

**Senate Bill No. 1656**

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Passed the Senate     June 15, 2000

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*Secretary of the Senate*

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Passed the Assembly     June 15, 2000

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*Chief Clerk of the Assembly*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2000, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*



## CHAPTER \_\_\_\_\_

An act to amend Sections 50840, 50841, and 50842 of, and to add Chapter 6 (commencing with Section 50650) to, and to repeal Chapter 3.6 (commencing with Section 50533) of, Part 2 of Division 31 of, the Health and Safety Code, relating to housing, making an appropriation therefor.

## LEGISLATIVE COUNSEL'S DIGEST

SB 1656, Alarcon. Housing.

(1) Existing law contains various programs relating to housing assistance, including the Senior Citizens' Shared Housing Program, the California Self-Help Housing Program, and specified federal programs.

This bill would establish the CalHome Program, to be administered by the Department of Housing and Community Development, to provide funds to local public agencies or nonprofit corporations as either grants for programs that assist individual households or loans that assist multiunit development projects. This bill would also repeal the Senior Citizens' Shared Housing Program and state the intent that the CalHome Program take the place of the Senior Citizens' Shared Housing Program.

(2) Existing law creates the California Housing Trust Fund for deposit of certain bond proceeds and other revenues, and provides that the money in the fund is to be used for housing programs, as specified. Not less than 20% of the revenue deposited annually in the fund is required to be expended in rural areas, as defined.

This bill would continuously appropriate money in the fund for investment in securities that are eligible for investment of surplus state moneys, as specified. It would provide that all interest or other increment resulting from investment may only be expended, upon appropriation, for housing programs that serve lower or very low income households, and not less than 20% of any interest or other increment appropriated in any fiscal



year shall be expended in rural areas. It would revise the definition of rural areas for this purpose.

Appropriation: yes.

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

SECTION 1. Chapter 3.6 (commencing with Section 50533) of Part 2 of Division 31 of the Health and Safety Code is repealed.

SEC. 2. Chapter 6 (commencing with Section 50650) is added to Part 2 of Division 31 of the Health and Safety Code, to read:

CHAPTER 6. CALHOME PROGRAM

50650. The Legislature finds and declares as follows:

(a) An adequate supply of safe and affordable housing is the foundation for strong and sustainable communities. Owner occupied housing is a key housing resource, contributing to neighborhood stability as well as economic vitality.

(b) In California, homeownership is beyond the reach of a large segment of the population. There are also many homeowners who lack the resources to make necessary repairs to their homes, or who would welcome the opportunity to share them with suitable tenants.

(c) Reflecting California's diversity, there is a variety of proven approaches to the promotion of homeownership within the state. The purpose of the CalHome Program established by this chapter is to support existing homeownership programs aimed at lower and very low income households and operated by private nonprofit and local government agencies, and thereby to increase homeownership, encourage neighborhood revitalization and sustainable development, and maximize use of existing homes.

(d) The CalHome Program is intended to take the place of the Senior Citizens' Shared Housing Program established by Chapter 3.6 (commencing with Section 50533), which is repealed by the act enacting this chapter.



50650.1. This chapter shall be known and may be cited as the CalHome Program.

50650.2. The department shall administer this chapter.

50650.3. (a) Funds appropriated for purposes of this chapter shall be used to enable low- and very low income households to become or remain homeowners. Funds shall be provided by the department to local public agencies or nonprofit corporations as either of the following:

(1) Grants for programs that assist individual households.

(2) Loans that assist development projects involving multiple homeownership units, including single-family subdivisions.

(b) Grant funds may be used for first-time homebuyer downpayment assistance, home rehabilitation, homebuyer counseling, home acquisition and rehabilitation, or self-help mortgage assistance programs, or for technical assistance for self-help and shared housing homeownership. Loan funds may be used for purchase of real property, site development, predevelopment, and construction period expenses incurred on homeownership development projects, and permanent financing for mutual housing or cooperative developments. Upon completion of construction, the department may convert project loans into grants for programs of assistance to individual homeowners. Financial assistance provided to individual households shall be in the form of deferred payment loans, repayable upon sale or transfer of the homes, when they cease to be owner-occupied, or upon the loan maturity date. All loan repayments shall be used for activities allowed under this section, and shall be governed by a reuse plan approved by the department. Those reuse plans may provide for loan servicing by the grant recipient or a third-party local government agency or nonprofit corporation.

50650.4. To be eligible to receive a grant or loan, local public agencies or nonprofit corporations shall demonstrate sufficient organizational stability and



capacity to carry out the activity for which they are requesting funds, including, where applicable, the capacity to manage a portfolio of individual loans over an extended time period. Capacity may be demonstrated by substantial successful experience performing similar activities, or through other means acceptable to the department. In allocating funds, the department shall utilize a competitive application process, using weighted evaluation criteria, including, but not limited to, (a) the extent that the program or project utilizes volunteer or self-help labor, trains youth in construction skills, or involves community participation, and (b) whether the program or project contributes toward community revitalization. To the extent feasible, the application process shall ensure a reasonable geographic distribution of funds.

50650.5. For the purposes of this chapter, mutual housing and cooperative housing shall be deemed to be forms of homeownership. For these project types: (a) program funds shall be used for project development costs only; (b) the department shall enter into a regulatory agreement limiting occupant incomes, occupancy charges, and share purchase terms for 55 years; and (c) notwithstanding Section 50650.3, program assistance shall be provided in the form of a deferred payment loan.

50650.6. The department may use up to 5 percent of the funds appropriated for the purposes of this chapter for its costs in administering the program.

50650.7. For appropriations of fifteen million dollars (\$15,000,000) or less, the department may administer the funds using guidelines that shall not be subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Title 2 of the Government Code). If an appropriation exceeds that amount, the department may administer the funds using guidelines for 24 months, during which time those guidelines shall not be subject to the Administrative Procedure Act. The guidelines and any regulations governing the CalHome Program shall include, among



other things, loan terms and limits, underwriting standards, home price limits, application procedures and selection criteria, loan and grant documentation requirements, and monitoring requirements.

SEC. 3. Section 50840 of the Health and Safety Code is amended to read:

50840. (a) The Legislature hereby finds and declares all of the following:

(1) California is experiencing a severe housing shortage that compounds itself further each year. While it is estimated that 250,000 new homes are needed each year to keep up with demand, only 140,000 building permits for new residential housing were issued in 1999. Moreover, the average number of residential building permits issued over the last seven years is only 105,000 new units per year.

(2) The shortage in housing supply has led to skyrocketing home sale and rental prices, which have made housing unaffordable to many Californians. Seven of the nation's 10 least affordable metropolitan areas for housing are in California. More than 35 percent of renter households experience an extreme housing cost burden, which has been defined as paying more than 50 percent of their income for housing.

(3) Long-term strategies are needed to address this ongoing deficit in new home production and to meet the state's housing needs.

(4) In addition to helping meet the immediate need for housing, the state will always have a role to play in assisting in the provision of housing for families unable to afford market-rate rents.

(5) A permanent source of financing is needed to fulfill this ongoing need for state housing assistance.

(6) A housing trust fund would provide a permanent source of financing to be used solely to fund housing programs that serve low- and very low income households.

(b) (1) It is the intent of the Legislature that the principal in the California Housing Trust Fund shall not be spent, but rather invested as an endowment, and that



the return on this investment be used to fund programs that meet the housing needs of lower and very low income households.

(2) It is the intent of the Legislature to make a significant appropriation to the California Housing Trust Fund in the 2001–02 fiscal year to ensure that there are sufficient ongoing resources to provide for the housing needs of lower income households.

SEC. 4. Section 50841 of the Health and Safety Code is amended to read:

50841. (a) There is hereby created in the State Treasury the California Housing Trust Fund. Notwithstanding Section 13340 of the Government Code, all money in the fund is continuously appropriated for the purposes of investment in a manner calculated to deliver the greatest rate of return consistent with the requirements of Section 16430 of the Government Code.

(b) All interest or other increment resulting from investment or deposit of moneys in the fund shall be deposited in the fund, notwithstanding Section 16305.7 of the Government Code. Except as provided in Section 50842, no money in the fund shall be spent, loaned, transferred, or otherwise removed from the fund.

SEC. 5. Section 50842 of the Health and Safety Code is amended to read:

50842. (a) All interest or other increment resulting from any investment of money in the California Housing Trust Fund may only be expended, upon appropriation by the Legislature, after allocation to the Treasurer of an amount not to exceed one-half of 1 percent of any interest and other increment to cover the actual cost of administering those investments, for housing programs or those portions of housing programs authorized by law that serve lower and very low income households, as defined in Sections 50079.5 and 50105, respectively.

(b) Not less than 20 percent of any interest or other increment appropriated by the Legislature in any fiscal year from the California Housing Trust Fund shall be expended in rural areas, as defined by Section 50199.21.



(c) Any interest or other increment not appropriated by the Legislature for the purpose described in subdivision (a) in the fiscal year succeeding its accrual shall be deposited in the California Housing Trust Fund and shall no longer be deemed interest or other increment for the purposes of this section.



Approved \_\_\_\_\_, 2000

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*Governor*

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