

AMENDED IN ASSEMBLY AUGUST 24, 2009

AMENDED IN ASSEMBLY JUNE 11, 2009

AMENDED IN SENATE MARCH 31, 2009

SENATE BILL

No. 251

Introduced by Committee on Transportation and Housing (Senators Lowenthal (Chair), Ashburn, DeSaulnier, Harman, Hollingsworth, Huff, Kehoe, Oropeza, Pavley, Simitian, and Wolk)

February 24, 2009

An act to amend Sections 65584.05 and 66412 of the Government Code, to amend Sections 18031.7, 18062.9, 33334.14, and 53545.9 of the Health and Safety Code, and to amend Sections 3692.4, 12206, 17058, and 23610.5 of the Revenue and Taxation Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 251, as amended, Committee on Transportation and Housing. Housing and community development: housing omnibus bill.

(1) Existing law requires each city, county, or city and county to prepare and adopt a general plan for its jurisdiction that contains certain mandatory elements, including a housing element. One part of the housing element is an assessment of housing needs and an inventory of resources and constraints relevant to meeting those needs. The assessment includes the locality's share of the regional housing need. That share is determined by the appropriate council of governments, subject to revision by the Department of Housing and Community Development. The council of governments is also required to issue a

proposed final allocation plan and to hold a public hearing to adopt a final allocation plan.

This bill would require the council of governments to submit its final allocation plan to the department within 3 days of adoption. The bill would specify that the department determine whether the plan is consistent with the existing and projected housing need for the region within 60 days from the date of its receipt of the final allocation plan adopted by the council of governments.

(2) Existing law exempts from the requirements of the Subdivision Map Act specified types of property, including the conversion of a community apartment project, and the conversion of a stock cooperative, unless a parcel or final map was approved by the legislative body of a local agency, if specified requirements are met.

This bill would modify the requirements for an exemption relating to the conversion of a community apartment project and stock cooperative.

(3) Existing law authorizes a manufactured home manufacturer to sell manufactured homes, as defined, directly to a licensed California general building contractor, as defined, when specified conditions are met.

This bill would additionally authorize a manufactured home manufacturer to sell manufactured homes, as defined, directly to a nonprofit corporation, as defined, that is also a Community Housing Development Organization, as defined, when specified conditions are met.

(4) Existing law requires all fuel-gas-burning water heater appliances in new manufactured homes or new multifamily manufactured homes installed in the state to be seismically braced, anchored, or strapped. In the event of a sale of a home, the homeowner or contractor responsible for the installation of the home is required to ensure all fuel-gas-burning water heater appliances are seismically braced, anchored, or strapped, consistent with existing law. The requirement is satisfied when the homeowner or responsible contractor both completes that work and signs a declaration stating each fuel-gas-burning water heater is secured.

This bill would instead provide that the requirement is satisfied when the homeowner or responsible contractor signs the declaration.

(5) Existing law establishes the Affordable Housing Revolving Development and Acquisition Program under the administration of the Department of Housing and Community Development. Existing law requires that funds in the Affordable Housing Innovation Fund be

allocated in the amount of \$35,000,000 for a local housing trust fund matching grant program established under a specified provision of existing law. Existing law prescribes various funding preferences and set-aside requirements upon the department with respect to these allocated funds.

This bill would, notwithstanding specified provisions of existing law, impose new requirements regarding the availability of funds for encumbrance for newly established housing trust funds, the disbursements in liquidation of the encumbrance, and the reversion of funds not encumbered, as specified.

(6) This bill would correct erroneous cross-references, and make various other technical changes in existing law relating to housing.

(7) *This bill would incorporate additional changes in Section 66412 of the Government Code proposed by SB 113, that would become operative only if SB 113 and this bill are both chaptered and become effective on or before January 1, 2010, and this bill is chaptered last.*

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

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

1 SECTION 1. Section 65584.05 of the Government Code is
2 amended to read:
3 65584.05. (a) At least one and one-half years prior to the
4 scheduled revision required by Section 65588, each council of
5 governments and delegate subregion, as applicable, shall distribute
6 a draft allocation of regional housing needs to each local
7 government in the region or subregion, where applicable, based
8 on the methodology adopted pursuant to Section 65584.04. The
9 draft allocation shall include the underlying data and methodology
10 on which the allocation is based. It is the intent of the Legislature
11 that the draft allocation should be distributed prior to the
12 completion of the update of the applicable regional transportation
13 plan. The draft allocation shall distribute to localities and
14 subregions, if any, within the region the entire regional housing
15 need determined pursuant to Section 65584.01 or within
16 subregions, as applicable, the subregion's entire share of the
17 regional housing need determined pursuant to Section 65584.03.
18 (b) Within 60 days following receipt of the draft allocation, a
19 local government may request from the council of governments

1 or the delegate subregion, as applicable, a revision of its share of
2 the regional housing need in accordance with the factors described
3 in paragraphs (1) to (9), inclusive, of subdivision (d) of Section
4 65584.04, including any information submitted by the local
5 government to the council of governments pursuant to subdivision
6 (b) of that section. The request for a revised share shall be based
7 upon comparable data available for all affected jurisdictions and
8 accepted planning methodology, and supported by adequate
9 documentation.

10 (c) Within 60 days after the request submitted pursuant to
11 subdivision (b), the council of governments or delegate subregion,
12 as applicable, shall accept the proposed revision, modify its earlier
13 determination, or indicate, based upon the information and
14 methodology described in Section 65584.04, why the proposed
15 revision is inconsistent with the regional housing need.

16 (d) If the council of governments or delegate subregion, as
17 applicable, does not accept the proposed revised share or modify
18 the revised share to the satisfaction of the requesting party, the
19 local government may appeal its draft allocation based upon either
20 or both of the following criteria:

21 (1) The council of governments or delegate subregion, as
22 applicable, failed to adequately consider the information submitted
23 pursuant to subdivision (b) of Section 65584.04, or a significant
24 and unforeseen change in circumstances has occurred in the local
25 jurisdiction that merits a revision of the information submitted
26 pursuant to that subdivision.

27 (2) The council of governments or delegate subregion, as
28 applicable, failed to determine its share of the regional housing
29 need in accordance with the information described in, and the
30 methodology established pursuant to Section 65584.04.

31 (e) The council of governments or delegate subregion, as
32 applicable, shall conduct public hearings to hear all appeals within
33 60 days after the date established to file appeals. The local
34 government shall be notified within 10 days by certified mail,
35 return receipt requested, of at least one public hearing on its appeal.
36 The date of the hearing shall be at least 30 days and not more than
37 35 days after the date of the notification. Before taking action on
38 an appeal, the council of governments or delegate subregion, as
39 applicable, shall consider all comments, recommendations, and
40 available data based on accepted planning methodologies submitted

1 by the appellant. The final action of the council of governments
2 or delegate subregion, as applicable, on an appeal shall be in
3 writing and shall include information and other evidence explaining
4 how its action is consistent with this article. The final action on
5 an appeal may require the council of governments or delegate
6 subregion, as applicable, to adjust the allocation of a local
7 government that is not the subject of an appeal.

8 (f) The council of governments or delegate subregion, as
9 applicable, shall issue a proposed final allocation within 45 days
10 after the completion of the 60-day period for hearing appeals. The
11 proposed final allocation plan shall include responses to all
12 comments received on the proposed draft allocation and reasons
13 for any significant revisions included in the final allocation.

14 (g) In the proposed final allocation plan, the council of
15 governments or delegate subregion, as applicable, shall adjust
16 allocations to local governments based upon the results of the
17 revision request process and the appeals process specified in this
18 section. If the adjustments total 7 percent or less of the regional
19 housing need determined pursuant to Section 65584.01, or, as
20 applicable, total 7 percent or less of the subregion's share of the
21 regional housing need as determined pursuant to Section 65584.03,
22 then the council of governments or delegate subregion, as
23 applicable, shall distribute the adjustments proportionally to all
24 local governments. If the adjustments total more than 7 percent of
25 the regional housing need, then the council of governments or
26 delegate subregion, as applicable, shall develop a methodology to
27 distribute the amount greater than the 7 percent to local
28 governments. In no event shall the total distribution of housing
29 need equal less than the regional housing need, as determined
30 pursuant to Section 65584.01, nor shall the subregional distribution
31 of housing need equal less than its share of the regional housing
32 need as determined pursuant to Section 65584.03. Two or more
33 local governments may agree to an alternate distribution of
34 appealed housing allocations between the affected local
35 governments. If two or more local governments agree to an
36 alternative distribution of appealed housing allocations that
37 maintains the total housing need originally assigned to these
38 communities, then the council of governments shall include the
39 alternative distribution in the final allocation plan.

(h) Within 45 days after the issuance of the proposed final allocation plan by the council of governments and each delegate subregion, as applicable, the council of governments shall hold a public hearing to adopt a final allocation plan. To the extent that the final allocation plan fully allocates the regional share of statewide housing need, as determined pursuant to Section 65584.01, the council of governments shall have final authority to determine the distribution of the region's existing and projected housing need as determined pursuant to Section 65584.01. The council of governments shall submit its final allocation plan to the department within three days of adoption. Within 60 days after the department's receipt of the final allocation plan adopted by the council of governments, the department shall determine whether or not the final allocation plan is consistent with the existing and projected housing need for the region, as determined pursuant to Section 65584.01. The department may revise the determination of the council of governments if necessary to obtain this consistency.

(i) Any authority of the council of governments to review and revise the share of a city or county of the regional housing need under this section shall not constitute authority to revise, approve, or disapprove the manner in which the share of the city or county of the regional housing need is implemented through its housing program.

SEC. 2. Section 66412 of the Government Code is amended to read:

66412. This division shall be inapplicable to any of the following:

(a) The financing or leasing of apartments, offices, stores, or similar space within apartment buildings, industrial buildings, commercial buildings, mobilehome parks, or trailer parks.

(b) Mineral, oil, or gas leases.

(c) Land dedicated for cemetery purposes under the Health and Safety Code.

(d) A lot line adjustment between four or fewer existing adjoining parcels, where the land taken from one parcel is added to an adjoining parcel, and where a greater number of parcels than originally existed is not thereby created, if the lot line adjustment is approved by the local agency, or advisory agency. A local agency or advisory agency shall limit its review and approval to a

determination of whether or not the parcels resulting from the lot line adjustment will conform to the local general plan, any applicable specific plan, any applicable coastal plan, and zoning and building ordinances. An advisory agency or local agency shall not impose conditions or exactions on its approval of a lot line adjustment except to conform to the local general plan, any applicable specific plan, any applicable coastal plan, and zoning and building ordinances, to require the prepayment of real property taxes prior to the approval of the lot line adjustment, or to facilitate the relocation of existing utilities, infrastructure, or easements. No tentative map, parcel map, or final map shall be required as a condition to the approval of a lot line adjustment. The lot line adjustment shall be reflected in a deed, which shall be recorded. No record of survey shall be required for a lot line adjustment unless required by Section 8762 of the Business and Professions Code.

(e) Boundary line or exchange agreements to which the State Lands Commission or a local agency holding a trust grant of tide and submerged lands is a party.

(f) Any separate assessment under Section 2188.7 of the Revenue and Taxation Code.

(g) The conversion of a community apartment project, as defined in Section 1351 of the Civil Code, to a condominium, as defined in Section 783 of the Civil Code, but only if all of the following requirements are met:

(1) The property was subdivided before January 1, 1982, as evidenced by a recorded deed creating the community apartment project.

(2) Subject to compliance with subdivision (e) of Section 1351 of the Civil Code, all conveyances and other documents necessary to effectuate the conversion shall be executed by the required number of owners in the project as specified in the bylaws or other organizational documents. If the bylaws or other organizational documents do not expressly specify the number of owners necessary to execute the conveyances and other documents, a majority of owners in the project shall be required to execute the conveyances or other documents. Conveyances and other documents executed under the foregoing provisions shall be binding upon and affect the interests of all parties in the project.

1 (3) If subdivision, as defined in Section 66424, of the property
2 occurred after January 1, 1964, both of the following requirements
3 are met:

4 (A) A final or parcel map of that subdivision was approved by
5 the local agency and recorded, with all of the conditions of that
6 map remaining in effect after the conversion.

7 (B) No more than 49 percent of the units in the project were
8 owned by any one person as defined in Section 17, including an
9 incorporator or director of the community apartment project, on
10 January 1, 1982.

11 (4) The local agency certifies that the above requirements were
12 satisfied if the local agency, by ordinance, provides for that
13 certification.

14 (h) The conversion of a stock cooperative, as defined in Section
15 1351 of the Civil Code, to a condominium, as defined in Section
16 783 of the Civil Code, but only if all of the following requirements
17 are met:

18 (1) The property was subdivided before January 1, 1982, as
19 evidenced by a recorded deed creating the stock cooperative, an
20 assignment of lease, or issuance of shares to a stockholder.

21 (2) A person renting a unit in a cooperative shall be entitled at
22 the time of conversion to all tenant rights in state or local law,
23 including, but not limited to, rights respecting first refusal, notice,
24 and displacement and relocation benefits.

25 (3) Subject to compliance with subdivision (e) of Section 1351
26 of the Civil Code, all conveyances and other documents necessary
27 to effectuate the conversion shall be executed by the required
28 number of owners in the cooperative as specified in the bylaws or
29 other organizational documents. If the bylaws or other
30 organizational documents do not expressly specify the number of
31 owners necessary to execute the conveyances and other documents,
32 a majority of owners in the cooperative shall be required to execute
33 the conveyances or other documents. Conveyances and other
34 documents executed under the foregoing provisions shall be
35 binding upon and affect the interests of all parties in the
36 cooperative.

37 (4) If subdivision, as defined in Section 66424, of the property
38 occurred after January 1, 1980, both of the following requirements
39 are met:

1 (A) A final or parcel map of that subdivision was approved by
2 the local agency and recorded, with all of the conditions of that
3 map remaining in effect after the conversion.

4 (B) No more than 49 percent of the shares in the project were
5 owned by any one person as defined in Section 17, including an
6 incorporator or director of the cooperative, on January 1, 1982.

7 (5) The local agency certifies that the above requirements were
8 satisfied if the local agency, by ordinance, provides for that
9 certification.

10 (i) The leasing of, or the granting of an easement to, a parcel of
11 land, or any portion or portions thereof, in conjunction with the
12 financing, erection, and sale or lease of a windpowered electrical
13 generation device on the land, if the project is subject to
14 discretionary action by the advisory agency or legislative body.

15 (j) The leasing or licensing of a portion of a parcel, or the
16 granting of an easement, use permit, or similar right on a portion
17 of a parcel, to a telephone corporation as defined in Section 234
18 of the Public Utilities Code, exclusively for the placement and
19 operation of cellular radio transmission facilities, including, but
20 not limited to, antennae support structures, microwave dishes,
21 structures to house cellular communications transmission
22 equipment, power sources, and other equipment incidental to the
23 transmission of cellular communications, if the project is subject
24 to discretionary action by the advisory agency or legislative body.

25 (k) Leases of agricultural land for agricultural purposes. As used
26 in this subdivision, “agricultural purposes” means the cultivation
27 of food or fiber, or the grazing or pasturing of livestock.

28 (l) The leasing of, or the granting of an easement to, a parcel of
29 land, or any portion or portions thereof, in conjunction with the
30 financing, erection, and sale or lease of a solar electrical generation
31 device on the land, if the project is subject to review under other
32 local agency ordinances regulating design and improvement or, if
33 the project is subject to other discretionary action by the advisory
34 agency or legislative body.

35 *SEC. 2.5. Section 66412 of the Government Code is amended*
36 *to read:*

37 66412. This division shall be inapplicable to any of the
38 following:

1 (a) The financing or leasing of apartments, offices, stores, or
2 similar space within apartment buildings, industrial buildings,
3 commercial buildings, mobilehome parks, or trailer parks.

4 (b) Mineral, oil, or gas leases.

5 (c) Land dedicated for cemetery purposes under the Health and
6 Safety Code.

7 (d) A lot line adjustment between four or fewer existing
8 adjoining parcels, where the land taken from one parcel is added
9 to an adjoining parcel, and where a greater number of parcels than
10 originally existed is not thereby created, if the lot line adjustment
11 is approved by the local agency, or advisory agency. A local agency
12 or advisory agency shall limit its review and approval to a
13 determination of whether or not the parcels resulting from the lot
14 line adjustment will conform to the local general plan, any
15 applicable specific plan, any applicable coastal plan, and zoning
16 and building ordinances. An advisory agency or local agency shall
17 not impose conditions or exactions on its approval of a lot line
18 adjustment except to conform to the local general plan, any
19 applicable specific plan, any applicable coastal plan, and zoning
20 and building ordinances, to require the prepayment of real property
21 taxes prior to the approval of the lot line adjustment, or to facilitate
22 the relocation of existing utilities, infrastructure, or easements. No
23 tentative map, parcel map, or final map shall be required as a
24 condition to the approval of a lot line adjustment. The lot line
25 adjustment shall be reflected in a deed, which shall be recorded.
26 No record of survey shall be required for a lot line adjustment
27 unless required by Section 8762 of the Business and Professions
28 Code. *A local agency shall approve or disapprove a lot line
29 adjustment pursuant to the Permit Streamlining Act (Chapter 4.5
30 (commencing with Section 65920) of Division 1).*

31 (e) Boundary line or exchange agreements to which the State
32 Lands Commission or a local agency holding a trust grant of tide
33 and submerged lands is a party.

34 (f) Any separate assessment under Section 2188.7 of the
35 Revenue and Taxation Code.

36 ~~(g) Unless a parcel or final map was approved by the legislative~~
37 ~~body of a local agency, the~~ The conversion of a community
38 apartment project, as defined in Section 1351 of the Civil Code,
39 to a condominium, as defined in Section 783 of the Civil Code,
40 but only if all of the following requirements are met:

1 ~~(1) At least 75 percent of the units in the project were occupied~~
2 ~~by record owners of the project on March 31, 1982.~~

3 ~~(2) A final or parcel map of the project was properly recorded,~~
4 ~~if the property was subdivided, as defined in Section 66424, after~~
5 ~~January 1, 1964, with all of the conditions of that map remaining~~
6 ~~in effect after the conversion.~~

7 ~~(3) The local agency certifies that the above requirements were~~
8 ~~satisfied if the local agency, by ordinance, provides for that~~
9 ~~certification.~~

10 *(1) The property was subdivided before January 1, 1982, as*
11 *evidenced by a recorded deed creating the community apartment*
12 *project.*

13 ~~(4)~~

14 *(2) Subject to compliance with subdivision (e) of Section 1351*
15 *of the Civil Code, all conveyances and other documents necessary*
16 *to effectuate the conversion shall be executed by the required*
17 *number of owners in the project as specified in the bylaws or other*
18 *organizational documents. If the bylaws or other organizational*
19 *documents do not expressly specify the number of owners*
20 *necessary to execute the conveyances and other documents, a*
21 *majority of owners in the project shall be required to execute the*
22 *conveyances or other documents. Conveyances and other*
23 *documents executed under the foregoing provisions shall be*
24 *binding upon and affect the interests of all parties in the project.*

25 *(3) If subdivision, as defined in Section 66424, of the property*
26 *occurred after January 1, 1964, both of the following requirements*
27 *are met:*

28 *(A) A final or parcel map of that subdivision was approved by*
29 *the local agency and recorded, with all of the conditions of that*
30 *map remaining in effect after the conversion.*

31 *(B) No more than 49 percent of the units in the project were*
32 *owned by any one person as defined in Section 17, including an*
33 *incorporator or director of the community apartment project, on*
34 *January 1, 1982.*

35 *(4) The local agency certifies that the above requirements were*
36 *satisfied if the local agency, by ordinance, provides for that*
37 *certification.*

38 ~~(h) Unless a parcel or final map was approved by the legislative~~
39 ~~body of a local agency, the~~ *The conversion of a stock cooperative,*
40 *as defined in Section 1351 of the Civil Code, to a condominium,*

1 as defined in Section 783 of the Civil Code, but only if all of the
2 following requirements are met:

3 ~~(1) At least 51 percent of the units in the cooperative were~~
4 ~~occupied by stockholders of the cooperative on January 1, 1981,~~
5 ~~or individually owned by stockholders of the cooperative on~~
6 ~~January 1, 1981. As used in this paragraph, a cooperative unit is~~
7 ~~“individually owned” if and only if the stockholder of that unit~~
8 ~~owns or partially owns an interest in no more than one unit in the~~
9 ~~cooperative.~~

10 ~~(2) No more than 25 percent of the shares of the cooperative~~
11 ~~were owned by any one person, as defined in Section 17, including~~
12 ~~an incorporator or director of the cooperative, on January 1, 1981.~~

13 ~~(1) The property was subdivided before January 1, 1982, as~~
14 ~~evidenced by a recorded deed creating the stock cooperative, an~~
15 ~~assignment of lease, or issuance of shares to a stockholder.~~

16 ~~(3)~~

17 (2) A person renting a unit in a cooperative shall be entitled at
18 the time of conversion to all tenant rights in state or local law,
19 including, but not limited to, rights respecting first refusal, notice,
20 and displacement and relocation benefits.

21 ~~(4) The local agency certifies that the above requirements were~~
22 ~~satisfied if the local agency, by ordinance, provides for that~~
23 ~~certification.~~

24 ~~(5)~~

25 (3) Subject to compliance with subdivision (e) of Section 1351
26 of the Civil Code, all conveyances and other documents necessary
27 to effectuate the conversion shall be executed by the required
28 number of owners in the cooperative as specified in the bylaws or
29 other organizational documents. If the bylaws or other
30 organizational documents do not expressly specify the number of
31 owners necessary to execute the conveyances and other documents,
32 a majority of owners in the cooperative shall be required to execute
33 the conveyances or other documents. Conveyances and other
34 documents executed under the foregoing provisions shall be
35 binding upon and affect the interests of all parties in the
36 cooperative.

37 (4) *If subdivision, as defined in Section 66424, of the property*
38 *occurred after January 1, 1980, both of the following requirements*
39 *are met:*

1 (A) *A final or parcel map of that subdivision was approved by*
2 *the local agency and recorded, with all of the conditions of that*
3 *map remaining in effect after the conversion.*

4 (B) *No more than 49 percent of the shares in the project were*
5 *owned by any one person as defined in Section 17, including an*
6 *incorporator or director of the cooperative, on January 1, 1982.*

7 (5) *The local agency certifies that the above requirements were*
8 *satisfied if the local agency, by ordinance, provides for that*
9 *certification.*

10 (i) *The leasing of, or the granting of an easement to, a parcel of*
11 *land, or any portion or portions thereof, in conjunction with the*
12 *financing, erection, and sale or lease of a windpowered electrical*
13 *generation device on the land, if the project is subject to*
14 *discretionary action by the advisory agency or legislative body.*

15 (j) *The leasing or licensing of a portion of a parcel, or the*
16 *granting of an easement, use permit, or similar right on a portion*
17 *of a parcel, to a telephone corporation as defined in Section 234*
18 *of the Public Utilities Code, exclusively for the placement and*
19 *operation of cellular radio transmission facilities, including, but*
20 *not limited to, antennae support structures, microwave dishes,*
21 *structures to house cellular communications transmission*
22 *equipment, power sources, and other equipment incidental to the*
23 *transmission of cellular communications, if the project is subject*
24 *to discretionary action by the advisory agency or legislative body.*

25 (k) *Leases of agricultural land for agricultural purposes. As used*
26 *in this subdivision, “agricultural purposes” means the cultivation*
27 *of food or fiber, or the grazing or pasturing of livestock.*

28 (l) *The leasing of, or the granting of an easement to, a parcel of*
29 *land, or any portion or portions thereof, in conjunction with the*
30 *financing, erection, and sale or lease of a solar electrical generation*
31 *device on the land, if the project is subject to review under other*
32 *local agency ordinances regulating design and improvement or, if*
33 *the project is subject to other discretionary action by the advisory*
34 *agency or legislative body.*

35 (m) *The leasing of, or the granting of an easement to, a parcel*
36 *of land or any portion or portions of the land in conjunction with*
37 *a biogas project that uses, as part of its operation, agricultural*
38 *waste or byproducts from the land where the project is located*
39 *and reduces overall emissions of greenhouse gases from*
40 *agricultural operations on the land if the project is subject to*

1 *review under other local agency ordinances regulating design and*
2 *improvement or if the project is subject to discretionary action by*
3 *the advisory agency or legislative body.*

4 SEC. 3. Section 18031.7 of the Health and Safety Code is
5 amended to read:

6 18031.7. (a) Nothing in this part shall prohibit the replacement
7 of water heaters in manufactured homes or mobilehomes with
8 fuel-gas-burning water heaters not specifically listed for use in a
9 manufactured home or mobilehome or from having hot water
10 supplied from an approved source within the manufactured home
11 or mobilehome, or in the garage, in accordance with this part or
12 Part 2.1 (commencing with Section 18200).

13 (b) Nothing in this part shall prohibit the replacement of
14 appliances for comfort heating in manufactured homes,
15 mobilehomes, or multifamily manufactured homes with fuel-gas
16 appliances for comfort heating not specifically listed for use in a
17 manufactured home or mobilehome within the manufactured home,
18 mobilehome, or multifamily manufactured home in accordance
19 with this part, Part 2.1 (commencing with Section 18200), or Part
20 2.3 (commencing with Section 18860).

21 (c) Replacement fuel-gas-burning water heaters shall be listed
22 for residential use and installed within the specifications of that
23 listing to include tiedown or bracing to prevent overturning.

24 (d) Replacement fuel-gas-burning water heaters installed in
25 accordance with subdivision (c) shall bear a label permanently
26 affixed in a visible location adjacent to the fuel gas inlet which
27 reads, as applicable:

28
29
30 WARNING

31
32 This appliance is approved only for use with natural gas (NG).

33
34
35 OR

36
37
38 WARNING

39
40 This appliance is approved only for use with liquefied petroleum

gas (LPG).

Lettering on the label shall be black on a red background and not less than $\frac{1}{4}$ inch in height except for the word “WARNING” which shall be not less than $\frac{1}{2}$ inch in height.

(e) (1) All fuel-gas-burning water heater appliances in new manufactured homes or new multifamily manufactured homes installed in the state shall be seismically braced, anchored, or strapped pursuant to paragraph (3) and shall be completed before or at the time of installation of the homes.

(2) Any replacement fuel-gas-burning water heater appliances installed in existing mobilehomes, existing manufactured homes, or existing multifamily manufactured homes that are offered for sale, rent, or lease shall be seismically braced, anchored, or strapped pursuant to paragraph (3).

(3) On or before July 1, 2009, the department shall promulgate rules and regulations that include standards for water heater seismic bracing, anchoring, or strapping. These standards shall be substantially in accordance with either the guidelines developed pursuant to Section 19215 or the California Plumbing Code (Part 5 of Title 24 of the California Code of Regulations), and shall be applicable statewide.

(4) The dealer, or manufacturer acting as a dealer, responsible, as part of the purchase contract, for both the sale and installation of any home subject to this subdivision shall ensure all water heaters are seismically braced, anchored, or strapped in compliance with this subdivision prior to completion of installation.

(5) In the event of a sale of a home, pursuant to either paragraph (1) of subdivision (e) of Section 18035 or Section 18035.26, the homeowner or contractor responsible for the installation of the home shall ensure all fuel-gas-burning water heater appliances are seismically braced, anchored, or strapped consistent with the requirements of paragraph (3). This requirement shall be satisfied when the homeowner or responsible contractor signs a declaration stating each fuel-gas-burning water heater is secured as required by this section on the date the declaration is signed.

(f) All used mobilehomes, used manufactured homes, and used multifamily manufactured homes that are sold shall, on or before the date of transfer of title, have the fuel-gas-burning water heater

1 appliance or appliances seismically braced, anchored, or strapped
2 consistent with the requirements of paragraph (3) of subdivision
3 (e). This requirement shall be satisfied if, within 45 days prior to
4 the transfer of title, the transferor signs a declaration stating that
5 each water heater appliance in the used mobilehome, used
6 manufactured home, or used multifamily manufactured home is
7 secured pursuant to paragraph (3) of subdivision (e) on the date
8 the declaration is signed.

9 (g) For sales of manufactured homes or mobilehomes installed
10 on real property pursuant to subdivision (a) of Section 18551, as
11 to real estate agents licensed pursuant to Division 4 (commencing
12 with Section 10000) of the Business and Professions Code, the
13 real estate licensee duty provisions of Section 8897.5 of the
14 Government Code shall apply to this section.

15 SEC. 4. Section 18062.9 of the Health and Safety Code is
16 amended to read:

17 18062.9. (a) A manufactured home manufacturer may sell
18 manufactured homes, as defined in Section 18007, directly to a
19 licensed California general building contractor, as described in
20 Section 7057 of the Business and Professions Code, when all of
21 the following conditions are met:

22 (1) The sale is for five or more manufactured homes in a
23 calendar year.

24 (2) The manufactured homes are delivered directly to a building
25 site and installed on a foundation system in accordance with
26 Section 18551.

27 (3) The manufactured homes are installed within a single
28 subdivision, as defined in Section 66424 of the Government Code,
29 consisting of five or more parcels, and therefore require a tentative
30 and final map pursuant to Section 66426 of the Government Code.

31 (b) A manufactured home manufacturer may sell manufactured
32 homes, as defined in Section 18007, directly to a nonprofit
33 corporation, as defined by Section 50091, that is also a Community
34 Housing Development Organization, as defined in Section 92.2
35 of Title 24 of the Code of Federal Regulations, when all of the
36 following conditions are met:

37 (1) The sale is for five or more manufactured homes in a
38 calendar year.

1 (2) The manufactured homes are delivered directly to a site for
2 installation by a dealer, as defined in Section 18002.6, or a
3 contractor in accordance with Section 18551 or 18613.

4 (3) The manufactured homes are acquired and installed as part
5 of a project financed by federal, state, or local government funds,
6 and the homes will be sold or rented at affordable costs to low-
7 and moderate-income households as established by the department
8 for other affordable housing finance programs.

9 SEC. 5. Section 33334.14 of the Health and Safety Code is
10 amended to read:

11 33334.14. (a) The covenants or restrictions imposed by the
12 agency pursuant to subdivision (f) of Section 33334.3 may be
13 subordinated under any of the following alternatives:

14 (1) To a lien, encumbrance, or regulatory agreement under a
15 federal or state program when a federal or state agency is providing
16 financing, refinancing, or other assistance to the housing units or
17 parcels, if the federal or state agency refuses to consent to the
18 seniority of the agency's covenant or restriction on the basis that
19 it is required to maintain its lien, encumbrance, or regulatory
20 agreement or restrictions due to statutory or regulatory
21 requirements, adopted or approved policies, or other guidelines
22 pertaining to the financing, refinancing, or other assistance of the
23 housing units or parcels.

24 (2) To a lien, encumbrance, or regulatory agreement of a lender
25 other than the agency or from a bond issuance providing financing,
26 refinancing, or other assistance of owner-occupied units or parcels
27 where the agency makes a finding that an economically feasible
28 alternative method of financing, refinancing, or assisting the units
29 or parcels on substantially comparable terms and conditions, but
30 without subordination, is not reasonably available.

31 (3) To an existing lien, encumbrance, or regulatory agreement
32 of a lender other than the agency or from a bond issuance providing
33 financing, refinancing, or other assistance of rental units, where
34 the agency's funds are utilized for rehabilitation of the rental units.

35 (4) To a lien, encumbrance, or regulatory agreement of a lender
36 other than the agency or from a bond issuance providing financing,
37 refinancing, or other assistance of rental units or parcels where the
38 agency makes a finding that an economically feasible alternative
39 method of financing, refinancing, or assisting the units or parcels
40 on substantially comparable terms and conditions, but without

1 subordination, is not reasonably available, and where the agency
2 obtains written commitments reasonably designed to protect the
3 agency's investment in the event of default, including, but not
4 limited to, any of the following:

5 (A) A right of the agency to cure a default on the loan.

6 (B) A right of the agency to negotiate with the lender after notice
7 of default from the lender.

8 (C) An agreement that if prior to foreclosure of the loan, the
9 agency takes title to the property and cures the default on the loan,
10 the lender will not exercise any right it may have to accelerate the
11 loan by reason of the transfer of title to the agency.

12 (D) A right of the agency to purchase property from the owner
13 at any time after a default on the loan.

14 (b) Notwithstanding the definition of "construction and
15 rehabilitation" in subdivision (a) of Section 33487, an agency that
16 has merged redevelopment projects pursuant to Article 16
17 (commencing with Section 33485) of Chapter 4, and that is
18 required to deposit taxes into the Low and Moderate Income
19 Housing Fund pursuant to subdivision (a) of Section 33487, may
20 use any of the funds for the purposes and in the manner permitted
21 by Sections 33334.2 and 33334.3. Nothing in this subdivision shall
22 allow an agency with merged project areas pursuant to Article 16
23 (commencing with Section 33485) to utilize the provisions of
24 paragraph (1), (2), or (3) of subdivision (a) of Section 33334.2 so
25 as to avoid or reduce its obligations to deposit taxes from merged
26 project areas into the Low and Moderate Income Housing Fund.

27 SEC. 6. Section 53545.9 of the Health and Safety Code is
28 amended to read:

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

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

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

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

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

21 (1) When awarding grants from the funds allocated under this
22 subdivision to existing trust funds, the department shall grant
23 preference to a housing trust fund that agrees to expend more than
24 65 percent of state funds for the purpose of downpayment
25 assistance to first-time homebuyers.

26 (2) When awarding grants from the funds allocated under this
27 subdivision to newly established housing trust funds, the
28 department shall set aside funding for a period of 36 months from
29 the date funds are first made available for newly established
30 housing trust funds that are in a county with a population of less
31 than 425,000 persons.

32 (3) (A) Notwithstanding any other provision of law, funds set
33 aside for newly established housing trust funds shall be available
34 for encumbrance for 42 months after the date the funds are first
35 made available and disbursements in liquidation of the
36 encumbrance shall be made before or during 48 months after the
37 date funds are first made available.

38 (B) Notwithstanding subparagraph (F) of paragraph (1) of
39 subdivision (a) of Section 53545, any funds not encumbered for
40 newly established housing trust funds within 42 months after the

1 date the funds are first made available shall revert to the Self-Help
2 Housing Fund created by Section 50697.1 and shall be available
3 for the purposes described in subparagraph (D) of paragraph (1)
4 of subdivision (a) of Section 53545.

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.

32 SEC. 7. Section 3692.4 of the Revenue and Taxation Code is
33 amended to read:

34 3692.4. (a) Notwithstanding any other provision of law, any
35 county, city, city and county, or any nonprofit organization as
36 defined in Section 3772.5, may request the tax collector to bring
37 to the next scheduled public auction any residential real property
38 that meets all of the following requirements:

39 (1) The property taxes have been delinquent for at least three
40 years.

1 (2) The real property will serve the public benefit of providing
2 housing directly related to low-income persons.

3 (3) The real property is not occupied by the owner as his or her
4 principal place of residence.

5 (b) Every request submitted to the tax collector shall include
6 the following:

7 (1) A formal resolution of the governing board of the county,
8 city, city and county, or nonprofit organization, requesting the
9 accelerated auction of the real property and stating the public
10 benefit.

11 (2) A written plan for the development, rehabilitation, or
12 proposed use of the real property and how low-income persons
13 will be served.

14 (c) Upon receiving a request as provided by this section, the tax
15 collector shall include the real property in the next scheduled public
16 auction.

17 (d) (1) If the real property is acquired by a nonprofit
18 organization at auction, a deed restriction shall be placed on the
19 real property, requiring the real property to be used for low-income
20 housing for a period of at least 30 years.

21 (2) (A) In lieu of the 30-year restriction required by paragraph
22 (1), the deed may provide for equity sharing upon resale, if the
23 real property is a single-family home that will be sold by the
24 nonprofit organization to a low-income owner-occupant.

25 (B) To the extent not in conflict with another public funding
26 source or law, all of the following shall apply to an equity-sharing
27 agreement provided for by the deed:

28 (i) Upon resale by an owner-occupant of the home, the
29 owner-occupant of the home shall retain the market value of any
30 improvements, the downpayment, and his or her proportionate
31 share of appreciation. The nonprofit organization shall recapture
32 any initial subsidy and its proportionate share of appreciation,
33 which shall then be used for the purpose of providing financial
34 assistance to low-income homebuyers.

35 (ii) For purposes of this subdivision, the initial subsidy shall be
36 equal to the fair market value of the home at the time of initial sale
37 to the low-income owner-occupant minus the initial sale price to
38 the low-income owner-occupant, plus the amount of any
39 downpayment assistance or mortgage assistance. If upon resale
40 by the owner-occupant the market value is lower than the initial

1 market value, then the value at the time of the resale shall be used
2 as the initial market value.

3 (iii) For purposes of this subdivision, the nonprofit
4 organization's proportionate share of appreciation shall be equal
5 to the ratio of the initial subsidy to the fair market value of the
6 home at the time of initial sale.

7 (e) This section may not be construed to preclude the
8 application, to the real property or the current owners of that
9 property, of any other provision of law not in conflict with this
10 section.

11 SEC. 8. Section 12206 of the Revenue and Taxation Code is
12 amended to read:

13 12206. (a) (1) There shall be allowed as a credit against the
14 "tax" (as defined by Section 12201) a state low-income housing
15 tax credit in an amount equal to the amount determined in
16 subdivision (c), computed in accordance with Section 42 of the
17 Internal Revenue Code, except as otherwise provided in this
18 section.

19 (2) "Taxpayer," for purposes of this section, means the sole
20 owner in the case of a "C" corporation, the partners in the case of
21 a partnership, and the shareholders in the case of an "S"
22 corporation.

23 (3) "Housing sponsor," for purposes of this section, means the
24 sole owner in the case of a "C" corporation, the partnership in the
25 case of a partnership, and the "S" corporation in the case of an "S"
26 corporation.

27 (b) (1) The amount of the credit allocated to any housing
28 sponsor shall be authorized by the California Tax Credit Allocation
29 Committee, or any successor thereof, based on a project's need
30 for the credit for economic feasibility in accordance with the
31 requirements of this section.

32 (A) Except for projects to provide farmworker housing, as
33 defined in subdivision (h) of Section 50199.7 of the Health and
34 Safety Code, that are allocated credits solely under the set-aside
35 described in subdivision (c) of Section 50199.20 of the Health and
36 Safety Code, the low-income housing project shall be located in
37 California and shall meet either of the following requirements:

38 (i) The project's housing sponsor shall have been allocated by
39 the California Tax Credit Allocation Committee a credit for federal

1 income tax purposes under Section 42 of the Internal Revenue
2 Code.

3 (ii) It shall qualify for a credit under Section 42(h)(4)(B) of the
4 Internal Revenue Code.

5 (B) The California Tax Credit Allocation Committee shall not
6 require fees for the credit under this section in addition to those
7 fees required for applications for the tax credit pursuant to Section
8 42 of the Internal Revenue Code. The committee may require a
9 fee if the application for the credit under this section is submitted
10 in a calendar year after the year the application is submitted for
11 the federal tax credit.

12 (C) (i) For a project that receives a preliminary reservation of
13 the state low-income housing tax credit, allowed pursuant to
14 subdivision (a), on or after January 1, 2009, and before January 1,
15 2016, the credit shall be allocated to the partners of a partnership
16 owning the project in accordance with the partnership agreement,
17 regardless of how the federal low-income housing tax credit with
18 respect to the project is allocated to the partners, or whether the
19 allocation of the credit under the terms of the agreement has
20 substantial economic effect, within the meaning of Section 704(b)
21 of the Internal Revenue Code.

22 (ii) This subparagraph shall not apply to a project that receives
23 a preliminary reservation of state low-income housing tax credits
24 under the set-aside described in subdivision (c) of Section 50199.20
25 of the Health and Safety Code unless the project also receives a
26 preliminary reservation of federal low-income housing tax credits.

27 (iii) This subparagraph shall cease to be operative with respect
28 to any project that receives a preliminary reservation of a credit
29 on or after January 1, 2016.

30 (2) (A) The California Tax Credit Allocation Committee shall
31 certify to the housing sponsor the amount of tax credit under this
32 section allocated to the housing sponsor for each credit period.

33 (B) In the case of a partnership or an “S” corporation, the
34 housing sponsor shall provide a copy of the California Tax Credit
35 Allocation Committee certification to the taxpayer.

36 (C) The taxpayer shall attach a copy of the certification to any
37 return upon which a tax credit is claimed under this section.

38 (D) In the case of a failure to attach a copy of the certification
39 for the year to the return in which a tax credit is claimed under this

1 section, no credit under this section shall be allowed for that year
2 until a copy of that certification is provided.

3 (E) All elections made by the taxpayer pursuant to Section 42
4 of the Internal Revenue Code shall apply to this section.

5 (F) No credit shall be allocated under this section to buildings
6 located in a difficult development area or a qualified census tract
7 as defined in Section 42 of the Internal Revenue Code for which
8 the eligible basis of a new building or the rehabilitation expenditure
9 of an existing building is 130 percent of that amount pursuant to
10 Section 42(d)(5)(C) of the Internal Revenue Code, unless the
11 committee reduces the amount of federal credit, with the approval
12 of the applicant, so that the combined amount of federal and state
13 credit shall not exceed the total credit allowable pursuant to this
14 section and Section 42(b) of the Internal Revenue Code, computed
15 without regard to Section 42(d)(5)(C) of the Internal Revenue
16 Code.

17 (c) Section 42(b) of the Internal Revenue Code shall be modified
18 as follows:

19 (1) In the case of any qualified low-income building that receives
20 an allocation after 1989 and is a new building not federally
21 subsidized, the term “applicable percentage” means the following:

22 (A) For each of the first three years, the percentage prescribed
23 by the Secretary of the Treasury for new buildings that are not
24 federally subsidized for the taxable year, determined in accordance
25 with the requirements of Section 42(b)(2) of the Internal Revenue
26 Code, in lieu of the percentage prescribed in Section 42(b)(1)(A)
27 of the Internal Revenue Code.

28 (B) For the fourth year, the difference between 30 percent and
29 the sum of the applicable percentages for the first three years.

30 (2) In the case of any qualified low-income building that receives
31 an allocation after 1989 and that is a new building that is federally
32 subsidized or that is an existing building that is “at risk of
33 conversion,” the term “applicable percentage” means the following:

34 (A) For each of the first three years, the percentage prescribed
35 by the Secretary of the Treasury for new buildings that are federally
36 subsidized for the taxable year.

37 (B) For the fourth year, the difference between 13 percent and
38 the sum of the applicable percentages for the first three years.

1 (3) For purposes of this section, the term “at risk of conversion,”
2 with respect to an existing property means a property that satisfies
3 all of the following criteria:

4 (A) The property is a multifamily rental housing development
5 in which at least 50 percent of the units receive governmental
6 assistance pursuant to any of the following:

7 (i) New construction, substantial rehabilitation, moderate
8 rehabilitation, property disposition, and loan management set-aside
9 programs, or any other program providing project-based assistance
10 pursuant to Section 8 of the United States Housing Act of 1937,
11 Section 1437f of Title 42 of the United States Code, as amended.

12 (ii) The Below-Market-Interest-Rate Program pursuant to
13 Section 221(d)(3) of the National Housing Act, Sections
14 1715l(d)(3) and (5) of Title 12 of the United States Code.

15 (iii) Section 236 of the National Housing Act, Section 1715z-1
16 of Title 12 of the United States Code.

17 (iv) Programs for rent supplement assistance pursuant to Section
18 101 of the Housing and Urban Development Act of 1965, Section
19 1701s of Title 12 of the United States Code, as amended.

20 (v) Programs pursuant to Section 515 of the Housing Act of
21 1949, Section 1485 of Title 42 of the United States Code, as
22 amended.

23 (vi) The low-income housing credit program set forth in Section
24 42 of the Internal Revenue Code.

25 (B) The restrictions on rent and income levels will terminate or
26 the federal insured mortgage on the property is eligible for
27 prepayment any time within five years before or after the date of
28 application to the California Tax Credit Allocation Committee.

29 (C) The entity acquiring the property enters into a regulatory
30 agreement that requires the property to be operated in accordance
31 with the requirements of this section for a period equal to the
32 greater of 55 years or the life of the property.

33 (D) The property satisfies the requirements of Section 42(e) of
34 the Internal Revenue Code regarding rehabilitation expenditures,
35 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
36 apply.

37 (d) The term “qualified low-income housing project” as defined
38 in Section 42(c)(2) of the Internal Revenue Code is modified by
39 adding the following requirements:

1 (1) The taxpayer shall be entitled to receive a cash distribution
2 from the operations of the project, after funding required reserves,
3 which, at the election of the taxpayer, is equal to:

4 (A) An amount not to exceed 8 percent of the lesser of:

5 (i) The owner equity which shall include the amount of the
6 capital contributions actually paid to the housing sponsor and shall
7 not include any amounts until they are paid on an investor note.

8 (ii) Twenty percent of the adjusted basis of the building as of
9 the close of the first taxable year of the credit period.

10 (B) The amount of the cashflow from those units in the building
11 that are not low-income units. For purposes of computing cashflow
12 under this subparagraph, operating costs shall be allocated to the
13 low-income units using the “floor space fraction,” as defined in
14 Section 42 of the Internal Revenue Code.

15 (C) Any amount allowed to be distributed under subparagraph
16 (A) that is not available for distribution during the first five years
17 of the compliance period may accumulate and be distributed any
18 time during the first 15 years of the compliance period but not
19 thereafter.

20 (2) The limitation on return shall apply in the aggregate to the
21 partners if the housing sponsor is a partnership and in the aggregate
22 to the shareholders if the housing sponsor is an “S” corporation.

23 (3) The housing sponsor shall apply any cash available for
24 distribution in excess of the amount eligible to be distributed under
25 paragraph (1) to reduce the rent on rent-restricted units or to
26 increase the number of rent-restricted units subject to the tests of
27 Section 42(g)(1) of the Internal Revenue Code.

28 (e) The provisions of Section 42(f) of the Internal Revenue Code
29 shall be modified as follows:

30 (1) The term “credit period” as defined in Section 42(f)(1) of
31 the Internal Revenue Code is modified by substituting “four taxable
32 years” for “10 taxable years.”

33 (2) The special rule for the first taxable year of the credit period
34 under Section 42(f)(2) of the Internal Revenue Code shall not apply
35 to the tax credit under this section.

36 (3) Section 42(f)(3) of the Internal Revenue Code is modified
37 to read:

38 If, as of the close of any taxable year in the compliance period,
39 after the first year of the credit period, the qualified basis of any
40 building exceeds the qualified basis of that building as of the close

of the first year of the credit period, the housing sponsor, to the extent of its tax credit allocation, shall be eligible for a credit on the excess in an amount equal to the applicable percentage determined pursuant to subdivision (c) for the four-year period beginning with the later of the taxable years in which the increase in qualified basis occurs.

(f) The provisions of Section 42(h) of the Internal Revenue Code shall be modified as follows:

(1) Section 42(h)(2) of the Internal Revenue Code shall not be applicable and instead the following provisions shall be applicable:

The total amount for the four-year credit period of the housing credit dollars allocated in a calendar year to any building shall reduce the aggregate housing credit dollar amount of the California Tax Credit Allocation Committee for the calendar year in which the allocation is made.

(2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I), (7), and (8) of Section 42(h) of the Internal Revenue Code shall not be applicable.

(g) The aggregate housing credit dollar amount that may be allocated annually by the California Tax Credit Allocation Committee pursuant to this section, Section 17058, and Section 23610.5 shall be an amount equal to the sum of all the following:

(1) Seventy million dollars (\$70,000,000) for the 2001 calendar year, and, for the 2002 calendar year and each calendar year thereafter, seventy million dollars (\$70,000,000) increased by the percentage, if any, by which the Consumer Price Index for the preceding calendar year exceeds the Consumer Price Index for the 2001 calendar year. For the purposes of this paragraph, the term “Consumer Price Index” means the last Consumer Price Index for all urban consumers published by the federal Department of Labor.

(2) The unused housing credit ceiling, if any, for the preceding calendar years.

(3) The amount of housing credit ceiling returned in the calendar year. For purposes of this paragraph, the amount of housing credit dollar amount returned in the calendar year equals the housing credit dollar amount previously allocated to any project that does not become a qualified low-income housing project within the period required by this section or to any project with respect to which an allocation is canceled by mutual consent of the California Tax Credit Allocation Committee and the allocation recipient.

1 (4) Five hundred thousand dollars (\$500,000) per calendar year
2 for projects to provide farmworker housing, as defined in
3 subdivision (h) of Section 50199.7 of the Health and Safety Code.

4 (5) The amount of any unallocated or returned credits under
5 former Sections 17053.14, 23608.2, and 23608.3, as those sections
6 read prior to January 1, 2009, until fully exhausted for projects to
7 provide farmworker housing, as defined in subdivision (h) of
8 Section 50199.7 of the Health and Safety Code.

9 (h) The term “compliance period” as defined in Section 42(i)(1)
10 of the Internal Revenue Code is modified to mean, with respect to
11 any building, the period of 30 consecutive taxable years beginning
12 with the first taxable year of the credit period with respect thereto.

13 (i) (1) Section 42(j) of the Internal Revenue Code shall not be
14 applicable and the provisions in paragraph (2) shall be substituted
15 in its place.

16 (2) The requirements of this section shall be set forth in a
17 regulatory agreement between the California Tax Credit Allocation
18 Committee and the housing sponsor, which agreement shall be
19 subordinated, when required, to any lien or encumbrance of any
20 banks or other institutional lenders to the project. The regulatory
21 agreement entered into pursuant to subdivision (f) of Section
22 50199.14 of the Health and Safety Code, shall apply, providing
23 the agreement includes all of the following provisions:

24 (A) A term not less than the compliance period.

25 (B) A requirement that the agreement be filed in the official
26 records of the county in which the qualified low-income housing
27 project is located.

28 (C) A provision stating which state and local agencies can
29 enforce the regulatory agreement in the event the housing sponsor
30 fails to satisfy any of the requirements of this section.

31 (D) A provision that the regulatory agreement shall be deemed
32 a contract enforceable by tenants as third-party beneficiaries thereto
33 and which allows individuals, whether prospective, present, or
34 former occupants of the building, who meet the income limitation
35 applicable to the building, the right to enforce the regulatory
36 agreement in any state court.

37 (E) A provision incorporating the requirements of Section 42
38 of the Internal Revenue Code as modified by this section.

39 (F) A requirement that the housing sponsor notify the California
40 Tax Credit Allocation Committee or its designee and the local

1 agency that can enforce the regulatory agreement if there is a
2 determination by the Internal Revenue Service that the project is
3 not in compliance with Section 42(g) of the Internal Revenue Code.

4 (G) A requirement that the housing sponsor, as security for the
5 performance of the housing sponsor's obligations under the
6 regulatory agreement, assign the housing sponsor's interest in rents
7 that it receives from the project, provided that until there is a
8 default under the regulatory agreement, the housing sponsor is
9 entitled to collect and retain the rents.

10 (H) The remedies available in the event of a default under the
11 regulatory agreement that is not cured within a reasonable cure
12 period, include, but are not limited to, allowing any of the parties
13 designated to enforce the regulatory agreement to collect all rents
14 with respect to the project; taking possession of the project and
15 operating the project in accordance with the regulatory agreement
16 until the enforcer determines the housing sponsor is in a position
17 to operate the project in accordance with the regulatory agreement;
18 applying to any court for specific performance; securing the
19 appointment of a receiver to operate the project; or any other relief
20 as may be appropriate.

21 (j) (1) The committee shall allocate the housing credit on a
22 regular basis consisting of two or more periods in each calendar
23 year during which applications may be filed and considered. The
24 committee shall establish application filing deadlines, the maximum
25 percentage of federal and state low-income housing tax credit
26 ceiling which may be allocated by the committee in that period,
27 and the approximate date on which allocations shall be made. If
28 the enactment of federal or state law, the adoption of rules or
29 regulations, or other similar events prevent the use of two allocation
30 periods, the committee may reduce the number of periods and
31 adjust the filing deadlines, maximum percentage of credit allocated,
32 and the allocation dates.

33 (2) The committee shall adopt a qualified allocation plan, as
34 provided in Section 42(m)(1) of the Internal Revenue Code. In
35 adopting this plan, the committee shall comply with the provisions
36 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
37 Code.

38 (3) Notwithstanding Section 42(m) of the Internal Revenue
39 Code, the California Tax Credit Allocation Committee shall

1 allocate housing credits in accordance with the qualified allocation
2 plan and regulations, which shall include the following provisions:

3 (A) All housing sponsors, as defined by paragraph (3) of
4 subdivision (a), shall demonstrate at the time the application is
5 filed with the committee that the project meets the following
6 threshold requirements:

7 (i) The housing sponsor shall demonstrate there is a need and
8 demand for low-income housing in the community or region for
9 which it is proposed.

10 (ii) The project's proposed financing, including tax credit
11 proceeds, shall be sufficient to complete the project and that the
12 proposed operating income shall be adequate to operate the project
13 for the extended use period.

14 (iii) The project shall have enforceable financing commitments,
15 either construction or permanent financing, for at least 50 percent
16 of the total estimated financing of the project.

17 (iv) The housing sponsor shall have and maintain control of the
18 site for the project.

19 (v) The housing sponsor shall demonstrate that the project
20 complies with all applicable local land use and zoning ordinances.

21 (vi) The housing sponsor shall demonstrate that the project
22 development team has the experience and the financial capacity
23 to ensure project completion and operation for the extended use
24 period.

25 (vii) The housing sponsor shall demonstrate the amount of tax
26 credit that is necessary for the financial feasibility of the project
27 and its viability as a qualified low-income housing project
28 throughout the extended use period, taking into account operating
29 expenses, a supportable debt service, reserves, funds set aside for
30 rental subsidies, and required equity, and a development fee that
31 does not exceed a specified percentage of the eligible basis of the
32 project prior to inclusion of the development fee in the eligible
33 basis, as determined by the committee.

34 (B) The committee shall give a preference to those projects
35 satisfying all of the threshold requirements of subparagraph (A)
36 if both of the following apply:

37 (i) The project serves the lowest income tenants at rents
38 affordable to those tenants.

39 (ii) The project is obligated to serve qualified tenants for the
40 longest period.

1 (C) In addition to the provisions of subparagraphs (A) and (B),
2 the committee shall use the following criteria in allocating housing
3 credits:

4 (i) Projects serving large families in which a substantial number,
5 as defined by the committee, of all residential units is comprised
6 of low-income units with three and more bedrooms.

7 (ii) Projects providing single room occupancy units serving very
8 low income tenants.

9 (iii) Existing projects that are “at risk of conversion,” as defined
10 by paragraph (3) of subdivision (c).

11 (iv) Projects for which a public agency provides direct or indirect
12 long-term financial support for at least 15 percent of the total
13 project development costs or projects for which the owner’s equity
14 constitutes at least 30 percent of the total project development
15 costs.

16 (v) Projects that provide tenant amenities not generally available
17 to residents of low-income housing projects.

18 (4) For purposes of allocating credits pursuant to this section,
19 the committee shall not give preference to any project by virtue
20 of the date of submission of its application except to break a tie
21 when two or more of the projects have an equal rating.

22 (k) Section 42(l) of the Internal Revenue Code shall be modified
23 as follows:

24 The term “secretary” shall be replaced by the term “California
25 Franchise Tax Board.”

26 (l) In the case where the state credit allowed under this section
27 exceeds the “tax,” the excess may be carried over to reduce the
28 “tax” in the following year, and succeeding years if necessary,
29 until the credit has been exhausted.

30 (m) The provisions of Section 11407(a) of Public Law 101-508,
31 relating to the effective date of the extension of the low-income
32 housing credit, shall apply to calendar years after 1993.

33 (n) The provisions of Section 11407(c) of Public Law 101-508,
34 relating to election to accelerate credit, shall not apply.

35 (o) This section shall remain in effect for as long as Section 42
36 of the Internal Revenue Code, relating to low-income housing
37 credits, remains in effect.

38 SEC. 9. Section 17058 of the Revenue and Taxation Code is
39 amended to read:

1 17058. (a) (1) There shall be allowed as a credit against the
2 amount of net tax (as defined in Section 17039) a state low-income
3 housing credit in an amount equal to the amount determined in
4 subdivision (c), computed in accordance with the provisions of
5 Section 42 of the Internal Revenue Code, except as otherwise
6 provided in this section.

7 (2) "Taxpayer" for purposes of this section means the sole owner
8 in the case of an individual, the partners in the case of a partnership,
9 and the shareholders in the case of an "S" corporation.

10 (3) "Housing sponsor" for purposes of this section means the
11 sole owner in the case of an individual, the partnership in the case
12 of a partnership, and the "S" corporation in the case of an "S"
13 corporation.

14 (b) (1) The amount of the credit allocated to any housing
15 sponsor shall be authorized by the California Tax Credit Allocation
16 Committee, or any successor thereof, based on a project's need
17 for the credit for economic feasibility in accordance with the
18 requirements of this section.

19 (A) The low-income housing project shall be located in
20 California and shall meet either of the following requirements:

21 (i) Except for projects to provide farmworker housing, as defined
22 in subdivision (h) of Section 50199.7 of the Health and Safety
23 Code, that are allocated credits solely under the set-aside described
24 in subdivision (c) of Section 50199.20 of the Health and Safety
25 Code, the project's housing sponsor shall have been allocated by
26 the California Tax Credit Allocation Committee a credit for federal
27 income tax purposes under Section 42 of the Internal Revenue
28 Code.

29 (ii) It shall qualify for a credit under Section 42(h)(4)(B) of the
30 Internal Revenue Code.

31 (B) The California Tax Credit Allocation Committee shall not
32 require fees for the credit under this section in addition to those
33 fees required for applications for the tax credit pursuant to Section
34 42 of the Internal Revenue Code. The committee may require a
35 fee if the application for the credit under this section is submitted
36 in a calendar year after the year the application is submitted for
37 the federal tax credit.

38 (C) (i) For a project that receives a preliminary reservation of
39 the state low-income housing tax credit, allowed pursuant to
40 subdivision (a), on or after January 1, 2009, and before January 1,

1 2016, the credit shall be allocated to the partners of a partnership
2 owning the project in accordance with the partnership agreement,
3 regardless of how the federal low-income housing tax credit with
4 respect to the project is allocated to the partners, or whether the
5 allocation of the credit under the terms of the agreement has
6 substantial economic effect, within the meaning of Section 704(b)
7 of the Internal Revenue Code.

8 (ii) To the extent the allocation of the credit to a partner under
9 this section lacks substantial economic effect, any loss or deduction
10 otherwise allowable under this part that is attributable to the sale
11 or other disposition of that partner's partnership interest made prior
12 to the expiration of the federal credit shall not be allowed in the
13 taxable year in which the sale or other disposition occurs, but shall
14 instead be deferred until and treated as if it occurred in the first
15 taxable year immediately following the taxable year in which the
16 federal credit period expires for the project described in clause (i).

17 (iii) This subparagraph shall not apply to a project that receives
18 a preliminary reservation of state low-income housing tax credits
19 under the set-aside described in subdivision (c) of Section 50199.20
20 of the Health and Safety Code unless the project also receives a
21 preliminary reservation of federal low-income housing tax credits.

22 (iv) This subparagraph shall cease to be operative with respect
23 to any project that receives a preliminary reservation of a credit
24 on or after January 1, 2016.

25 (2) (A) The California Tax Credit Allocation Committee shall
26 certify to the housing sponsor the amount of tax credit under this
27 section allocated to the housing sponsor for each credit period.

28 (B) In the case of a partnership or an "S" corporation, the
29 housing sponsor shall provide a copy of the California Tax Credit
30 Allocation Committee certification to the taxpayer.

31 (C) The taxpayer shall, upon request, provide a copy of the
32 certification to the Franchise Tax Board.

33 (D) All elections made by the taxpayer pursuant to Section 42
34 of the Internal Revenue Code shall apply to this section.

35 (E) For buildings located in designated difficult development
36 areas or qualified census tracts as defined in Section 42(d)(5)(C)
37 of the Internal Revenue Code, credits may be allocated under this
38 section in the amounts prescribed in subdivision (c), provided that
39 the amount of credit allocated under Section 42 of the Internal

1 Revenue Code is computed on 100 percent of the qualified basis
2 of the building.

3 (c) Section 42(b) of the Internal Revenue Code shall be modified
4 as follows:

5 (1) In the case of any qualified low-income building placed in
6 service by the housing sponsor during 1987, the term “applicable
7 percentage” means 9 percent for each of the first three years and
8 3 percent for the fourth year for new buildings (whether or not the
9 building is federally subsidized) and for existing buildings.

10 (2) In the case of any qualified low-income building that receives
11 an allocation after 1989 and is a new building not federally
12 subsidized, the term “applicable percentage” means the following:

13 (A) For each of the first three years, the percentage prescribed
14 by the Secretary of the Treasury for new buildings that are not
15 federally subsidized for the taxable year, determined in accordance
16 with the requirements of Section 42(b)(2) of the Internal Revenue
17 Code, in lieu of the percentage prescribed in Section 42(b)(1)(A)
18 of the Internal Revenue Code.

19 (B) For the fourth year, the difference between 30 percent and
20 the sum of the applicable percentages for the first three years.

21 (3) In the case of any qualified low-income building that receives
22 an allocation after 1989 and that is a new building that is federally
23 subsidized or that is an existing building that is “at risk of
24 conversion,” the term “applicable percentage” means the following:

25 (A) For each of the first three years, the percentage prescribed
26 by the Secretary of the Treasury for new buildings that are federally
27 subsidized for the taxable year.

28 (B) For the fourth year, the difference between 13 percent and
29 the sum of the applicable percentages for the first three years.

30 (4) For purposes of this section, the term “at risk of conversion,”
31 with respect to an existing property means a property that satisfies
32 all of the following criteria:

33 (A) The property is a multifamily rental housing development
34 in which at least 50 percent of the units receive governmental
35 assistance pursuant to any of the following:

36 (i) New construction, substantial rehabilitation, moderate
37 rehabilitation, property disposition, and loan management set-aside
38 programs, or any other program providing project-based assistance
39 pursuant to Section 8 of the United States Housing Act of 1937,
40 Section 1437f of Title 42 of the United States Code, as amended.

1 (ii) The Below-Market-Interest-Rate Program pursuant to
2 Section 221(d)(3) of the National Housing Act, Sections
3 1715l(d)(3) and (5) of Title 12 of the United States Code.

4 (iii) Section 236 of the National Housing Act, Section 1715z-1
5 of Title 12 of the United States Code.

6 (iv) Programs for rent supplement assistance pursuant to Section
7 101 of the Housing and Urban Development Act of 1965, Section
8 1701s of Title 12 of the United States Code, as amended.

9 (v) Programs pursuant to Section 515 of the Housing Act of
10 1949, Section 1485 of Title 42 of the United States Code, as
11 amended.

12 (vi) The low-income housing credit program set forth in Section
13 42 of the Internal Revenue Code.

14 (B) The restrictions on rent and income levels will terminate or
15 the federal insured mortgage on the property is eligible for
16 prepayment any time within five years before or after the date of
17 application to the California Tax Credit Allocation Committee.

18 (C) The entity acquiring the property enters into a regulatory
19 agreement that requires the property to be operated in accordance
20 with the requirements of this section for a period equal to the
21 greater of 55 years or the life of the property.

22 (D) The property satisfies the requirements of Section 42(e) of
23 the Internal Revenue Code regarding rehabilitation expenditures,
24 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
25 apply.

26 (d) The term “qualified low-income housing project” as defined
27 in Section 42(c)(2) of the Internal Revenue Code is modified by
28 adding the following requirements:

29 (1) The taxpayer shall be entitled to receive a cash distribution
30 from the operations of the project, after funding required reserves,
31 that, at the election of the taxpayer, is equal to:

32 (A) An amount not to exceed 8 percent of the lesser of:

33 (i) The owner equity that shall include the amount of the capital
34 contributions actually paid to the housing sponsor and shall not
35 include any amounts until they are paid on an investor note.

36 (ii) Twenty percent of the adjusted basis of the building as of
37 the close of the first taxable year of the credit period.

38 (B) The amount of the cashflow from those units in the building
39 that are not low-income units. For purposes of computing cashflow
40 under this subparagraph, operating costs shall be allocated to the

1 low-income units using the “floor space fraction,” as defined in
2 Section 42 of the Internal Revenue Code.

3 (C) Any amount allowed to be distributed under subparagraph
4 (A) that is not available for distribution during the first five years
5 of the compliance period may be accumulated and distributed any
6 time during the first 15 years of the compliance period but not
7 thereafter.

8 (2) The limitation on return shall apply in the aggregate to the
9 partners if the housing sponsor is a partnership and in the aggregate
10 to the shareholders if the housing sponsor is an “S” corporation.

11 (3) The housing sponsor shall apply any cash available for
12 distribution in excess of the amount eligible to be distributed under
13 paragraph (1) to reduce the rent on rent-restricted units or to
14 increase the number of rent-restricted units subject to the tests of
15 Section 42(g)(1) of the Internal Revenue Code.

16 (e) The provisions of Section 42(f) of the Internal Revenue Code
17 shall be modified as follows:

18 (1) The term “credit period” as defined in Section 42(f)(1) of
19 the Internal Revenue Code is modified by substituting “four taxable
20 years” for “10 taxable years.”

21 (2) The special rule for the first taxable year of the credit period
22 under Section 42(f)(2) of the Internal Revenue Code shall not apply
23 to the tax credit under this section.

24 (3) Section 42(f)(3) of the Internal Revenue Code is modified
25 to read:

26 If, as of the close of any taxable year in the compliance period,
27 after the first year of the credit period, the qualified basis of any
28 building exceeds the qualified basis of that building as of the close
29 of the first year of the credit period, the housing sponsor, to the
30 extent of its tax credit allocation, shall be eligible for a credit on
31 the excess in an amount equal to the applicable percentage
32 determined pursuant to subdivision (c) for the four-year period
33 beginning with the taxable year in which the increase in qualified
34 basis occurs.

35 (f) The provisions of Section 42(h) of the Internal Revenue
36 Code shall be modified as follows:

37 (1) Section 42(h)(2) of the Internal Revenue Code shall not be
38 applicable and instead the following provisions shall be applicable:

39 The total amount for the four-year period of the housing credit
40 dollars allocated in a calendar year to any building shall reduce

the aggregate housing credit dollar amount of the California Tax Credit Allocation Committee for the calendar year in which the allocation is made.

(2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I), (7), and (8) of Section 42(h) of the Internal Revenue Code shall not be applicable to this section.

(g) The aggregate housing credit dollar amount which may be allocated annually by the California Tax Credit Allocation Committee pursuant to this section, Section 12206, and Section 23610.5 shall be an amount equal to the sum of all the following:

(1) Seventy million dollars (\$70,000,000) for the 2001 calendar year, and, for the 2002 calendar year and each calendar year thereafter, seventy million dollars (\$70,000,000) increased by the percentage, if any, by which the Consumer Price Index for the preceding calendar year exceeds the Consumer Price Index for the 2001 calendar year. For the purposes of this paragraph, the term “Consumer Price Index” means the last Consumer Price Index for all urban consumers published by the federal Department of Labor.

(2) The unused housing credit ceiling, if any, for the preceding calendar years.

(3) The amount of housing credit ceiling returned in the calendar year. For purposes of this paragraph, the amount of housing credit dollar amount returned in the calendar year equals the housing credit dollar amount previously allocated to any project that does not become a qualified low-income housing project within the period required by this section or to any project with respect to which an allocation is canceled by mutual consent of the California Tax Credit Allocation Committee and the allocation recipient.

(4) Five hundred thousand dollars (\$500,000) per calendar year for projects to provide farmworker housing, as defined in subdivision (h) of Section 50199.7 of the Health and Safety Code.

(5) The amount of any unallocated or returned credits under former Sections 17053.14, 23608.2, and 23608.3, as those sections read prior to January 1, 2009, until fully exhausted for projects to provide farmworker housing, as defined in subdivision (h) of Section 50199.7 of the Health and Safety Code.

(h) The term “compliance period” as defined in Section 42(i)(1) of the Internal Revenue Code is modified to mean, with respect to any building, the period of 30 consecutive taxable years beginning with the first taxable year of the credit period with respect thereto.

(i) Section 42(j) of the Internal Revenue Code shall not be applicable and the following requirements of this section shall be set forth in a regulatory agreement between the California Tax Credit Allocation Committee and the housing sponsor, which agreement shall be subordinated, when required, to any lien or encumbrance of any banks or other institutional lenders to the project. The regulatory agreement entered into pursuant to subdivision (f) of Section 50199.14 of the Health and Safety Code shall apply, providing the agreement includes all of the following provisions:

(1) A term not less than the compliance period.

(2) A requirement that the agreement be filed in the official records of the county in which the qualified low-income housing project is located.

(3) A provision stating which state and local agencies can enforce the regulatory agreement in the event the housing sponsor fails to satisfy any of the requirements of this section.

(4) A provision that the regulatory agreement shall be deemed a contract enforceable by tenants as third-party beneficiaries thereto and which allows individuals, whether prospective, present, or former occupants of the building, who meet the income limitation applicable to the building, the right to enforce the regulatory agreement in any state court.

(5) A provision incorporating the requirements of Section 42 of the Internal Revenue Code as modified by this section.

(6) A requirement that the housing sponsor notify the California Tax Credit Allocation Committee or its designee if there is a determination by the Internal Revenue Service that the project is not in compliance with Section 42(g) of the Internal Revenue Code.

(7) A requirement that the housing sponsor, as security for the performance of the housing sponsor's obligations under the regulatory agreement, assign the housing sponsor's interest in rents that it receives from the project, provided that until there is a default under the regulatory agreement, the housing sponsor is entitled to collect and retain the rents.

(8) The remedies available in the event of a default under the regulatory agreement that is not cured within a reasonable cure period, include, but are not limited to, allowing any of the parties designated to enforce the regulatory agreement to collect all rents with respect to the project; taking possession of the project and

1 operating the project in accordance with the regulatory agreement
2 until the enforcer determines the housing sponsor is in a position
3 to operate the project in accordance with the regulatory agreement;
4 applying to any court for specific performance; securing the
5 appointment of a receiver to operate the project; or any other relief
6 as may be appropriate.

7 (j) (1) The committee shall allocate the housing credit on a
8 regular basis consisting of two or more periods in each calendar
9 year during which applications may be filed and considered. The
10 committee shall establish application filing deadlines, the maximum
11 percentage of federal and state low-income housing tax credit
12 ceiling that may be allocated by the committee in that period, and
13 the approximate date on which allocations shall be made. If the
14 enactment of federal or state law, the adoption of rules or
15 regulations or other similar events prevent the use of two allocation
16 periods, the committee may reduce the number of periods and
17 adjust the filing deadlines, maximum percentage of credit allocated,
18 and the allocation dates.

19 (2) The committee shall adopt a qualified allocation plan, as
20 provided in Section 42(m)(1) of the Internal Revenue Code. In
21 adopting this plan, the committee shall comply with the provisions
22 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
23 Code.

24 (3) Notwithstanding Section 42(m) of the Internal Revenue
25 Code, the California Tax Credit Allocation Committee shall
26 allocate housing credits in accordance with the qualified allocation
27 plan and regulations, which shall include the following provisions:

28 (A) All housing sponsors, as defined by paragraph (3) of
29 subdivision (a), shall demonstrate at the time the application is
30 filed with the committee that the project meets the following
31 threshold requirements:

32 (i) The housing sponsor shall demonstrate there is a need and
33 demand for low-income housing in the community or region for
34 which it is proposed.

35 (ii) The project's proposed financing, including tax credit
36 proceeds, shall be sufficient to complete the project and that the
37 proposed operating income shall be adequate to operate the project
38 for the extended use period.

1 (iii) The project shall have enforceable financing commitments,
2 either construction or permanent financing, for at least 50 percent
3 of the total estimated financing of the project.

4 (iv) The housing sponsor shall have and maintain control of the
5 site for the project.

6 (v) The housing sponsor shall demonstrate that the project
7 complies with all applicable local land use and zoning ordinances.

8 (vi) The housing sponsor shall demonstrate that the project
9 development team has the experience and the financial capacity
10 to ensure project completion and operation for the extended use
11 period.

12 (vii) The housing sponsor shall demonstrate the amount of tax
13 credit that is necessary for the financial feasibility of the project
14 and its viability as a qualified low-income housing project
15 throughout the extended use period, taking into account operating
16 expenses, a supportable debt service, reserves, funds set aside for
17 rental subsidies, and required equity, and a development fee that
18 does not exceed a specified percentage of the eligible basis of the
19 project prior to inclusion of the development fee in the eligible
20 basis, as determined by the committee.

21 (B) The committee shall give a preference to those projects
22 satisfying all of the threshold requirements of subparagraph (A)
23 if both of the following apply:

24 (i) The project serves the lowest income tenants at rents
25 affordable to those tenants.

26 (ii) The project is obligated to serve qualified tenants for the
27 longest period.

28 (C) In addition to the provisions of subparagraphs (A) and (B),
29 the committee shall use the following criteria in allocating housing
30 credits:

31 (i) Projects serving large families in which a substantial number,
32 as defined by the committee of all residential units is comprised
33 of low-income units with three and more bedrooms.

34 (ii) Projects providing single room occupancy units serving very
35 low income tenants.

36 (iii) Existing projects that are “at risk of conversion,” as defined
37 by paragraph (4) of subdivision (c).

38 (iv) Projects for which a public agency provides direct or indirect
39 long-term financial support for at least 15 percent of the total
40 project development costs or projects for which the owner’s equity

1 constitutes at least 30 percent of the total project development
2 costs.

3 (v) Projects that provide tenant amenities not generally available
4 to residents of low-income housing projects.

5 (4) For purposes of allocating credits pursuant to this section,
6 the committee shall not give preference to any project by virtue
7 of the date of submission of its application.

8 (k) Section 42(l) of the Internal Revenue Code shall be modified
9 as follows:

10 The term “secretary” shall be replaced by the term “California
11 Franchise Tax Board.”

12 (l) In the case where the credit allowed under this section
13 exceeds the net tax, the excess credit may be carried over to reduce
14 the net tax in the following year, and succeeding taxable years, if
15 necessary, until the credit has been exhausted.

16 (m) A project that received an allocation of a 1989 federal
17 housing credit dollar amount shall be eligible to receive an
18 allocation of a 1990 state housing credit dollar amount, subject to
19 all of the following conditions:

20 (1) The project was not placed in service prior to 1990.

21 (2) To the extent the amendments made to this section by the
22 Statutes of 1990 conflict with any provisions existing in this section
23 prior to those amendments, the prior provisions of law shall prevail.

24 (3) Notwithstanding paragraph (2), a project applying for an
25 allocation under this subdivision shall be subject to the
26 requirements of paragraph (3) of subdivision (j).

27 (n) The credit period with respect to an allocation of credit in
28 1989 by the California Tax Credit Allocation Committee of which
29 any amount is attributable to unallocated credit from 1987 or 1988
30 shall not begin until after December 31, 1989.

31 (o) The provisions of Section 11407(a) of Public Law 101-508,
32 relating to the effective date of the extension of the low-income
33 housing credit, shall apply to calendar years after 1989.

34 (p) The provisions of Section 11407(c) of Public Law 101-508,
35 relating to election to accelerate credit, shall not apply.

36 (q) Any unused credit may continue to be carried forward, as
37 provided in subdivision (l), until the credit has been exhausted.

38 This section shall remain in effect on and after December 1,
39 1990, for as long as Section 42 of the Internal Revenue Code,
40 relating to low-income housing credits, remains in effect.

(r) The amendments to this section by the act adding this subdivision shall apply only to taxable years beginning on or after January 1, 1994.

SEC. 10. Section 23610.5 of the Revenue and Taxation Code is amended to read:

23610.5. (a) (1) There shall be allowed as a credit against the “tax” (as defined by Section 23036) a state low-income housing tax credit in an amount equal to the amount determined in subdivision (c), computed in accordance with Section 42 of the Internal Revenue Code of 1986, except as otherwise provided in this section.

(2) “Taxpayer,” for purposes of this section, means the sole owner in the case of a “C” corporation, the partners in the case of a partnership, and the shareholders in the case of an “S” corporation.

(3) “Housing sponsor,” for purposes of this section, means the sole owner in the case of a “C” corporation, the partnership in the case of a partnership, and the “S” corporation in the case of an “S” corporation.

(b) (1) The amount of the credit allocated to any housing sponsor shall be authorized by the California Tax Credit Allocation Committee, or any successor thereof, based on a project’s need for the credit for economic feasibility in accordance with the requirements of this section.

(A) The low-income housing project shall be located in California and shall meet either of the following requirements:

(i) Except for projects to provide farmworker housing, as defined in subdivision (h) of Section 50199.7 of the Health and Safety Code, that are allocated credits solely under the set-aside described in subdivision (c) of Section 50199.20 of the Health and Safety Code, the project’s housing sponsor has been allocated by the California Tax Credit Allocation Committee a credit for federal income tax purposes under Section 42 of the Internal Revenue Code.

(ii) It qualifies for a credit under Section 42(h)(4)(B) of the Internal Revenue Code.

(B) The California Tax Credit Allocation Committee shall not require fees for the credit under this section in addition to those fees required for applications for the tax credit pursuant to Section 42 of the Internal Revenue Code. The committee may require a

1 fee if the application for the credit under this section is submitted
2 in a calendar year after the year the application is submitted for
3 the federal tax credit.

4 (C) (i) For a project that receives a preliminary reservation of
5 the state low-income housing tax credit, allowed pursuant to
6 subdivision (a), on or after January 1, 2009, and before January 1,
7 2016, the credit shall be allocated to the partners of a partnership
8 owning the project in accordance with the partnership agreement,
9 regardless of how the federal low-income housing tax credit with
10 respect to the project is allocated to the partners, or whether the
11 allocation of the credit under the terms of the agreement has
12 substantial economic effect, within the meaning of Section 704(b)
13 of the Internal Revenue Code.

14 (ii) To the extent the allocation of the credit to a partner under
15 this section lacks substantial economic effect, any loss or deduction
16 otherwise allowable under this part that is attributable to the sale
17 or other disposition of that partner's partnership interest made prior
18 to the expiration of the federal credit shall not be allowed in the
19 taxable year in which the sale or other disposition occurs, but shall
20 instead be deferred until and treated as if it occurred in the first
21 taxable year immediately following the taxable year in which the
22 federal credit period expires for the project described in clause (i).

23 (iii) This subparagraph shall not apply to a project that receives
24 a preliminary reservation of state low-income housing tax credits
25 under the set-aside described in subdivision (c) of Section 50199.20
26 of the Health and Safety Code unless the project also receives a
27 preliminary reservation of federal low-income housing tax credits.

28 (iv) This subparagraph shall cease to be operative with respect
29 to any project that receives a preliminary reservation of a credit
30 on or after January 1, 2016.

31 (2) (A) The California Tax Credit Allocation Committee shall
32 certify to the housing sponsor the amount of tax credit under this
33 section allocated to the housing sponsor for each credit period.

34 (B) In the case of a partnership or an "S" corporation, the
35 housing sponsor shall provide a copy of the California Tax Credit
36 Allocation Committee certification to the taxpayer.

37 (C) The taxpayer shall, upon request, provide a copy of the
38 certification to the Franchise Tax Board.

39 (D) All elections made by the taxpayer pursuant to Section 42
40 of the Internal Revenue Code shall apply to this section.

(E) For buildings located in designated difficult development areas or qualified census tracts as defined in Section 42(d)(5)(C) of the Internal Revenue Code, credits may be allocated under this section in the amounts prescribed in subdivision (c), provided that the amount of credit allocated under Section 42 of the Internal Revenue Code is computed on 100 percent of the qualified basis of the building.

(c) Section 42(b) of the Internal Revenue Code shall be modified as follows:

(1) In the case of any qualified low-income building placed in service by the housing sponsor during 1987, the term “applicable percentage” means 9 percent for each of the first three years and 3 percent for the fourth year for new buildings (whether or not the building is federally subsidized) and for existing buildings.

(2) In the case of any qualified low-income building that receives an allocation after 1989 and is a new building not federally subsidized, the term “applicable percentage” means the following:

(A) For each of the first three years, the percentage prescribed by the Secretary of the Treasury for new buildings that are not federally subsidized for the taxable year, determined in accordance with the requirements of Section 42(b)(2) of the Internal Revenue Code, in lieu of the percentage prescribed in Section 42(b)(1)(A).

(B) For the fourth year, the difference between 30 percent and the sum of the applicable percentages for the first three years.

(3) In the case of any qualified low-income building that receives an allocation after 1989 and that is a new building that is federally subsidized or that is an existing building that is “at risk of conversion,” the term “applicable percentage” means the following:

(A) For each of the first three years, the percentage prescribed by the Secretary of the Treasury for new buildings that are federally subsidized for the taxable year.

(B) For the fourth year, the difference between 13 percent and the sum of the applicable percentages for the first three years.

(4) For purposes of this section, the term “at risk of conversion,” with respect to an existing property means a property that satisfies all of the following criteria:

(A) The property is a multifamily rental housing development in which at least 50 percent of the units receive governmental assistance pursuant to any of the following:

1 (i) New construction, substantial rehabilitation, moderate
2 rehabilitation, property disposition, and loan management set-aside
3 programs, or any other program providing project-based assistance
4 pursuant to Section 8 of the United States Housing Act of 1937,
5 Section 1437f of Title 42 of the United States Code, as amended.

6 (ii) The Below-Market-Interest-Rate Program pursuant to
7 Section 221(d)(3) of the National Housing Act, Sections
8 1715l(d)(3) and (5) of Title 12 of the United States Code.

9 (iii) Section 236 of the National Housing Act, Section 1715z-1
10 of Title 12 of the United States Code.

11 (iv) Programs for rent supplement assistance pursuant to Section
12 101 of the Housing and Urban Development Act of 1965, Section
13 1701s of Title 12 of the United States Code, as amended.

14 (v) Programs pursuant to Section 515 of the Housing Act of
15 1949, Section 1485 of Title 42 of the United States Code, as
16 amended.

17 (vi) The low-income housing credit program set forth in Section
18 42 of the Internal Revenue Code.

19 (B) The restrictions on rent and income levels will terminate or
20 the federally insured mortgage on the property is eligible for
21 prepayment any time within five years before or after the date of
22 application to the California Tax Credit Allocation Committee.

23 (C) The entity acquiring the property enters into a regulatory
24 agreement that requires the property to be operated in accordance
25 with the requirements of this section for a period equal to the
26 greater of 55 years or the life of the property.

27 (D) The property satisfies the requirements of Section 42(e) of
28 the Internal Revenue Code regarding rehabilitation expenditures,
29 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
30 apply.

31 (d) The term “qualified low-income housing project” as defined
32 in Section 42(c)(2) of the Internal Revenue Code is modified by
33 adding the following requirements:

34 (1) The taxpayer shall be entitled to receive a cash distribution
35 from the operations of the project, after funding required reserves,
36 which, at the election of the taxpayer, shall be equal to:

37 (A) An amount not to exceed 8 percent of the lesser of:

38 (i) The owner equity, which shall include the amount of the
39 capital contributions actually paid to the housing sponsor and shall
40 not include any amounts until they are paid on an investor note.

1 (ii) Twenty percent of the adjusted basis of the building as of
2 the close of the first taxable year of the credit period.

3 (B) The amount of the cashflow from those units in the building
4 that are not low-income units. For purposes of computing cashflow
5 under this subparagraph, operating costs shall be allocated to the
6 low-income units using the “floor space fraction,” as defined in
7 Section 42 of the Internal Revenue Code.

8 (C) Any amount allowed to be distributed under subparagraph
9 (A) that is not available for distribution during the first five years
10 of the compliance period may accumulate and be distributed at
11 any time during the first 15 years of the compliance period but not
12 thereafter.

13 (2) The limitation on return shall apply in the aggregate to the
14 partners if the housing sponsor is a partnership and in the aggregate
15 to the shareholders if the housing sponsor is an “S” corporation.

16 (3) The housing sponsor shall apply any cash available for
17 distribution in excess of the amount eligible to be distributed under
18 paragraph (1) to reduce the rent on rent-restricted units or to
19 increase the number of rent-restricted units subject to the tests of
20 Section 42(g)(1) of the Internal Revenue Code.

21 (e) The provisions of Section 42(f) of the Internal Revenue Code
22 shall be modified as follows:

23 (1) The term “credit period” as defined in Section 42(f)(1) of
24 the Internal Revenue Code is modified by substituting “four taxable
25 years” for “10 taxable years.”

26 (2) The special rule for the first taxable year of the credit period
27 under Section 42(f)(2) of the Internal Revenue Code shall not apply
28 to the tax credit under this section.

29 (3) Section 42(f)(3) of the Internal Revenue Code is modified
30 to read:

31 If, as of the close of any taxable year in the compliance period,
32 after the first year of the credit period, the qualified basis of any
33 building exceeds the qualified basis of that building as of the close
34 of the first year of the credit period, the housing sponsor, to the
35 extent of its tax credit allocation, shall be eligible for a credit on
36 the excess in an amount equal to the applicable percentage
37 determined pursuant to subdivision (c) for the four-year period
38 beginning with the later of the taxable years in which the increase
39 in qualified basis occurs.

1 (f) The provisions of Section 42(h) of the Internal Revenue
2 Code shall be modified as follows:

3 (1) Section 42(h)(2) of the Internal Revenue Code shall not be
4 applicable and instead the following provisions shall be applicable:

5 The total amount for the four-year credit period of the housing
6 credit dollars allocated in a calendar year to any building shall
7 reduce the aggregate housing credit dollar amount of the California
8 Tax Credit Allocation Committee for the calendar year in which
9 the allocation is made.

10 (2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I),
11 (7), and (8) of Section 42(h) of the Internal Revenue Code shall
12 not be applicable.

13 (g) The aggregate housing credit dollar amount that may be
14 allocated annually by the California Tax Credit Allocation
15 Committee pursuant to this section, Section 12206, and Section
16 17058 shall be an amount equal to the sum of all the following:

17 (1) Seventy million dollars (\$70,000,000) for the 2001 calendar
18 year, and, for the 2002 calendar year and each calendar year
19 thereafter, seventy million dollars (\$70,000,000) increased by the
20 percentage, if any, by which the Consumer Price Index for the
21 preceding calendar year exceeds the Consumer Price Index for the
22 2001 calendar year. For the purposes of this paragraph, the term
23 “Consumer Price Index” means the last Consumer Price Index for
24 all urban consumers published by the federal Department of Labor.

25 (2) The unused housing credit ceiling, if any, for the preceding
26 calendar years.

27 (3) The amount of housing credit ceiling returned in the calendar
28 year. For purposes of this paragraph, the amount of housing credit
29 dollar amount returned in the calendar year equals the housing
30 credit dollar amount previously allocated to any project that does
31 not become a qualified low-income housing project within the
32 period required by this section or to any project with respect to
33 which an allocation is canceled by mutual consent of the California
34 Tax Credit Allocation Committee and the allocation recipient.

35 (4) Five hundred thousand dollars (\$500,000) per calendar year
36 for projects to provide farmworker housing, as defined in
37 subdivision (h) of Section 50199.7 of the Health and Safety Code.

38 (5) The amount of any unallocated or returned credits under
39 former Sections 17053.14, 23608.2, and 23608.3, as those sections
40 read prior to January 1, 2009, until fully exhausted for projects to

1 provide farmworker housing, as defined in subdivision (h) of
2 Section 50199.7 of the Health and Safety Code.

3 (h) The term “compliance period” as defined in Section 42(i)(1)
4 of the Internal Revenue Code is modified to mean, with respect to
5 any building, the period of 30 consecutive taxable years beginning
6 with the first taxable year of the credit period with respect thereto.

7 (i) Section 42(j) of the Internal Revenue Code shall not be
8 applicable and the following shall be substituted in its place:

9 The requirements of this section shall be set forth in a regulatory
10 agreement between the California Tax Credit Allocation Committee
11 and the housing sponsor, and this agreement shall be subordinated,
12 when required, to any lien or encumbrance of any banks or other
13 institutional lenders to the project. The regulatory agreement
14 entered into pursuant to subdivision (f) of Section 50199.14 of the
15 Health and Safety Code shall apply, provided that the agreement
16 includes all of the following provisions:

17 (1) A term not less than the compliance period.

18 (2) A requirement that the agreement be filed in the official
19 records of the county in which the qualified low-income housing
20 project is located.

21 (3) A provision stating which state and local agencies can
22 enforce the regulatory agreement in the event the housing sponsor
23 fails to satisfy any of the requirements of this section.

24 (4) A provision that the regulatory agreement shall be deemed
25 a contract enforceable by tenants as third-party beneficiaries
26 thereto, and that allows individuals, whether prospective, present,
27 or former occupants of the building, who meet the income
28 limitation applicable to the building the right to enforce the
29 regulatory agreement in any state court.

30 (5) A provision incorporating the requirements of Section 42
31 of the Internal Revenue Code as modified by this section.

32 (6) A requirement that the housing sponsor notify the California
33 Tax Credit Allocation Committee or its designee if there is a
34 determination by the Internal Revenue Service that the project is
35 not in compliance with Section 42(g) of the Internal Revenue Code.

36 (7) A requirement that the housing sponsor, as security for the
37 performance of the housing sponsor’s obligations under the
38 regulatory agreement, assign the housing sponsor’s interest in rents
39 that it receives from the project, provided that until there is a

1 default under the regulatory agreement, the housing sponsor is
2 entitled to collect and retain the rents.

3 (8) A provision that the remedies available in the event of a
4 default under the regulatory agreement that is not cured within a
5 reasonable cure period include, but are not limited to, allowing
6 any of the parties designated to enforce the regulatory agreement
7 to collect all rents with respect to the project; taking possession of
8 the project and operating the project in accordance with the
9 regulatory agreement until the enforcer determines the housing
10 sponsor is in a position to operate the project in accordance with
11 the regulatory agreement; applying to any court for specific
12 performance; securing the appointment of a receiver to operate
13 the project; or any other relief as may be appropriate.

14 (j) (1) The committee shall allocate the housing credit on a
15 regular basis consisting of two or more periods in each calendar
16 year during which applications may be filed and considered. The
17 committee shall establish application filing deadlines, the maximum
18 percentage of federal and state low-income housing tax credit
19 ceiling that may be allocated by the committee in that period, and
20 the approximate date on which allocations shall be made. If the
21 enactment of federal or state law, the adoption of rules or
22 regulations, or other similar events prevent the use of two allocation
23 periods, the committee may reduce the number of periods and
24 adjust the filing deadlines, maximum percentage of credit allocated,
25 and allocation dates.

26 (2) The committee shall adopt a qualified allocation plan, as
27 provided in Section 42(m)(1) of the Internal Revenue Code. In
28 adopting this plan, the committee shall comply with the provisions
29 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
30 Code.

31 (3) Notwithstanding Section 42(m) of the Internal Revenue
32 Code, the California Tax Credit Allocation Committee shall
33 allocate housing credits in accordance with the qualified allocation
34 plan and regulations, which shall include the following provisions:

35 (A) All housing sponsors, as defined by paragraph (3) of
36 subdivision (a), shall demonstrate at the time the application is
37 filed with the committee that the project meets the following
38 threshold requirements:

1 (i) The housing sponsor shall demonstrate that there is a need
2 for low-income housing in the community or region for which it
3 is proposed.

4 (ii) The project's proposed financing, including tax credit
5 proceeds, shall be sufficient to complete the project and shall be
6 adequate to operate the project for the extended use period.

7 (iii) The project shall have enforceable financing commitments,
8 either construction or permanent financing, for at least 50 percent
9 of the total estimated financing of the project.

10 (iv) The housing sponsor shall have and maintain control of the
11 site for the project.

12 (v) The housing sponsor shall demonstrate that the project
13 complies with all applicable local land use and zoning ordinances.

14 (vi) The housing sponsor shall demonstrate that the project
15 development team has the experience and the financial capacity
16 to ensure project completion and operation for the extended use
17 period.

18 (vii) The housing sponsor shall demonstrate the amount of tax
19 credit that is necessary for the financial feasibility of the project
20 and its viability as a qualified low-income housing project
21 throughout the extended use period, taking into account operating
22 expenses, a supportable debt service, reserves, funds set aside for
23 rental subsidies, and required equity, and a development fee that
24 does not exceed a specified percentage of the eligible basis of the
25 project prior to inclusion of the development fee in the eligible
26 basis, as determined by the committee.

27 (B) The committee shall give a preference to those projects
28 satisfying all of the threshold requirements of subparagraph (A)
29 if both of the following apply:

30 (i) The project serves the lowest income tenants at rents
31 affordable to those tenants.

32 (ii) The project is obligated to serve qualified tenants for the
33 longest period.

34 (C) In addition to the provisions of subparagraphs (A) and (B),
35 the committee shall use the following criteria in allocating housing
36 credits:

37 (i) Projects serving large families in which a substantial number,
38 as defined by the committee, of all residential units are low-income
39 units with three and more bedrooms.

1 (ii) Projects providing single-room occupancy units serving
2 very low income tenants.

3 (iii) Existing projects that are “at risk of conversion,” as defined
4 by paragraph (4) of subdivision (c).

5 (iv) Projects for which a public agency provides direct or indirect
6 long-term financial support for at least 15 percent of the total
7 project development costs or projects for which the owner’s equity
8 constitutes at least 30 percent of the total project development
9 costs.

10 (v) Projects that provide tenant amenities not generally available
11 to residents of low-income housing projects.

12 (4) For purposes of allocating credits pursuant to this section,
13 the committee shall not give preference to any project by virtue
14 of the date of submission of its application except to break a tie
15 when two or more of the projects have an equal rating.

16 (5) Not less than 20 percent of the low-income housing tax
17 credits available annually under this section, Section 12206, and
18 Section 17058 shall be set aside for allocation to rural areas as
19 defined in Section 50199.21 of the Health and Safety Code. Any
20 amount of credit set aside for rural areas remaining on or after
21 October 31 of any calendar year shall be available for allocation
22 to any eligible project. No amount of credit set aside for rural areas
23 shall be considered available for any eligible project so long as
24 there are eligible rural applications pending on October 31.

25 (k) Section 42(l) of the Internal Revenue Code shall be modified
26 as follows:

27 The term “secretary” shall be replaced by the term “California
28 Franchise Tax Board.”

29 (l) In the case where the state credit allowed under this section
30 exceeds the “tax,” the excess may be carried over to reduce the
31 “tax” in the following year, and succeeding years if necessary,
32 until the credit has been exhausted.

33 (m) A project that received an allocation of a 1989 federal
34 housing credit dollar amount shall be eligible to receive an
35 allocation of a 1990 state housing credit dollar amount, subject to
36 all of the following conditions:

37 (1) The project was not placed in service prior to 1990.

38 (2) To the extent the amendments made to this section by the
39 Statutes of 1990 conflict with any provisions existing in this section
40 prior to those amendments, the prior provisions of law shall prevail.

(3) Notwithstanding paragraph (2), a project applying for an allocation under this subdivision shall be subject to the requirements of paragraph (3) of subdivision (j).

(n) The credit period with respect to an allocation of credit in 1989 by the California Tax Credit Allocation Committee of which any amount is attributable to unallocated credit from 1987 or 1988 shall not begin until after December 31, 1989.

(o) The provisions of Section 11407(a) of Public Law 101-508, relating to the effective date of the extension of the low-income housing credit, shall apply to calendar years after 1989.

(p) The provisions of Section 11407(c) of Public Law 101-508, relating to election to accelerate credit, shall not apply.

(q) (1) A corporation may elect to assign any portion of any credit allowed under this section to one or more affiliated corporations for each taxable year in which the credit is allowed. For purposes of this subdivision, “affiliated corporation” has the meaning provided in subdivision (b) of Section 25110, as that section was amended by Chapter 881 of the Statutes of 1993, as of the last day of the taxable year in which the credit is allowed, except that “100 percent” is substituted for “more than 50 percent” wherever it appears in the section, as that section was amended by Chapter 881 of the Statutes of 1993, and “voting common stock” is substituted for “voting stock” wherever it appears in the section, as that section was amended by Chapter 881 of the Statutes of 1993.

(2) The election provided in paragraph (1):

(A) May be based on any method selected by the corporation that originally receives the credit.

(B) Shall be irrevocable for the taxable year the credit is allowed, once made.

(C) May be changed for any subsequent taxable year if the election to make the assignment is expressly shown on each of the returns of the affiliated corporations that assign and receive the credits.

(r) Any unused credit may continue to be carried forward, as provided in subdivision ~~(k)~~ (l), until the credit has been exhausted.

This section shall remain in effect on or after December 1, 1990, for as long as Section 42 of the Internal Revenue Code, relating to low-income housing credits, remains in effect.

1 (s) The amendments to this section made by the act adding this
2 subdivision shall apply only to taxable years beginning on or after
3 January 1, 1994, except that paragraph (1) of subdivision (q), as
4 amended, shall apply to taxable years beginning on or after January
5 1, 1993.

6 *SEC. 11. Section 2.5 of this bill incorporates amendments to*
7 *Section 66412 of the Government Code proposed by both this bill*
8 *and SB 113. It shall only become operative if (1) both bills are*
9 *enacted and become effective on or before January 1, 2010, (2)*
10 *each bill amends Section 66412 of the Government Code, and (3)*
11 *this bill is enacted after SB 113, in which case Section 2 of this*
12 *bill shall not become operative.*