

Date of Hearing: June 29, 2011

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Norma Torres, Chair

SB 562 (Transportation and Housing Committee) – As Amended: June 20, 2011

SENATE VOTE: 40-0

SUBJECT: Housing omnibus bill.

SUMMARY: Makes technical and non-controversial changes to various sections of law relating to housing. Specifically, this bill:

- 1) CDLAC cleanup [Section 1]. The California Debt Limit Allocation Committee (CDLAC) administers the tax-exempt private activity bond program for the state. Current law states that if a bond issuer that received a private activity bond allocation from CDLAC ultimately issues bonds in an amount less than what was awarded by CDLAC, then a proportional share of a performance deposit held for that issuance shall be forfeited to CDLAC. The intent of the performance deposit is to insure that bond issuers make use of the limitedly available private activity bond allocation awarded to them for a given project or program. The reality of project finance is that the funding sources are often in flux up to the day of bond issuance, so bond issuers will often apply to CDLAC for an allocation amount slightly above what they believe at the time they may eventually need. This slight difference is the industry norm and reduces the need for the bond issuer to reapply to CDLAC for small amounts of additional allocation if needed. Historically, CDLAC's policy has been that if the issuance amount was at least 80 percent of the awarded allocation amount, then no portion of the performance deposit would be forfeited. This bill revises statute to reflect this past CDLAC practice.

CDLAC also seeks to clarify its option to waive the forfeiture of the performance deposit when some portion of the bonds has been issued if the committee determines there is good cause to do so. Existing statute only provides for this discretion when none of the bonds have been issued. This creates a situation where an applicant may be able to have its performance deposit returned if no bonds are issued but cannot have it returned if a portion of the bonds are issued. This bill provides CDLAC with the ability to return the deposit when less than 100 percent of the allocation amount is issued but not when no bonds are issued.

- 2) Reference to Green Code [Section 2]. Current law requires HCD to adopt regulations for the construction, alteration, or conversion of commercial modulars based on specific parts of the California Building Standards Code (CBSC). This bill adds a reference to Part 11 of the CBSC in the section of law regarding standards for commercial modular. Part 11 is the newly adopted Green Code, which was not yet in existence when this section of law was originally enacted.
- 3) Manufactured Home Recovery Fund [Section 3]. Legislative amendments in 2004 expanded the ability of aggrieved buyers and sellers of manufactured homes to file claims and simplified some processes. The current economy has created additional purchase and sales problems. Currently, there is roughly \$800,000 in the Manufactured Home Recovery Fund but roughly the same amount of pending claims. When the fund runs low on cash, it reduces

the timeliness of potential payments when claims are found to be valid and has a spiraling effect on even later claims. Current law that has been in place for 30 years, however, allows for a reduction in the fee whenever the balance exceeds \$1 million. This bill increases the threshold at which fees may be reduced from \$1 million to \$2 million.

- 4) Mobilehome Parks Act cleanup [Sections 4, 5, 6, and 7]. The Mobilehome Parks Act governs health and safety issues in mobilehome parks. The act includes the term "commercial coach," an outdated term that is no longer used. The modern term is commercial modular. This bill updates the definitions in the act to reflect this modern term. The bill additionally fixes an incorrect statutory cross-reference.
- 5) Special Occupancy Parks Act cross reference [Section 8]. Current law makes various violations of the Special Occupancy Parks Act a misdemeanor. When issuing a citation, an enforcement agency must include a statement about the relevant penalties. Current statute contains an incorrect cross-reference to the existing penalty section. This bill corrects this cross-reference.
- 6) Repeal outdated statute on Redding Veterans' Home [Section 9]. Current law allows redevelopment agencies in Shasta County to borrow and use up to \$2,300,000 from their Low and Moderate Income Housing Funds to provide financial assistance for the acquisition of property for a veterans' home in the City of Redding. This land has been purchased with non-redevelopment funds and the home is currently under construction. This section is no longer needed. This bill repeals this obsolete section of law.
- 7) Seismic Safety Retrofits [Section 10]. Current law dealing with seismic safety retrofit rehabilitation or alternations relies on building code references no longer adopted in California. This bill updates the requirements to refer to current building codes in use in California.
- 8) Extension terms for existing HCD loans [Sections 11, 12, and 13]. SB 707 (Ducheny) of 2007 allowed HCD to extend existing loans in increments of 10 years. A small portion of the HCD portfolio requires rehabilitation, and these rehabilitations are being done using new financing, tax credits, and local funds. While HCD is not putting any new money into the project, it gets a project that is greatly improved and in a much better position to meet the regulatory obligations from HCD and other financing participants.

Other lenders and TCAC are regulating these properties for a new 55-year term. In order to attract a tax credit investor, the developer needs to show that the soft loans (including HCD) are repayable when due. If HCD's loan is due in 47 years, however, and there is a 55-year TCAC regulatory agreement, then the ability to refinance is in doubt. This bill gives HCD the flexibility to extend the term of the loans to 55 years rather than in a 10-year increment that doesn't match the term of other regulatory periods.

- 9) Strong Motion Instrumentation Fee cleanup [Sections 14 and 15]. Current law requires each applicant for a building permit to pay a minimal fee (1/100th or 2/100th of a percent of the value of the work) to support earthquake mapping work. Two separate sections of law require that these fee revenues be deposited into the Strong-Motion Instrumentation and Seismic Hazards Mapping Fund. This bill combines these two repetitive sections into one.

EXISTING LAW includes numerous provisions related to housing.

FISCAL EFFECT: Unknown

COMMENTS:

The Senate Transportation and Housing Committee is authoring this year's housing omnibus bill as a cost-effective way of making a number of minor, non-controversial changes to statute at one time. There is no known opposition to any of the items in the bill. If issues arise that cannot be resolved, the provision of concern will be deleted from the bill.

REGISTERED SUPPORT / OPPOSITION:

Support

State Treasurer Bill Lockyer  
AFSCME

Opposition

None on file

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