

AMENDED IN SENATE JULY 1, 2008  
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**

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**Introduced by Assembly Member Arambula**

February 23, 2007

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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 425,000 persons, ~~as indicated in the most recent population estimate provided by the Department of Finance~~ *based on the decennial United States Census for the year 2000*, and at \$1,000,000 for all other trusts.

The bill would require a newly established trust to provide the Department of Housing and Community Development with documentation that 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 require that this maximum population figure be ~~indicated in the most recent population estimate provided by the Department of Finance~~ *based on the decennial United States Census for the year 2000*.

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, city and county, and charitable nonprofit organization
- 6 organized under Section 501(c)(3) of the Internal Revenue Code
- 7 that has created and is operating or will operate housing trust funds.
- 8 These funds shall be awarded through the issuance of a Notice of
- 9 Funding Availability (NOFA).

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

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

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

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

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

15 (c) The minimum allocation to an applicant that is a newly  
16 established trust, and is in a county with a population that conforms  
17 with paragraph (2) of subdivision (c) of Section 53545.9, shall be  
18 five hundred thousand dollars (\$500,000). The minimum allocation  
19 for all other trusts shall be one million dollars (\$1,000,000). No  
20 applicant may receive an allocation in excess of two million dollars  
21 (\$2,000,000). All funds provided pursuant to this section shall be  
22 matched on a dollar-for-dollar basis with money that is not required  
23 by any state or federal law to be spent on housing. No application  
24 for an existing housing trust shall be considered unless the  
25 department has received adequate documentation of the deposit  
26 in the local housing trust fund of the local match and the identity  
27 of the source of matching funds. Newly established trusts shall  
28 provide adequate documentation, as determined by the department,  
29 that an ordinance imposing or dedicating a tax or fee has been  
30 enacted or that the applicant has adopted a legally binding  
31 commitment that the matching funds will be deposited upon the  
32 approval of the application. Applicants shall be required to continue  
33 funding the local housing trust fund from these identified local  
34 sources, and continue the trust in operation, for a period of no less  
35 than five years from the date of award. If the funding is not  
36 continued for a five-year period, then (1) the amount of the  
37 department's grant to the local housing trust fund, to the extent  
38 that the trust fund has unencumbered funds available, shall be  
39 immediately repaid, and (2) any payments from any projects funded  
40 by the local housing trust fund that would have been paid to the

1 local housing trust fund shall be paid instead to the department  
2 and used for the program or its successor. The total amount paid  
3 to the department pursuant to (1) and (2), combined, shall not  
4 exceed the amount of the department's grant.

5 (d) (1) Funds shall be used for the predevelopment costs,  
6 acquisition, construction, or rehabilitation of the following types  
7 of housing or projects:

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

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

13 (C) For sale housing projects or units within for sale housing  
14 projects.

15 (2) At least 30 percent of the total amount of the grant and the  
16 match shall be expended on projects, units, or shelters that are  
17 affordable to, and restricted for, extremely low income persons  
18 and families, as defined in Section 50106. No more than 20 percent  
19 of the total amount of the grant and the match shall be expended  
20 on projects or units affordable to, and restricted for,  
21 moderate-income persons and families whose income does not  
22 exceed 120 percent of the area median income. The remaining  
23 funds shall be used for projects, units, or shelters that are affordable  
24 to, and restricted for, lower income persons and families, as defined  
25 in Section 50079.5.

26 (3) If funds are used for the acquisition, construction, or  
27 rehabilitation of for sale housing projects or units within for sale  
28 housing projects, the grantee shall record a deed restriction against  
29 the property that will ensure compliance with one of the following  
30 requirements upon resale of the for sale housing units, unless it is  
31 in conflict with the requirements of another public funding source  
32 or law:

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

38 (B) The owner and grantee shall share the equity in the unit  
39 pursuant to an equity sharing agreement. The grantee shall reuse  
40 the proceeds of the equity sharing agreement consistent with this

1 section. To the extent not in conflict with another public funding  
2 source or law, all of the following shall apply to the equity-sharing  
3 agreement provided for by the deed restriction:

4 (i) Upon resale by an owner-occupant of the home, the  
5 owner-occupant of the home shall retain the market value of any  
6 improvements, the downpayment, and his or her proportionate  
7 share of appreciation. The grantee shall recapture any initial  
8 subsidy and its proportionate share of appreciation, which shall  
9 then be used to make housing available to persons and families of  
10 the same income category as the original grant and for any type  
11 of housing or shelter specified in paragraph (1).

12 (ii) For purposes of this subdivision, the initial subsidy shall be  
13 equal to the fair market value of the home at the time of initial sale  
14 to the owner-occupant minus the initial sale price to the  
15 owner-occupant, plus the amount of any downpayment assistance  
16 or mortgage assistance. If upon resale by the owner-occupant the  
17 market value is lower than the initial market value, then the value  
18 at the time of the resale shall be used as the initial market value.

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

22 (e) Loan repayments shall accrue to the grantee housing trust  
23 for use pursuant to this section. If the trust no longer exists, loan  
24 repayments shall accrue to the department for use in the program  
25 or its successor.

26 (f) In order for a city, county, or city and county to be eligible  
27 for funding, the applicant shall have, at the time of application, an  
28 adopted housing element that the department has determined,  
29 pursuant to Section 65585 of the Government Code, is in  
30 substantial compliance with the requirements of Article 10.6  
31 (commencing with Section 65580) of Chapter 3 of Division 1 of  
32 Title 7 of the Government Code. In order for a nonprofit  
33 organization applicant to be eligible for funding, the applicant shall  
34 agree to utilize funds provided under this chapter only for projects  
35 located in cities, counties, or a city and county that have, at the  
36 time of application, an adopted housing element that the department  
37 has determined, pursuant to Section 65585 of the Government  
38 Code, to be in substantial compliance with the requirements of  
39 Article 10.6 (commencing with Section 65580) of Chapter 3 of  
40 Division 1 of Title 7 of the Government Code.

1 (g) Recipients shall have held, or shall agree to hold, a public  
 2 hearing or hearings to discuss and describe the project or projects  
 3 that will be financed with funds provided pursuant to this section.  
 4 As a condition of receiving a grant pursuant to this section, any  
 5 nonprofit organization shall agree that it will hold one public  
 6 meeting a year to discuss the criteria that will be used to select  
 7 projects to be funded. That meeting shall be open to the public,  
 8 and public notice of this meeting shall be provided, except to the  
 9 extent that any similar meeting of a city or county would be  
 10 permitted to be held in closed session.

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

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

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

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

27 53545.9. Of the one hundred million dollars (\$100,000,000)  
 28 transferred to the Affordable Housing Innovation Fund established  
 29 in the State Treasury under subparagraph (F) of paragraph (1) of  
 30 subdivision (a) of Section 53545, the following amounts shall be  
 31 allocated as follows:

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

35 (2) Of the amount made available for the program, twenty-five  
 36 million dollars (\$25,000,000) shall be made available for the Loan  
 37 Fund and twenty-five million dollars (\$25,000,000) shall be made  
 38 available for the Practitioner Fund.

39 (b) The department shall make available the amount of five  
 40 million dollars (\$5,000,000) for the Construction Liability

1 Insurance Reform Pilot Program, which is hereby established in  
2 the Department of Housing and Community Development. The  
3 purpose of the program is to promote best practices for residential  
4 construction quality control in housing programs sponsored by the  
5 department or the California Housing Finance Agency, as a means  
6 of reducing insurance rates for condominium developers in this  
7 state. Funds shall be made available in the form of grants for  
8 predevelopment costs of condominium projects funded by the  
9 department or the California Housing Finance Agency that utilize  
10 enhanced construction oversight and monitoring programs and  
11 processes, including, but not limited to, video recording of the  
12 construction process, use of quality control manuals, and increased  
13 quality control inspections.

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

19 (1) When awarding grants from the funds allocated under this  
20 subdivision to existing trust funds, the department shall grant  
21 preference to a housing trust fund that agrees to expend more than  
22 65 percent of state funds for the purpose of downpayment  
23 assistance to first-time homebuyers.

24 (2) When awarding grants from the funds allocated under this  
25 subdivision to newly established housing trust funds, the  
26 department shall set aside funding, for a period of 36 months from  
27 the date funds are first made available, for newly established  
28 housing trust funds that are in a county with a population of less  
29 ~~than 425,000 persons, as indicated in the most recent population~~  
30 ~~estimate provided by the Department of Finance.~~ *than 425,000*  
31 *persons, based on the decennial United States Census for the year*  
32 *2000.*

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

37 (1) The program shall be designed to increase or maintain  
38 affordable homeownership opportunities for Californians with  
39 lower incomes.

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

5 (3) The guidelines adopted by the department shall provide for  
6 the issuance of a notice of funding availability soliciting  
7 competitive proposals for the use of funds consistent with those  
8 guidelines and with subparagraph (F) of paragraph (1) of  
9 subdivision (a) of Section 53545.

10 (4) The guidelines adopted by the department shall not be subject  
11 to the requirements of Chapter 6.5 (commencing with Section  
12 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

13 (5) The department shall include within the annual report  
14 required under Section 50408 a detailed summary and description  
15 of the manner in which funds made available under this subdivision  
16 were expended during the previous year and a statement regarding  
17 the manner in which those expenditures meet the intent of the  
18 Legislature and the voters that funds from the Innovative Housing  
19 Fund be expended in support of innovative, cost-saving approaches  
20 to creating or preserving affordable housing.