

AMENDED IN SENATE AUGUST 18, 2000
AMENDED IN ASSEMBLY MARCH 23, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 1901

Introduced by Assembly Member ~~Cedillo~~ Lowenthal
(Principal coauthor: ~~Assembly Member Washington~~)
(Coauthors: Assembly Members Cedillo and Hertzberg)
(Coauthors: Senators Alarcon and Burton)

February 11, 2000

An act to ~~add Section 65913.3 to, and to add Chapter 12.9~~ (commencing with Section 7090) to Division 7 of Title 1 of, the Government Code, and to amend Section 439.2 of, and to add Sections 17053.76 and 23608.4 to, the Revenue and Taxation Code, ~~relating to land use; amend Section 50675.4 of, and to add Section 50898.2 to, the Health and Safety Code, relating to housing.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1901, as amended, ~~Cedillo~~ Lowenthal. ~~Urban Initiatives Act~~ *Housing: construction: prevailing wages.*

(1) *The existing Multifamily Housing Program administered by the Department of Housing and Community Development requires a project sponsor to agree to set and maintain affordable rent levels for assisted units in order to be eligible to receive a loan. Also, provisions of AB 2870, which has been enacted and will become operative January 1, 2001, to be known as the Downtown Rebound Program, require the*

department to make grants and loans for specified urban housing projects, subject to specified restrictions.

This bill would additionally require project sponsors under both of those programs to agree to pay prevailing wages with respect to construction, as specified. The bill would require the department to require, as a condition of loan closing, a signed certification under penalty of perjury that prevailing wages have been or will be paid. This requirement would make the crime of perjury applicable to a new class of persons, thereby imposing a state-mandated local program.

(2) 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 no reimbursement is required by this act for a specified reason.

~~Existing law contains the Enterprise Zone Act, which provides for designation of enterprise zones by the Trade and Commerce Agency, and the Personal Income Tax Law and the Bank and Corporation Tax Law, which authorize various credits against the taxes imposed by those laws. Existing federal law authorizes a credit against federal income taxes for certain qualified rehabilitation expenditures.~~

~~This bill would enact provisions that would be known as the Urban Initiatives Act. The bill would generally encourage the reuse of underutilized existing urban buildings through designation of urban adaptive reuse zones by the Trade and Commerce Agency and local agency designation of eligible qualified adaptive reuse buildings. The bill would provide for property tax relief in connection with qualified adaptive reuse buildings and would authorize a credit against state income taxes and bank and corporation taxes for qualified expenditures each taxable and income year beginning on or after January 1, 2001. It would require the Franchise Tax Board to report annually to the Legislature regarding the credits.~~

~~The bill would require the Trade and Commerce Agency to design, develop, and make available the applications and the criteria for selection of an urban adaptive reuse zone, and adopt emergency regulations necessary to carry out these~~



~~provisions, no later than July 1, 2001. It would require the agency to commence the designation of zones on the effective date of the regulations.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: ~~no~~ yes.

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

1 ~~SECTION 1. This act shall be known and may be cited~~
2 *SECTION 1. Section 50675.4 of the Health and Safety*
3 *Code is amended to read:*

4 50675.4. (a) To be eligible to receive a loan, a
5 proposed project shall involve one or more of the
6 following activities:

7 (1) The development and construction of a new
8 transitional or rental housing development.

9 (2) The rehabilitation, or acquisition and
10 rehabilitation, of a transitional or rental housing
11 development.

12 (3) The conversion of a nonresidential structure to a
13 transitional or rental housing development.

14 (b) In the case of rehabilitation projects, to be eligible
15 to receive a loan, the loan shall be necessary to avoid
16 increases in monthly debt service that have either of the
17 following effects:

18 (1) Result in rent increases causing permanent
19 displacement of persons of lower income residing in the
20 development prior to rehabilitation.

21 (2) Make it economically infeasible to accept subsidies
22 available to provide affordable rents to persons of lower
23 income, if the sponsor agrees to accept the subsidies.

24 (c) To be eligible to receive a loan, the sponsor shall
25 agree to ~~set~~ *both of the following:*

26 (1) *To set and maintain affordable rent levels for*
27 *assisted units.*

28 (2) *To the payment of prevailing wage rates with*
29 *respect to construction assisted through the program. In*
30 *implementing this paragraph, it is the intent of the*
31 *Legislature that this requirement apply to construction*
32 *work that is dependent on the commitment of program*



1 funds in order for construction to proceed.
 2 Notwithstanding any other provision of law, the
 3 department's enforcement responsibilities shall be
 4 limited to the imposition of this requirement through the
 5 lending documents. The department shall require, as a
 6 condition of loan closing, a signed certificate under
 7 penalty of perjury that prevailing wages have been, or
 8 will be, paid in conformance with the requirements of
 9 Chapter 1 (commencing with Section 1720) of Part 7 of
 10 the Labor Code and that labor records shall be made
 11 available to any enforcement agency upon request. The
 12 requirements of this paragraph shall not apply to projects
 13 for which program funds are used exclusively to achieve
 14 lower rents and to pay associated administrative costs.

15 SEC. 2. Section 50898.2 is added to the Health and
 16 Safety Code, to read:

17 50898.2. (a) Funds awarded pursuant to Item
 18 2240-107-0001 of Section 2.00 of the Budget Act of 2000 for
 19 the purposes of the Downtown Rebound Program
 20 established pursuant to this chapter shall not be subject
 21 to the requirements of Chapter 2.5 (commencing with
 22 Section 11340) of Part 1 of Title 2 of the Government
 23 Code.

24 (b) The department may use up to 5 percent of the
 25 amounts appropriated for this program for
 26 administration.

27 (c) With respect to the appropriation in Item
 28 2240-107-0001 of Section 2.00 of the Budget Act of 2000 for
 29 the Downtown Rebound Program established pursuant
 30 to this chapter, the following provisions shall apply:

31 (1) Seventy-six percent of that appropriation shall be
 32 used by the department for the purpose of making loans
 33 to project sponsors for the adaptive reuse of vacant or
 34 underused commercial or industrial structures into
 35 residential rental housing units for initial rental to
 36 households having an income not exceeding 150 percent
 37 of the area median income, subject to the following
 38 restrictions:

39 (A) Loans for units not subject to subparagraph (D)
 40 shall be at 5 percent simple interest. Loans for units



1 *subject to subparagraph (D) shall be at 3 percent simple*
2 *interest. All principal and interest shall be due and*
3 *payable in 20 years.*

4 *(B) Assistance for units not subject to subparagraph*
5 *(D) shall not exceed twenty thousand dollars (\$20,000)*
6 *per unit. Assistance for units subject to subparagraph (D)*
7 *shall not exceed forty thousand dollars (\$40,000) per unit.*

8 *(C) The amount of the loan, in combination with all*
9 *debt recorded in a senior position to the loan, shall not*
10 *exceed 90 percent of the appraised after-rehabilitation*
11 *value of the security for the loan.*

12 *(D) Twenty percent of the units in the project shall be*
13 *reserved for households having an income equal to 50*
14 *percent or less of the area median income, or 40 percent*
15 *of the units shall be reserved for households having an*
16 *income equal to 60 percent or less of the area median*
17 *income. The department shall ensure the continued*
18 *affordability of all units designated by the sponsor to fulfill*
19 *these requirements for a period of 20 years. However,*
20 *notwithstanding subparagraph (A), if assistance is*
21 *provided for these units through any program funded*
22 *through Chapter 6.7 (commencing with Section 50675) of*
23 *Part 2, the units shall be subject to the use restrictions,*
24 *limitations, and provisions contained in that chapter.*
25 *These units shall be reasonably distributed within each*
26 *building contained in the project, with no less than 10*
27 *percent of the units in each building fulfilling the*
28 *requirements of this subdivision.*

29 *(E) The sponsor shall agree to the payment of*
30 *prevailing wage rates with respect to construction*
31 *assisted through the program. In implementing this*
32 *subparagraph, it is the intent of the Legislature that this*
33 *requirement apply to construction work that is*
34 *dependent on the commitment of program funds in order*
35 *for construction to proceed. Notwithstanding any other*
36 *provision of law, the department's enforcement*
37 *responsibilities shall be limited to the imposition of this*
38 *requirement through the lending documents. The*
39 *department shall require, as a condition of loan closing,*
40 *a signed certificate under penalty of perjury that*



1 prevailing wages have been, or will be, paid in
2 conformance with the requirements of Chapter 1
3 (commencing with Section 1720) of Part 7 of the Labor
4 Code and that labor records shall be made available to any
5 enforcement agency upon request.

6 (2) Two million four hundred thousand dollars
7 (\$2,400,000) of that appropriation shall be used by the
8 department for planning grants as specified in
9 subdivision (b) of Section 50898.1.

10 (3) The balance of that appropriation shall be
11 available for uses authorized by subdivision (a) of Section
12 50898.1.

13 SEC. 3. No reimbursement is required by this act
14 pursuant to Section 6 of Article XIII B of the California
15 Constitution because the only costs that may be incurred
16 by a local agency or school district will be incurred
17 because this act creates a new crime or infraction,
18 eliminates a crime or infraction, or changes the penalty
19 for a crime or infraction, within the meaning of Section
20 17556 of the Government Code, or changes the definition
21 of a crime within the meaning of Section 6 of Article
22 XIII B of the California Constitution.

23 SEC. 4. Section 50898.2 of the Health and Safety Code,
24 as added by Section 2 of this act, shall supersede Section
25 50898.2 of the Health and Safety Code, as added by
26 Chapter 83 of the Statutes of 2000, which section shall not
27 become operative.

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**All matter omitted in this version of the
bill appears in the bill as amended in the
Assembly, March 23, 2000 (JR 11)**

