

AMENDED IN ASSEMBLY JUNE 6, 2000

AMENDED IN ASSEMBLY MAY 25, 2000

AMENDED IN SENATE JULY 12, 1999

AMENDED IN SENATE MARCH 24, 1999

SENATE BILL

No. 510

**Introduced by Senator Alarcon
(Principal coauthor: Senator Burton)**

February 18, 1999

An act to amend Sections 50840, 50841, and 50842 of the Health and Safety Code, relating to housing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 510, as amended, Alarcon. California ~~Housing Trust~~ *Housing Trust* Fund.

Existing law creates the California Housing Trust Fund for deposit of certain bond proceeds and other revenues, and provides that the money in the fund is to be used for housing programs, as specified. Not less than 20% of the revenue deposited annually in the fund is required to be expended in *a rural areas area, which is defined to mean any open country or any place, town, village, or city that meets certain population requirements.*

This bill would continuously appropriate money in the fund ~~to the Treasurer~~ for investment in *a manner calculated to deliver the greatest rate of return consistent with the requirements of specified securities* that are eligible for

investment of surplus state moneys. It would provide that all interest or other increment resulting from investment may only be expended, upon appropriation, for housing programs that serve lower or very low income households, ~~and not less than 10% of any interest or other increment appropriated in any given budget year shall be expended in rural areas. It would revise the definition of rural area for the purpose described above.~~ It would require any interest or other increment not appropriated for housing programs in the budget year succeeding its accrual to be deposited in the fund and to be no longer deemed interest or other increment for these purposes.

Vote: majority. 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 50840 of the Health and Safety
 2 Code is amended to read:
 3 50840. (a) The Legislature hereby finds and declares
 4 all of the following:
 5 (1) California is experiencing a severe housing
 6 shortage that compounds itself further each year. While
 7 it is estimated that 250,000 new homes are needed each
 8 year to keep up with demand, only 140,000 building
 9 permits for new residential housing were issued in 1999.
 10 Moreover, the average number of residential building
 11 permits issued over the last seven years is only 105,000
 12 new units per year.
 13 (2) The shortage in housing supply has led to
 14 skyrocketing home sale and rental prices, which have
 15 made housing unaffordable to many Californians. Seven
 16 of the nation's 10 least affordable metropolitan areas for
 17 housing are in California. More than 35 percent of renter
 18 households experience an extreme housing cost burden,
 19 which has been defined as paying more than 50 percent
 20 of their income for housing.
 21 (3) Long-term strategies are needed to address this
 22 ongoing deficit in new home production and to meet the
 23 state's housing needs.



1 (4) In addition to helping meet the immediate need
2 for housing, the state will always have a role to play in
3 assisting in the provision of housing for families unable to
4 afford market-rate rents.

5 (5) A permanent source of financing is needed to fulfill
6 this ongoing need for state housing assistance.

7 (6) A housing trust fund would provide a permanent
8 source of financing to be used solely to fund housing
9 programs that serve low- and very low income
10 households.

11 (b) It is the intent of the Legislature to ultimately
12 capitalize a Housing Trust Fund with at least one billion
13 dollars (\$1,000,000,000) to ensure that there are sufficient
14 ongoing resources to provide for the housing needs of
15 lower income households.

16 SEC. 2. Section 50841 of the Health and Safety Code
17 is amended to read:

18 50841. There is hereby created in the State Treasury
19 the California Housing Trust Fund. Notwithstanding
20 Section 13340 of the Government Code, all money in the
21 fund is continuously appropriated ~~to the Treasurer~~ for the
22 purposes of investment ~~pursuant to~~ *in a manner*
23 *calculated to deliver the greatest rate of return consistent*
24 *with the requirements of* Section 16430 of the
25 Government Code, except as provided in Section 50842.

26 All interest or other increment resulting from
27 investment or deposit of moneys in the fund shall be
28 deposited in the fund, notwithstanding Section 16305.7 of
29 the Government Code.

30 SEC. 3. Section 50842 of the Health and Safety Code
31 is amended to read:

32 50842. (a) All interest or other increment resulting
33 from any investment of money in the California Housing
34 Trust Fund may only be expended, upon appropriation
35 by the Legislature, after allocation to the Treasurer of an
36 amount not to exceed one-half of 1 percent of any interest
37 and other increment to cover the actual cost of
38 administering those investments, for housing programs
39 or those portions of housing programs authorized by law



1 that serve lower and very low income households, as
2 defined in Sections 50079.5 and 50105, respectively.

3 (b) Not less than ~~10~~ 20 percent of any interest or other
4 increment appropriated by the Legislature in any given
5 budget year from the California Housing Trust Fund shall
6 be expended in rural areas, as defined by Section ~~50101~~
7 *50199.21*.

8 (c) Any interest or other increment not appropriated
9 by the Legislature for the purpose described in
10 subdivision (a) in the budget year succeeding its accrual
11 shall be deposited in the California Housing Trust Fund
12 and shall no longer be deemed interest or other
13 increment for the purposes of this section.

