AMENDED IN ASSEMBLY JANUARY 14, 2010

AMENDED IN ASSEMBLY JANUARY 4, 2010

AMENDED IN ASSEMBLY MAY 6, 2009

AMENDED IN ASSEMBLY APRIL 21, 2009

california legislature—2009–10 regular session

ASSEMBLY BILL No. 1556

Introduced by Committee on Jobs, Economic Development, and the Economy (V. Manuel Perez (Chair), Beall, Block, Huber, and Salas)

March 11, 2009

An act to amend Sections 50826 and 50832.1 of the Health and Safety Code, relating to community development.

legislative counsel's digest

AB 1556, as amended, Committee on Jobs, Economic Development, and the Economy. Community development: grants.

Existing law requires the Department of Housing and Community Development to allocate funds under the federal Community Development Block Grant Program to cities and counties. Existing law authorizes the department to utilize specified amounts of the program's economic development set aside for a reservation of funds program to establish or enhance local revolving loan fund programs.

This bill would make several declarations of legislative intent and findings relating to local revolving loan funds receiving federal Community Development Block Grant Program assistance. The bill would require the department to require that grantees of the program ~~contract with~~ *use* an approved financial intermediary, as defined, to manage or administer the local revolving loan fund and to maintain a record of the approved financial intermediaries.

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

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

SECTION 1. (a) It is the intent of the Legislature that the Department of Housing and Community Development create a list of certified local nonbank financial institutions and government agencies with expertise in lending and loan underwriting to assist local revolving loan funds that receive federal Community Development Block Grant funds through the department. The Legislature finds and declares that local revolving loan programs provide funding for local economic development projects which can create valuable jobs in rural communities.

(b) The Legislature finds and declares that there are qualified nonbank financial institutions and government offices in communities that can assist local revolving loan funds by identifying investment opportunities that create jobs and by providing underwriting expertise in the packaging of loans.

(c) It is the intent of the Legislature that any grantee receiving a Community Development Block Grant from the department use a financial intermediary or government office that is annually approved by the department to provide the required loan underwriting and conform to the United States Department of Housing and Urban Development guidelines. As part of the Community Development Block Grant contract, the grantee should identify the financial intermediary that will provide the underwriting service.

(d) It is further the intent of the Legislature that in certifying the financial intermediary, the department base its certification on the following criteria:

(1) High level of proficiency in economic development lending.

(2) Knowledge of the federal Community Development Block Grant program.

(3) Ability to comprehend, interpret, and apply federal regulations.

(4) Expert knowledge of community-based and economic development lending programs.

(5) Leadership ability.

(6) Organization, administrative, and management skills.

SEC. 2. Section 50826 of the Health and Safety Code is amended to read:

50826. As used in this chapter:

(a) “Approved financial intermediary” means a nonprofit organization, government office, or a financial development corporation with direct lending experience and is certified by the department to underwrite and administer a revolving loan fund for one or more eligible city or county jurisdictions. The approved financial intermediary may be an employee of the grantee, consultant, or economic development lending organization procured and contracted by the grantee.

(b) “Eligible city or county” means an area that is not a metropolitan city or part of an urban county, as defined by paragraphs (4) and (6), respectively, of subsection (a) of Section 5302 of Title 42 of the United States Code.

(c) “NOFA” means notice of funding availability, a public announcement that an estimated amount of funding will be awarded by a department program according to specified criteria and schedules.

(d) “Persons and families of low or moderate income” means persons and families whose income does not exceed 80 percent of the area median income, adjusted for family size, as determined pursuant to regulations adopted by the department.

(e) “Program” means the State Community Development Block Grant Program created pursuant to federal law (42 U.S.C. 5301, et seq.).

SEC. 3. Section 50832.1 of the Health and Safety Code is amended to read:

50832.1. (a) (1) The department may utilize specified amounts of the economic development set-aside for a reservation of funds program to establish or enhance local revolving loan fund programs.

(2) The department shall require that grantees ~~contract with~~ *use* an approved financial intermediary to manage or administer the local revolving loan fund. The department shall maintain a record of those approved financial intermediaries.

(b) To the extent that the department determines that some local communities lack capacity to apply for and administer projects under this section and Section 50832, the department may utilize federal training dollars to provide training services to those communities. In providing training, the department may contract with training entities, provide the training directly, or make stipends available for that training.

(c) Utilizing only existing Community Development Block Grant administrative funds, the department shall make every effort to assist communities unable to demonstrate compliance with federal regulations to come into compliance, which may include providing communities training in revolving loan fund administration through outside contractors.

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