

AMENDED IN SENATE JUNE 9, 2008
AMENDED IN ASSEMBLY JANUARY 18, 2008
AMENDED IN ASSEMBLY JANUARY 7, 2008
CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1129

Introduced by Assembly Member Arambula

February 23, 2007

~~An act to add Chapter 13.5 (commencing with Section 50845) to Part 2 of Division 31 of the Health and Safety Code, relating to housing. An act to amend Sections 50843.5 and 53545.9 of the Health and Safety Code, relating to housing.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1129, as amended, Arambula. ~~San Joaquin Valley Regional Affordable Housing Trust. Local Housing Trust Fund Matching Grant Program.~~

(1) Existing law establishes the Local Housing Trust Fund Matching Grant Program for the purpose of supporting local housing trust funds dedicated to the creation or preservation of affordable housing. Under the grant program, the Department of Housing and Community Development is authorized to make matching grants available to cities and counties, or a city and county, and existing charitable nonprofit organizations that have created, funded, and operated housing trust funds. The minimum allocation to a program applicant is \$1,000,000, and the maximum allocation is \$2,000,000, with all funds provided under the grant program to be matched on a dollar-for-dollar basis with money that is not required by any state or federal law to be spent on housing.

This bill would establish the minimum allocation at \$500,000 for a newly established trust, as defined, that is in a county with a population of less than 700,000 persons, as indicated in the most recent population estimate provided by the Department of Finance, and at \$1,000,000 for all other trusts.

The bill would require a newly established trust with a population of less than 700,000 persons, as specified, to provide the Department of Housing and Community Development with documentation that local matching funds have been pledged in an amount that is equal to the amount of trust funds for which the applicant has applied.

(2) Existing law requires the Department of Housing and Community Development to make available the amount of \$35,000,000 for the Local Housing Trust Fund Matching Grant Program, and requires the department, when awarding grants using those funds to newly established housing trust funds, to set aside funding, for a period of 36 months from the date funds are first made available, for newly established housing trust funds that are in a county with a population of less than 425,000 persons.

This bill would increase the maximum population figure to 700,000 persons, as indicated in the most recent population estimate provided by the Department of Finance.

~~The Planning and Zoning Law requires each city, county, or city and county to prepare and adopt a general plan for its jurisdiction that contains mandatory elements, including a housing element. The housing element is prepared for the purposes of, among other things, fostering cooperation among local governments in order to address regional housing needs.~~

~~This bill would establish the San Joaquin Valley Regional Affordable Housing Trust as a voluntary organization for the purposes of fostering the regional collaboration of San Joaquin Valley cities, counties, developers, financial institutions, and community-based organizations to meet affordable housing needs in the region.~~

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

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

- 1 SECTION 1. Section 50843.5 of the Health and Safety Code
- 2 is amended to read:

1 50843.5. (a) Subject to the availability of funding, the
2 department shall make matching grants available to any city,
3 county, or city and county that has created, funded, and operated
4 housing trust funds and to existing charitable nonprofit
5 organizations described in Section 501(c)(3) of the Internal
6 Revenue Code that have created, funded, and operated housing
7 trust funds. These funds shall be awarded through the issuance of
8 a Notice of Funding Availability (NOFA).

9 (1) Applicants that provide matching funds from a source or
10 sources other than impact fees on residential development shall
11 receive a priority for funding.

12 (2) The department shall set aside funding for new trusts, as
13 defined by the department in the NOFA.

14 (b) Housing trusts eligible for funding under this section shall
15 have the following characteristics:

16 (1) Utilization of a public or joint public and private fund
17 established by legislation, ordinance, resolution, or a public-private
18 partnership to receive specific revenue to address local housing
19 needs.

20 (2) Receipt of ongoing revenues from dedicated sources of
21 funding such as taxes, fees, loan repayments, or private
22 contributions.

23 (c) The minimum allocation to an applicant *that is a newly*
24 *established trust, as defined by the department under paragraph*
25 *(2) of subdivision (a), and is in a county with a population that*
26 *conforms with paragraph (2) of subdivision (c) of Section 53545.9,*
27 *shall be five hundred thousand dollars (\$500,000). The minimum*
28 *allocation for all other trusts shall be one million dollars*
29 *(\$1,000,000), ~~and no~~. No applicant may receive an allocation in*
30 *excess of two million dollars (\$2,000,000). All funds provided*
31 *pursuant to this section shall be matched on a dollar-for-dollar*
32 *basis with money that is not required by any state or federal law*
33 *to be spent on housing. No application for an existing housing*
34 *trust shall be considered unless the department has received*
35 *adequate documentation of the deposit in the local housing trust*
36 *fund of the local match and the identity of the source of matching*
37 *funds. Newly established housing trusts, as defined by the*
38 *department under paragraph (2) of subdivision (a), that are in a*
39 *county with a population that conforms with paragraph (2) of*
40 *subdivision (c) of Section 53545.9, shall provide the department*

1 *with documentation, as specified by the department, that local*
2 *matching funds have been pledged in an amount that is equal to*
3 *the amount of trust funds for which the applicant has applied. For*
4 *the purposes of this section, a pledge of matching funds shall not*
5 *be limited to the deposit of local matching funds in a separate*
6 *account dedicated to matching housing trust fund grants.*
7 Applicants shall be required to continue funding the local housing
8 trust fund from these identified local sources, and continue the
9 trust in operation, for a period of no less than five years from the
10 date of award. If the funding is not continued for a five-year period,
11 then (1) the amount of the department's grant to the local housing
12 trust fund, to the extent that the trust fund has unencumbered funds
13 available, shall be immediately repaid, and (2) any payments from
14 any projects funded by the local housing trust fund that would
15 have been paid to the local housing trust fund shall be paid instead
16 to the department and used for the program or its successor. The
17 total amount paid to the department pursuant to (1) and (2),
18 combined, shall not exceed the amount of the department's grant.

19 (d) (1) Funds shall be used for the predevelopment costs,
20 acquisition, construction, or rehabilitation of the following types
21 of housing or projects:

22 (A) Rental housing projects or units within rental housing
23 projects. The affordability of all assisted units shall be restricted
24 for not less than 55 years.

25 (B) Emergency shelters, safe havens, and transitional housing,
26 as these terms are defined in Section 50801.

27 (C) For sale housing projects or units within for sale housing
28 projects.

29 (2) At least 30 percent of the total amount of the grant and the
30 match shall be expended on projects, units, or shelters that are
31 affordable to, and restricted for, extremely low income persons
32 and families, as defined in Section 50106. No more than 20 percent
33 of the total amount of the grant and the match shall be expended
34 on projects or units affordable to, and restricted for,
35 moderate-income persons and families whose income does not
36 exceed 120 percent of the area median income. The remaining
37 funds shall be used for projects, units, or shelters that are affordable
38 to, and restricted for, lower income persons and families, as defined
39 in Section 50079.5.

1 (3) If funds are used for the acquisition, construction, or
2 rehabilitation of for sale housing projects or units within for sale
3 housing projects, the grantee shall record a deed restriction against
4 the property that will ensure compliance with one of the following
5 requirements upon resale of the for sale housing units, unless it is
6 in conflict with the requirements of another public funding source
7 or law:

8 (A) If the property is sold within 30 years from the date that
9 trust funds are used to acquire, construct, or rehabilitate the
10 property, the owner or subsequent owner shall sell the home at an
11 affordable housing cost, as defined in Section 50025.5, to a
12 household that meets the relevant income qualifications.

13 (B) The owner and grantee shall share the equity in the unit
14 pursuant to an equity sharing agreement. The grantee shall reuse
15 the proceeds of the equity sharing agreement consistent with this
16 section. To the extent not in conflict with another public funding
17 source or law, all of the following shall apply to the equity-sharing
18 agreement provided for by the deed restriction:

19 (i) Upon resale by an owner-occupant of the home, the
20 owner-occupant of the home shall retain the market value of any
21 improvements, the downpayment, and his or her proportionate
22 share of appreciation. The grantee shall recapture any initial
23 subsidy and its proportionate share of appreciation, which shall
24 then be used to make housing available to persons and families of
25 the same income category as the original grant and for any type
26 of housing or shelter specified in paragraph (1).

27 (ii) For purposes of this subdivision, the initial subsidy shall be
28 equal to the fair market value of the home at the time of initial sale
29 to the owner-occupant minus the initial sale price to the
30 owner-occupant, plus the amount of any downpayment assistance
31 or mortgage assistance. If upon resale by the owner-occupant the
32 market value is lower than the initial market value, then the value
33 at the time of the resale shall be used as the initial market value.

34 (iii) For purposes of this subdivision, the grantee's proportionate
35 share of appreciation shall be equal to the ratio of the initial subsidy
36 to the fair market value of the home at the time of the initial sale.

37 (e) Loan repayments shall accrue to the grantee housing trust
38 for use pursuant to this section. If the trust no longer exists, loan
39 repayments shall accrue to the department for use in the program
40 or its successor.

1 (f) In order for a city, county, or city and county to be eligible
2 for funding, the applicant shall have, at the time of application, an
3 adopted housing element that the department has determined,
4 pursuant to Section 65585 of the Government Code, is in
5 substantial compliance with the requirements of Article 10.6
6 (commencing with Section 65580) of Chapter 3 of Division 1 of
7 Title 7 of the Government Code. In order for a nonprofit
8 organization applicant to be eligible for funding, the applicant shall
9 agree to utilize funds provided under this chapter only for projects
10 located in cities, counties, or a city and county that have, at the
11 time of application, an adopted housing element that the department
12 has determined, pursuant to Section 65585 of the Government
13 Code, to be in substantial compliance with the requirements of
14 Article 10.6 (commencing with Section 65580) of Chapter 3 of
15 Division 1 of Title 7 of the Government Code.

16 (g) Recipients shall have held, or shall agree to hold, a public
17 hearing or hearings to discuss and describe the project or projects
18 that will be financed with funds provided pursuant to this section.
19 As a condition of receiving a grant pursuant to this section, any
20 nonprofit organization shall agree that it will hold one public
21 meeting a year to discuss the criteria that will be used to select
22 projects to be funded. That meeting shall be open to the public,
23 and public notice of this meeting shall be provided, except to the
24 extent that any similar meeting of a city or county would be
25 permitted to be held in closed session.

26 (h) No more than 5 percent of the funds appropriated to the
27 department for the purposes of this program shall be used to pay
28 the costs of administration of this section.

29 (i) A local housing trust fund shall encumber funds provided
30 pursuant to this section no later than 36 months after receipt. Any
31 funds not encumbered within that period shall revert to the
32 department for use in the program or its successor.

33 (j) Recipients shall be required to file periodic reports with the
34 department regarding the use of funds provided pursuant to this
35 section. No later than December 31 of each year in which funds
36 are awarded by the program, the department shall provide a report
37 to the Legislature regarding the number of trust funds created, a
38 description of the projects supported, the number of units assisted,
39 and the amount of matching funds received.

1 *SEC. 2. Section 53545.9 of the Health and Safety Code is*
2 *amended to read:*

3 53545.9. Of the one hundred million dollars (\$100,000,000)
4 transferred to the Affordable Housing Innovation Fund established
5 in the State Treasury under subparagraph (F) of paragraph (1) of
6 subdivision (a) of Section 53545, the following amounts shall be
7 allocated as follows:

8 (a) (1) The department shall make available the amount of fifty
9 million dollars (\$50,000,000) for the Affordable Housing
10 Revolving Development and Acquisition Program.

11 (2) Of the amount made available for the program, twenty-five
12 million dollars (\$25,000,000) shall be made available for the Loan
13 Fund and twenty-five million dollars (\$25,000,000) shall be made
14 available for the Practitioner Fund.

15 (b) The department shall make available the amount of five
16 million dollars (\$5,000,000) for the Construction Liability
17 Insurance Reform Pilot Program, which is hereby established in
18 the Department of Housing and Community Development. The
19 purpose of the program is to promote best practices for residential
20 construction quality control in housing programs sponsored by the
21 department or the California Housing Finance Agency, as a means
22 of reducing insurance rates for condominium developers in this
23 state. Funds shall be made available in the form of grants for
24 predevelopment costs of condominium projects funded by the
25 department or the California Housing Finance Agency that utilize
26 enhanced construction oversight and monitoring programs and
27 processes including, but not limited to, video recording of the
28 construction process, use of quality control manuals, and increased
29 quality control inspections.

30 (c) The department shall make available the amount of
31 thirty-five million dollars (\$35,000,000) for the local housing trust
32 fund matching grant program established under Section 50843.5.
33 The department shall make available 50 percent of this amount
34 exclusively for newly established housing trust funds.

35 (1) When awarding grants from the funds allocated under this
36 subdivision to existing trust funds, the department shall grant
37 preference to a housing trust fund that agrees to expend more than
38 65 percent of state funds for the purpose of downpayment
39 assistance to first-time homebuyers.

1 (2) When awarding grants from the funds allocated under this
2 subdivision to newly established housing trust funds, the
3 department shall set aside funding, for a period of 36 months from
4 the date funds are first made available, for newly established
5 housing trust funds that are in a county with a population of less
6 than ~~425,000~~ 700,000 persons, *as indicated in the most recent*
7 *population estimate provided by the Department of Finance.*

8 (d) The department shall make available the amount of ten
9 million dollars (\$10,000,000) for the Innovative Homeownership
10 Program, which the department shall develop and implement as
11 follows:

12 (1) The program shall be designed to increase or maintain
13 affordable homeownership opportunities for Californians with
14 lower incomes.

15 (2) The department shall adopt guidelines for the program that,
16 among other things, shall maximize the number of units assisted,
17 limit the expenditure of funds for administrative costs, and
18 maximize the leverage of public and private financing sources.

19 (3) The guidelines adopted by the department shall provide for
20 the issuance of a notice of funding availability soliciting
21 competitive proposals for the use of funds consistent with those
22 guidelines and with subparagraph (F) of paragraph (1) of
23 subdivision (a) of Section 53545.

24 (4) The guidelines adopted by the department shall not be subject
25 to the requirements of Chapter 6.5 (commencing with Section
26 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

27 (5) The department shall include within the annual report
28 required under Section 50408 a detailed summary and description
29 of the manner in which funds made available under this subdivision
30 were expended during the previous year and a statement regarding
31 the manner in which those expenditures meet the intent of the
32 Legislature and the voters that funds from the Innovative Housing
33 Fund be expended in support of innovative, cost-saving approaches
34 to creating or preserving affordable housing.

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**All matter omitted in this version of the bill
appears in the bill as amended in the
Assembly, January 18, 2008. (JR11)**

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