

AMENDED IN SENATE JUNE 24, 2008

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 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. 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~~ 425,000 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~~ *an ordinance imposing or dedicating a tax or fee has been enacted or that the applicant has adopted a legally binding commitment that the matching funds will be deposited upon the approval of the application.*

(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~~ *require that this* maximum population figure ~~to 700,000 persons, as~~ *be* indicated in the most recent population estimate provided by the Department of Finance.

Vote: majority. Appropriation: no. Fiscal committee: 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:
3 50843.5. (a) Subject to the availability of funding, the
4 department shall make matching grants available to any city,
5 county, ~~or city and county that has created, funded, and operated~~
6 ~~housing trust funds and to existing charitable nonprofit~~
7 ~~organizations described in Section 501(c)(3) of the Internal~~
8 ~~Revenue Code that have created, funded, and operated housing~~
9 *county, city and county, and charitable nonprofit organization*
10 *organized under Section 501(c)(3) of the Internal Revenue Code*
11 *that has created and is operating or will operate housing trust*

1 funds. These funds shall be awarded through the issuance of a
2 Notice of Funding Availability (NOFA).

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

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

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

10 (1) Utilization of a public or joint public and private fund
11 established by legislation, ordinance, resolution, or a public-private
12 partnership to receive specific revenue to address local housing
13 needs.

14 (2) Receipt of ongoing revenues from dedicated sources of
15 funding such as taxes, fees, loan repayments, or private
16 contributions.

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

1 *shall provide adequate documentation, as determined by the*
 2 *department, that an ordinance imposing or dedicating a tax or fee*
 3 *has been enacted or that the applicant has adopted a legally*
 4 *binding commitment that the matching funds will be deposited*
 5 *upon the approval of the application. Applicants shall be required*
 6 *to continue funding the local housing trust fund from these*
 7 *identified local sources, and continue the trust in operation, for a*
 8 *period of no less than five years from the date of award. If the*
 9 *funding is not continued for a five-year period, then (1) the amount*
 10 *of the department’s grant to the local housing trust fund, to the*
 11 *extent that the trust fund has unencumbered funds available, shall*
 12 *be immediately repaid, and (2) any payments from any projects*
 13 *funded by the local housing trust fund that would have been paid*
 14 *to the local housing trust fund shall be paid instead to the*
 15 *department and used for the program or its successor. The total*
 16 *amount paid to the department pursuant to (1) and (2), combined,*
 17 *shall not exceed the amount of the department’s grant.*

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

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

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

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

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

39 (3) If funds are used for the acquisition, construction, or
 40 rehabilitation of for sale housing projects or units within for sale

1 housing projects, the grantee shall record a deed restriction against
2 the property that will ensure compliance with one of the following
3 requirements upon resale of the for sale housing units, unless it is
4 in conflict with the requirements of another public funding source
5 or law:

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

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

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

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

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

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

39 (f) In order for a city, county, or city and county to be eligible
40 for funding, the applicant shall have, at the time of application, an

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

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

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

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

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

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

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

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

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

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

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

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

38 (2) When awarding grants from the funds allocated under this
39 subdivision to newly established housing trust funds, the
40 department shall set aside funding, for a period of 36 months from

1 the date funds are first made available, for newly established
2 housing trust funds that are in a county with a population of less
3 than ~~700,000~~ 425,000 persons, as indicated in the most recent
4 population estimate provided by the Department of Finance.

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

9 (1) The program shall be designed to increase or maintain
10 affordable homeownership opportunities for Californians with
11 lower incomes.

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

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

21 (4) The guidelines adopted by the department shall not be subject
22 to the requirements of Chapter 6.5 (commencing with Section
23 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

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