

AMENDED IN ASSEMBLY MAY 4, 2016
AMENDED IN ASSEMBLY APRIL 21, 2016
AMENDED IN ASSEMBLY APRIL 13, 2016
AMENDED IN ASSEMBLY APRIL 6, 2016
AMENDED IN ASSEMBLY MARCH 17, 2016
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1969

Introduced by Assembly Member Steinorth

February 16, 2016

An act to amend Section 51504 of the Health and Safety Code, relating to housing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1969, as amended, Steinorth. Affordable housing: home purchase assistance.

Existing law establishes the California Homebuyer's Downpayment Assistance Program, which requires the California Housing Finance Agency to, among other things, administer a program that provides downpayment assistance, including deferred-payment, low-interest, junior mortgage loans to reduce principal and interest payments, that makes financing affordable to first-time low- and moderate-income home buyers, pursuant to specified terms.

This bill would appropriate ~~an unspecified amount~~ \$10,000,000 from the General Fund to the California Homebuyer's Downpayment Assistance Program for the purposes of the downpayment assistance program described above. The bill would condition the application of

these funds on an additional requirement that the home for which assistance is provided be in a development project that is in a designated infill site, close to public transit, and that is located in a city, county, or city and county that reduces developer or impact fees or reduces or removes regulatory barriers to housing construction for the development project, as specified. As part of this additional requirement, the bill would require a local agency to provide verification of the local agency's schedule of local fees, charges, and other exactions to the California Housing Finance ~~Agency~~, *Agency* and would thereby impose a state-mandated local program. The bill would make these moneys available for the general use of the California Housing Finance Agency for the purposes of the California Homebuyer's Downpayment Assistance ~~Program~~, *Program* if specified requirements are met.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
 State-mandated local program: yes.

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

- 1 SECTION 1. Section 51504 of the Health and Safety Code is
- 2 amended to read:
- 3 51504. (a) The agency shall administer a downpayment
- 4 assistance program that includes, but is not limited to, all of the
- 5 following:
- 6 (1) Downpayment assistance shall include, but not be limited
- 7 to, a deferred-payment, low-interest, junior mortgage loan to reduce
- 8 the principal and interest payments and make financing affordable
- 9 to first-time low- and moderate-income home buyers.
- 10 (2) (A) Except as provided in subparagraph (B) or (C), the
- 11 amount of downpayment assistance shall not exceed 3 percent of
- 12 the home sale price.
- 13 (B) The amount of downpayment assistance for a new home
- 14 within an infill opportunity zone, as defined in Section 65088.1
- 15 of the Government Code, a transit village development district, as

1 defined in Section 65460.4 of the Government Code, or a
2 transit-oriented development specific plan area, as defined in
3 paragraph (6), shall not exceed 5 percent of the purchase price or
4 the appraised value, whichever amount is less, of the new home.
5 The borrower of the downpayment assistance shall provide the
6 lender originating the loan with a certification from the local
7 government agency administering the infill opportunity zone, the
8 transit village development district, or the transit-oriented
9 development specific plan area that states that the property involved
10 in the loan transaction is within the boundaries of either the infill
11 opportunity zone, the transit village development district, or the
12 transit-oriented development specific plan area.

13 (C) Notwithstanding paragraph (1), the agency may, but is not
14 required to, provide downpayment assistance that does not exceed
15 6 percent of the home sale price to first-time low-income home
16 buyers who, as documented to the agency by a nonprofit
17 organization that is certified and funded to provide home ownership
18 counseling by a federally funded national nonprofit corporation,
19 are purchasing a residence in a community revitalization area
20 targeted by the nonprofit organization as a neighborhood in need
21 of economic stimulation, renovation, and rehabilitation through
22 efforts that include increased home ownership opportunities for
23 low-income families. The agency shall not use more than six
24 million dollars (\$6,000,000) in funds made available pursuant to
25 Section 53533 for the purposes of this paragraph.

26 (3) The amount of the downpayment assistance shall be secured
27 by a deed of trust in a junior position to the primary financing
28 provided. The term of the loan for the downpayment assistance
29 shall not exceed the term of the primary loan.

30 (4) (A) Except as provided in subparagraphs (B) and (C), the
31 amount of the downpayment assistance shall be due and payable
32 at the end of the term or upon sale of or refinancing of the home.
33 The borrower may refinance the mortgages on the home provided
34 that the principal and accrued interest on the junior mortgage loan
35 securing the downpayment assistance are repaid in full. All
36 repayments shall be made to the agency to be reallocated for the
37 purposes of this chapter.

38 (B) The agency may, in its discretion, permit the downpayment
39 assistance loan to be subordinated to refinancing if it determines
40 that the borrower has demonstrated hardship, subordination is

1 required to avoid foreclosure, and the new loan meets the agency’s
 2 underwriting requirements. The agency may permit subordination
 3 on those terms and conditions as it determines are reasonable.

4 (C) The amount of the downpayment assistance shall not be
 5 due and payable upon sale of the home if the first mortgage loan
 6 is insured by the Federal Housing Administration (FHA) or if the
 7 first mortgage loan is, or has been, transferred to the FHA, or if
 8 the requirement is otherwise contrary to regulations of the United
 9 States Department of Housing and Urban Development governing
 10 FHA insured first mortgage loans.

11 (5) The agency may use up to 5 percent of the funds appropriated
 12 by the Legislature for purposes of this chapter to administer this
 13 program.

14 (6) For purposes of this section, “transit-oriented development
 15 specific plan area” means a specific plan that meets the criteria set
 16 forth in Section 65451 of the Government Code, is centered around
 17 a rail or light-rail station, ferry terminal, bus hub, or bus transfer
 18 station, and is intended to achieve a higher density use of land that
 19 facilitates use of the transit station.

20 (b) In addition to the downpayment assistance program
 21 authorized by subdivision (a), the agency may, at its discretion,
 22 use not more than seventy-five million dollars (\$75,000,000) of
 23 the funds available pursuant to this chapter to finance the
 24 acquisition of land and the construction and development of
 25 housing developments, as defined in Section 50073.5, and for-sale
 26 residential structures through short-term loans pursuant to its
 27 authority pursuant to Section 51100. However, the agency shall
 28 make downpayment assistance provided pursuant to paragraph
 29 (1), subparagraphs (A) and (B) of paragraph (2), and paragraphs
 30 (3) to (5), inclusive, of subdivision (a) the priority use for these
 31 funds. A loan made pursuant to this section is not subject to Article
 32 4 (commencing with Section 51175) of Chapter 5.

33 (c) (1) In addition to the downpayment assistance program
 34 authorized by subdivision (a), the agency shall provide
 35 downpayment assistance from the funds appropriated by the act
 36 adding this subdivision to first-time home buyers pursuant to
 37 paragraphs (1), (2), (3), (4), and (6) of subdivision (a) for homes
 38 in development projects that are located in designated infill sites,
 39 close to public transit, and that are located in cities, counties, or
 40 cities and counties that reduce developer or impact fees or reduce

1 or remove regulatory barriers to housing construction for the
2 development projects. The agency shall identify and shall
3 objectively measure the types of local agency actions or incentives
4 that the agency determines appropriately reduce developer or
5 impact fees or reduce or remove regulatory barriers to affordable
6 housing projects. These actions or incentives may include, but are
7 not limited to, modifications to any or all of the following:

- 8 (A) Local design review requirements.
- 9 (B) Land use controls.
- 10 (C) Building codes and enforcement.
- 11 (D) Onsite or offsite improvement requirements.
- 12 (E) Project design.
- 13 (F) Permit processing.
- 14 (G) (i) A 30-percent reduction in the schedule of local fees,
15 charges, and other exactions on local developers within the local
16 agency's jurisdiction within 12 months or more prior to the
17 submission of the application for assistance pursuant to this
18 subdivision. The local agency shall provide verification of the
19 reduction with supporting documents showing successive annual
20 fee schedules to the agency.

21 (ii) For the purposes of this subparagraph, "local fees, charges,
22 and other exactions" includes, but is not limited to, all of the
23 following:

- 24 (I) Planning and zoning fees.
- 25 (II) Environmental documentation fees.
- 26 (III) Building permit fees.
- 27 (IV) Plan check fees.
- 28 (V) School fees.
- 29 (VI) School mitigation fees.
- 30 (VII) Highway, road, traffic, and transit fees.
- 31 (VIII) Water, wastewater, sewer, and drainage fees.
- 32 (IX) Utility or water connection fees.
- 33 (X) Public safety fees.
- 34 (XI) Capital facilities fees.
- 35 (XII) Parks and recreation fees.
- 36 (XIII) Any other fee that may substitute for the requirements
37 described in subparagraph (D).

38 (2) Paragraph (1) applies only to the use of funds appropriated
39 by the act adding this subdivision and shall not be construed to
40 apply to the use of any other funds.

1 SEC. 2. If the Commission on State Mandates determines that
2 this act contains costs mandated by the state, reimbursement to
3 local agencies and school districts for those costs shall be made
4 pursuant to Part 7 (commencing with Section 17500) of Division
5 4 of Title 2 of the Government Code.

6 SEC. 3. The sum of ~~_____ dollars (\$_____)~~ *ten million dollars*
7 *(\$10,000,000)* is hereby appropriated from the General Fund to
8 the California Homebuyer's Downpayment Assistance Program
9 for the purposes set forth in Section 51504 of the Health and Safety
10 Code that satisfy the requirements of subdivision (c) of that section.
11 After 48 months of availability, if the California Housing Finance
12 Agency determines that these moneys will not be utilized for the
13 purposes set forth in Section 51504 of the Health and Safety Code
14 that satisfy the requirements of subdivision (c) of that section, the
15 moneys shall be available for the general use of the California
16 Housing Finance Agency for the purposes of the California
17 Homebuyer's Downpayment Assistance Program.

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