan Fund, less any funds needed for state
23 operations to support outstanding awards as determined by the
24 Department of Housing and Community Development, to be
25 expended for the Multifamily Housing Program authorized by
26 Chapter 6.7 (commencing with Section 50675) of Part 2 of Division
27 31 of the Health and Safety Code, to be used for supportive housing
28 for the target population identified in Section 50675.14.