

October 15, 2001

TO: Persons interested in housing and community development issues

FROM: Senator Joe Dunn, Chair
Senate Housing and Community Development Committee

RE: 2001 Legislative Summary

The Legislature completed the first year of the 2001-2002 session on September 14. Below is a summary of the bills relating to housing and community development issues that were acted on this year. Bills noted with an asterisk were not heard by the Senate Committee on Housing and Community Development. To obtain the text or committee analysis for any individual bill, please visit the Senate's website at www.sen.ca.gov and click on Legislation to search for the bill. If you do not have internet access, please contact the Committee at 916-445-8740 for additional information.

STATE HOUSING FINANCE

SB 73 (Dunn) increases the cap on the amount of state low-income housing tax credits which may be allocated each year from \$50 million to \$70 million and indexes this cap to inflation for subsequent years. (Chapter 668, Statutes of 2001)

***SB 739 (Peace)** is the budget bill for the 2001-2002 fiscal year. The budget includes funding for the following programs:

- \$23.05 million for the development of affordable rental housing through the Multi-Family Housing Program
- \$20.1 million for Supportive Housing
- \$13.3 million to provide operating cost grants to shelter providers through the Emergency Housing Assistance Program
- \$13.875 million for the Farmworker Housing Grant Program
- \$9.645 million for the rehabilitation of migrant farmworker housing centers
- \$3 million to support the conversion of commercial buildings to residential uses through the Downtown Rebound Program
- \$2.1 million to support sweat-equity homeownership programs through the Self-Help Housing Program

In addition, the budget bill recaptured the following funds from housing programs:

- \$108 million from the CHFA School Fee Reimbursement Program
- \$40 million from the Jobs-Housing Balance Improvement Program
- \$18 million from the CHFA Downpayment Assistance Program
- \$4 million from the California Housing Trust Fund

SB 1227 (Burton) places a \$980 million housing bond on the November 2002 ballot. (In the Assembly Housing and Community Development Committee)

***AB 72 (Bates)** requires that all unclaimed moneys escheated to the state from the estates of deceased persons be used for an existing state program to construct or rehabilitate multifamily housing for senior citizens. (Assembly Appropriations Committee)

***AB 445 (Cardenas)** is a budget trailer bill to accelerate the sunset on the CHFA School Fee Reimbursement Program. The bill prohibits the agency from honoring reservations received on or after January 1, 2002, and requires any unobligated amounts in the School Facilities Fee Assistance Fund as of that date to be transferred to the General Fund. (Chapter 114, Statutes of 2001)

***AB 738 (Lowenthal)** authorizes a tax credit, under the personal income tax, bank and corporations tax and insurance gross premiums tax laws, equal to 50% of the amount contributed to an eligible community development corporation. (In the Assembly Appropriations Committee)

AB 1044 (Migden) increases the cap on the debt limit for the California Housing Finance Agency by \$2.2 billion. (Chapter 202, Statutes of 2001)

***AB 1118 (Corbett)** appropriates an additional \$1.5 million to the Department of Insurance to continue the grant and loan program to help pay for seismic retrofitting of high-risk residential dwellings owned or occupied by low and moderate income households. (Chapter 895, Statutes of 2001)

AB 1550 (Wiggins) allows Napa County to create a county service area for the purpose of levying an assessment of \$10 per acre of planted vineyard for a period of five years for the sole purpose of acquiring, constructing, leasing, or maintaining farmworker housing. (Chapter 340, Statutes of 2001)

AB 1611 (Keeley) authorizes the California Education Facilities Authority to enter into agreements with nonprofit entities to finance the cost of constructing student, faculty, and staff housing near the campuses of the University of California, the Hastings College of the Law, the California State University, the California Community Colleges, or a participating private college. (Chapter 569, Statutes of 2001)

STATE HOUSING PROGRAMS

SB 183 (Burton) establishes the Residential Security Deposit Guarantee Program to financially guarantee voluntary agreements between residential rental property owners and prospective

tenants that allow the tenant to pay up to 80% of the security deposit in installments. (In the Assembly Appropriations Committee)

SB 262 (Alarcon) clarifies that certain activities, such as construction training and mutual housing development, are eligible for funding under the CalHome Program. (Gutted in the Assembly Housing and Community Development Committee)

SB 372 (Dunn) creates the Preservation Interim Loan Programs to provide preservation purchasers with access to short-term financing, allowing them to gain immediate control of at-risk properties and buy time to put together financing that permanently preserves at-risk units. (In the Senate Appropriations Committee)

SB 401 (Soto) creates a state homeownership tax credit for mortgage lenders who make specified second mortgages to families earning below 80% of the area median income. (In the Senate Revenue and Taxation Committee)

***SB 423 (Torlakson)** creates the California Housing Incentive Program which provides additional property tax revenues to cities and counties in which new housing units are built that meet specified criteria. (At the Assembly Desk)

SB 503 (Vasconcellos) allows local governments in San Diego and Santa Clara counties to create Attainable Housing Zones designed to encourage the construction of "attainable housing" through the reduction of development fees. The local governments in turn receive infrastructure and planning grants from the state. (In the Senate Appropriations Committee)

SB 533 (Margett) establishes the Elderly and Disabled Person's Revolving Home Improvement Loan Program to provide no-interest loans to low- or moderate-income elderly or disabled persons for home improvements to assist with daily living or prevent injury. (In the Assembly Appropriations Committee)

SB 784 (Torlakson) allows local governments that receive awards under the Jobs-Housing Balance Incentive Grant Program to use the funds for any purpose as opposed to capital outlays only. In addition, the bill allows HCD to operate the program in the future, depending on fund availability. (Chapter 608, Statutes of 2001)

***SB 975 (Alarcon)** applies prevailing wage laws to construction projects, including housing developments, that receive any type of financial assistance from a state or local government, including direct payments, transfers of assets for less than fair market price, and reduced fees, costs, rents, insurance or bond premiums, or interest rates on loans. The bill exempts from these requirements affordable housing developments financed solely with redevelopment funds and private debt. In addition, the bill does not apply to housing projects financed with low-income housing tax credits or private activity bond until 2003, unless required by some other funding source. (Chapter 938, Statutes of 2001)

AB 8 (Cedillo) increases the loan limits under the Downtown Rebound Program to \$55,000 and \$35,000 (as opposed to \$40,000 and \$20,000), depending on the level of affordability of the assisted housing units. (Chapter 3, Statutes of 2001)

AB 244 (Strom-Martin) requires HCD to provide comprehensive technical assistance to tribal housing authorities, housing sponsors and governmental agencies, in the development of suitable, decent, safe, and sanitary housing for American Indians and appropriates \$1.5 million from the Indian Gaming Special Distribution Fund for this purpose. (In the Senate Appropriations Committee)

AB 381 (Papan) provides financial incentives to local governments for the approval of high-density transit-oriented developments and redirects funds from the Jobs-Housing Balance Improvement Program for this purpose. (In the Senate Housing and Community Development Committee)

***AB 404 (Diaz)** creates the New Neighborhoods Program for the purpose of providing at least seven planning grants to identify sites for new neighborhoods and the address infrastructure barriers to including affordable units within these new neighborhoods. (Assembly Appropriations Committee)

***AB 490 (Diaz)** provides matching grants from the California Housing Trust Fund to local agencies that establish their own housing trust funds. (In the Assembly Appropriations Committee)

***AB 618 (Calderon)** redirects spending authority for the City of Industry Fund from the Los Angeles County Housing Authority to the City of Industry. (Failed passage in the Assembly Housing and Community Development Committee)

AB 628 (Oropeza) requires the Department of Aging to establish a pilot project in three counties to provide counseling and referral assistance to Section 8 qualified seniors and to promote landlord participation in the Section 8 program. (In the Senate Appropriations Committee)

***AB 748 (Chavez)** funds a study of the housing and support needs of homeless veterans in California. (In the Senate Appropriations Committee)

AB 807 (Salinas) authorizes HCD to make grants and loans from the Farmworker Housing Grant Fund to local public entities and nonprofit corporation to establish capitalized operating reserves for short-term occupancy housing for migrant farmworker households. (Chapter 555, Statutes of 2001) [Note: In his signature message, the Governor directed HCD to only use the new authority in emergencies or extraordinary circumstances.]

***AB 905 (Cohn)** provides home downpayment assistance to public safety officers serving in one of California's five largest cities (Los Angeles, San Diego, San Jose, San Francisco, and Long Beach). (In the Assembly Appropriations Committee)

AB 930 (Keeley) provides that CalHome funds made available to local governments and non-profit organizations for home rehabilitation programs shall not be subject to home price limits and requires that HCD use its best efforts to ensure a reasonable geographic distribution of home rehabilitation funds. (In the Senate Housing and Community Development Committee)

***AB 999 (Keeley)** separates the administration of the California Housing Loan Insurance Fund from the California Housing Finance Agency and creates a new independent board to oversee CaHLIF's operations. (In the Assembly Appropriations Committee)

AB 1008 (Lowenthal) establishes the Rental Housing Accessibility Grant Pilot Program for the purpose of making grants to lower income tenants with disabilities for exterior modifications to rental housing that improve accessibility. (In the Senate Appropriations Committee)

***AB 1060 (Negrete McLeod)** requires the Department of Veterans Affairs, in collaboration with the State Department of Health Services, to study the status of homeless veterans in California and to establish a proposal on how to provide adequate housing for California's homeless veterans. (Chapter 265, Statutes of 2001)

AB 1160 (Florez) authorizes HCD to make loans, in addition to grants, under the Farmworker Housing Grant Program; clarifies that HCD may offer capital development grants under the Emergency Housing and Assistance Program with this year's budget appropriation; moves the Office of Migrant Services' fund into the Farmworker Housing Fund as a subaccount and clarifies that funds from both accounts may be expended on their statutorily authorized programs; and clarifies that Section 8 recertifications that result in rent increase of greater than 10% are subject to the normal 30 day notice requirement. (Chapter 593, Statutes of 2001)

***AB 1170 (Firebaugh)** creates the Building Equity and Growth in Neighborhoods Program to make downpayment assistance funds available to communities that have removed barriers to affordable housing. (In the Assembly Appropriations Committee)

AB 1284 (Lowenthal) allows local governments in areas of the state with a serious imbalance of housing supply to create "Housing Opportunity Districts" within which the local government will receive an increased share of the property tax increment that results from new housing development. (In the Senate Local Government Committee)

AB 1359 (Lowenthal) consolidates the four existing predevelopment loan programs administered by HCD into a single Predevelopment Loan Program. (Chapter 395, Statutes of 2001)

AB 1436 (Correa) allows a single local reuse entity for a closed military base that lacks a federal Record of Decision to use design-build contract methods to construct various public improvements at the base if the entity commits to maintaining at least 25% of the existing base housing units as housing affordable to lower income households. (Failed passage on the Senate Floor)

STATE HOUSING POLICY AND PLANNING

SB 213 (Perata) requires the Metropolitan Transportation Commission and the Association of Bay Area Governments to evaluate if local governments in the San Francisco Bay Area are implementing their fair share of housing starts and are participating in regional congestion reduction plans. (In the Assembly Appropriations Committee)

SB 429 (Soto) clarifies the exemption from state notice and right-of-first refusal requirements for bona fide preservation transactions. (Chapter 117, Statutes of 2001)

SB 442 (Vasconcellos) establishes the California Affordable Housing Connection, an internet based reference site for multi-unit low-income housing and adds requirements to the Statewide Housing Plan. (Chapter 557, Statutes of 2001) [Note: The Governor deleted from the bill the appropriation for the housing database.]

LAND USE AND HOUSING ELEMENTS

***SB 221 (Kuehl)** prohibits a local government from approving a development agreement that includes a subdivision of more than 500 units unless the applicable water agency has certified that a sufficient water supply will be available to serve the development. (Chapter 642, Statutes of 2001)

***SB 497 (Sher)** makes the Subdivision Map Act inapplicable to a lot line adjustment between four or fewer existing adjoining parcels, as opposed to two or more, and requires such adjustments to conform to the local general plan, any applicable coastal plan, and zoning and building ordinances. (Chapter 873, Statutes of 2001)

SB 520 (Chesbro) expands housing element law to require local governments to analyze the housing needs of and remove barriers to the development of housing for persons with disabilities. (Chapter 671, Statutes of 2001)

SB 910 (Dunn) creates sanctions for local governments that fail to comply with state housing element law. (In the Assembly Local Government Committee)

SB 932 (McPherson) extends the housing element deadline by six months for jurisdictions that are in the Monterey Bay Association of Governments and that do belong to any council of government. (Chapter 85, Statutes of 2001)

SB 1098 (Alarcon) restricts the ability of local governments to extend moratoria that affect multifamily housing beyond 45 days. (Chapter 939, Statutes of 2001)

***AB 369 (Dutra)** requires a court to award attorneys' fees, except under extraordinary circumstances, to a successful plaintiff under the Anti-NIMBY law. (Chapter 237, Statutes of 2001)

***AB 436 (Chan)** authorizes the City of Oakland, until 2005, to adopt a focused environmental impact report for the purpose of developing urban infill, multi-family, residential developments, or residential and commercial or retail mixed-use development with not more than 25% of the total floor area of the project used as retail space. (Chapter 701, Statutes of 2001)

REDEVELOPMENT

***SB 211 (Torlakson)** allows redevelopment agencies to extend the life of and the ability to incur indebtedness in a project area created before 1994 by an additional 10 years if substantial blight remains. The agency is required to increase its housing setaside from 20% to 30% during the extension. (Chapter 741, Statutes of 2001)

SB 459 (McPherson) allows redevelopment agencies in Santa Cruz County to raise to 40% the percentage of income a homebuyer household may spend for the housing to be considered affordable. (Chapter 471, Statutes of 2001)

AB 637 (Lowenthal) eliminates the sunset on most of the 1993 Isenberg amendments which provide redevelopment agencies with greater flexibility in how they meet their inclusionary housing requirements. In addition, the bill makes a number of changes to redevelopment housing law that ensure setaside funds will more effectively serve the needs of very low and low income households. (Chapter 738, Statutes of 2001)

AB 661 (Correa) allows the Orange County Development Agency to spend its housing setaside funds within incorporated cities within the county subject to various conditions. (Chapter 626, Statutes of 2001)

AB 1567 (Runner) allows the Lancaster Redevelopment Agency to satisfy its inclusionary housing requirement by purchasing long-term affordability covenants on mobile home parks. (Chapter 491, Statutes of 2001)

***AB 1595 (Wyman)** provides an extension for inclusionary housing requirements for the redevelopment of George Air Force Base. (On the Assembly Floor)

BUILDING CODES AND CODE ENFORCEMENT

SB 197 (Chesbro) requires marinas that receive loans from the Department of Boating and Waterways to have their electrical systems inspected every two years. (Chapter 360, Statutes of 2001)

SB 332 (Sher) makes numerous changes to the statutory guidelines for the construction of straw bale structures that generally replace various prescribed methods with performance standards that allow a variety of methods to be used. (At the Senate Desk. The bill was approved by the Legislature but returned from enrollment.)

SB 581 (Alarcon) requires owners of rental housing who have received a code enforcement citation within the last three years to register with their local building official. (Vetoed)

***SB 732 (Ortiz)** requires sellers of commercial or industrial real property and residential and commercial landlords who know or, in the case of residential landlords, have reasonable cause to believe, that toxic mold affects the unit or building and either exceeds permissible exposure limits or poses a health threat according to DHS' guidelines to disclose this fact to prospective

buyers and current and prospective tenants. The notice requirement does not take effect until at least six months after DHS adopts the specified guidelines. (Chapter 584, Statutes of 2001)

AB 326 (Dutra) requires that wood roof covering materials be approved and listed by the State Fire Marshal as having passed five years of the ten year natural weathering test. (Chapter 244, Statutes of 2001)

***AB 471 (Hertzberg)**, among other things, requires the California Horse Racing Board to adopt housing standards for employee housing at racetracks. (Chapter 198, Statutes of 2001)

AB 472 (Cedillo) requires owners of residential rental property whose tenants are displaced by condemnation orders to pay relocation benefits to the tenants. If the owner fails to pay in a timely manner, the local government may provide benefits to the tenants and seek reimbursement from the owner. In addition, the bill allows a code enforcement agency to petition the court directly for the appointment of a receiver and requires receivers who manage substandard properties to notify the court about the need for repairs. (Chapter 414, Statutes of 2001)

AB 967 (Chan) allows the reuse entities for closed military bases to gradually bring specified buildings up to code by 2007 even if they have not adopted a graduated compliance plan prior to January 1, 2000. (Chapter 418, Statutes of 2001)

AB 1112 (Goldberg) establishes a three year pilot program in Los Angeles County to require owners of substandard rental housing to register with the county. (Chapter 487, Statutes of 2001)

AB 1467 (Kehoe) allows a court to appoint a non-profit organization or community development corporation as a receiver for a substandard building and allows a receiver to record a lien against the property to recover the costs of any services performed as a receiver. In addition, the bill allows the cities of Los Angeles and San Diego, with respect to vacant single-family dwellings, to initiate any appropriate action to correct code violations or abate nuisances after 15 days notice to the owner. The bill also extends to the City of San Diego the lowered preference for repair of a substandard home from 75% to 50%. (Chapter 594, Statutes of 2001)

***AB 1574 (Lowenthal)** authorizes the California Energy Commission to develop measures to enhance energy efficiency for homes that were built prior to the establishment of the current energy efficiency standards. (Chapter 773, Statutes of 2001)

MOBILEHOME AND SPECIAL OCCUPANCY PARKS

SB 122 (Dunn) clarifies and expands the specified duties of HCD's Mobilehome Ombudsman and appropriates \$50,000 for support of the program. (Vetoed)

***SB 175 (Torlakson)** increases the 25% exemption of the gross sales price on new mobilehomes, for sales tax purposes, to 50%. (In the Senate Revenue and Taxation Committee.)

SB 325 (O'Connell) creates a new Special Occupancy Parks Act and deletes provisions relating to special occupancy parks from the Mobilehome Parks Act. (Chapter 434, Statutes of 2001)

SB 339 (Dunn) requires HCD or a local enforcement agency to notify complainants in advance of an inspection in a mobilehome park and follow up with the complainant afterwards, to inspect upon request a mobilehome for compliance with health and safety standard if a dispute arises between the owner and the park management upon sale of the home, and to require a permit for all lot line changes in a park. (In the Assembly Appropriations Committee)

SB 495 (Dunn) creates the Mobilehome Park Rehabilitation Program to provide loans for the rehabilitation of infrastructure in older mobilehome parks. (In the Senate Appropriations Committee)

***SB 691 (McPherson)** provides that a court shall award a local government entity, which is the prevailing party in an inverse condemnation proceeding challenging a mobilehome rent control ordinance, its attorney fees from the park owner, if the court determines the park owner had no reasonable ground to bring the litigation. (Failed passage on the Assembly Floor)

***SB 920 (Dunn)** requires the management of a master-metered park to notify and pass through the full amount of the CARE program discount in monthly utility billings to homeowners and residents who have qualified for the program. (Chapter 437, Statutes of 2001)

***AB 210 (Corbett)** permits mobilehome owners who paid security deposits to mobilehome parks before 1989 to request refunds of their deposits upon the renewal or extension of their lease, so long as they have met their financial obligations to the park in the 12 months prior to the request. (Chapter 151, Statutes of 2001)

***AB 781 (J. Campbell)** excludes mobilehome parks from rent control if the average mobilehome value, including the space, exceeds \$300,000 or where the mobilehome sells for more than \$100,000, excluding the value of the space. (Failed passage in the Assembly Housing and Community Development Committee)

AB 970 (Dutra) allows HCD to electronically transmit certificates of title to financial institutions that are providing mobilehome loans and need a title that shows their security interest in the mobilehome. (Chapter 213, Statutes of 2001)

***AB 1202 (Harman)** provides that a mobilehome park may not require a homeowner or resident to pay a cleaning deposit or obtain liability insurance in order to use the park clubhouse or recreational hall. (Chapter 83, Statutes of 2001)

AB 1318 (Correa) applies specified building standards to multi-unit manufactured housing, and regulates the installation of multi-unit manufactured homes in mobilehome parks. (Chapter 356, Statutes of 2001)

***AB 1328 (Briggs)** repeals a provision of the Mobilehome Residency Law that requires a prospective mobilehome buyer's application fee to be refunded or credited upon acceptance or rejection of his/her tenancy and permits, instead, parks to charge a non-refundable \$30 application fee. (Failed passage on Assembly Floor).

***AB 1648 (Salinas)** allows HCD or a local enforcement agency to levy administrative penalties against parks that fail to correct violations of certain provisions of the Mobilehome Parks Act and permits a city attorney or county counsel, in addition to a district attorney, to bring a civil action against a mobilehome park to abate a nuisance. (In the Assembly Appropriations Committee)

ENTERPRISE ZONES AND COMMUNITY DEVELOPMENT

SB 130 (Knight) requires the Technology, Trade and Commerce Agency to designate one additional enterprise zone that meets specific criteria. It is likely that only Barstow would meet the criteria. (In the Senate Revenue and Taxation Committee)

SB 888 (Dunn) requires the TTCA to designate an enterprise zone in the Little Saigon area of Orange County. (In the Senate Revenue and Taxation Committee)

***AB 31 (Reyes)** creates the Central Valley Infrastructure Grant Program to provide grant funding to small rural cities and unincorporated communities in the Central Valley for building and repairing public infrastructure that will help to recruit, retain, and expand businesses. (Chapter 746, Statutes of 2001) [Note: The Governor's signature message directs HCD to return \$3 million of the \$15 million appropriated in the budget for this program to the General Fund.]

AB 46 (Washington) increases the number of enterprise zones which the TTCA may designate from 39 to 42. (Chapter 587, Statutes of 2001)

***AB 641 (Briggs)** requires TTCA to approve a proposal to expand a targeted tax area by up to 15% if certain criteria are met, gives state bidding preferences to companies that satisfy specified portions of the contract using labor located within the TTA, and expands the availability of TTA tax preferences. (In the Assembly Revenue and Taxation Committee)

AB 983 (Briggs) allows the Fresno City Council to apply for, and the TTCA to accept, a reconfiguration of the boundaries of the city's existing enterprise zone. (In the Senate Revenue and Taxation Committee)

LANDLORD/TENANT LAW

***SB 985 (Kuehl)**, until 2005, requires a rental housing owner in the cities of Los Angeles, Santa Monica, or West Hollywood to serve a 60-day notice to terminate a tenancy without cause for a tenant who has lived in the unit for at least one year. The bill also limits the exemption for condominiums from the Costa-Hawkins Housing Act. (Chapter 729, Statutes of 2001)

***AB 815 (Havice)** reauthorizes for three years the pilot program in Los Angeles County that allows public prosecutors to file unlawful detainer actions to evict drug dealers and users from a rental property, while allowing law-abiding tenants to remain. (Chapter 431, Statutes of 2001)

REAL ESTATE LAW

***SB 189 (Bowen)** requires until 2004 a seller or lessor of residential property who knows or has reasonable cause to believe that an illegal controlled substance has been released at the property to notify any prospective purchaser or tenant, and imposes civil damages for nondisclosure. (Chapter 466, Statutes of 2001)

***AB 452 (Correa)** informs a person buying residential property in a subdivision that they have a right to negotiate property inspections under terms mutually agreeable to the prospective buyer and seller. The ability to negotiate property inspections will be disclosed to the prospective buyer in a subdivision public report made available by the State Real Estate Commissioner. (Chapter 307, Statutes of 2001)

***AB 1700 (Assembly Judiciary Committee)**, among other things, substantially revises the pre-litigation Calderon process for construction defect actions between builders and homeowners' associations involving common interest developments with 20 or more units. These provisions sunset on July 1, 2010. (Chapter 824, Statutes of 2001)

TAXPAYER ASSISTANCE

***AB 184 (Liu)** redefines "seismic retrofitting improvements" and "improvements utilizing earthquake hazard mitigation technologies" for the purpose of exempting seismic retrofitting improvements from property tax reassessment. (Chapter 330, Statutes of 2001)

***AB 218 (Dutra)** increases the homeowners' exemption for qualified first-time homebuyers from \$7,000 to \$25,000. (In the Assembly Appropriations Committee)

***AB 426 (Cardoza)** is a budget trailer bill that, among other things, increases the benefits paid under the Senior Homeowners' and Renters Assistance Program by 45 percent on a permanent basis. (Chapter 156, Statutes of 2001)

***AB 816 (Thomson)** allows California taxpayers to exclude gains from the sale or exchange of a personal residence from the computation of their gross income for state income tax purposes. (Chapter 164, Statutes of 2001)

***AB 1457 (Keeley)** relieves mobilehome park residents of property tax liability in prior years due to changes of ownership in tenant-owned mobilehome parks. (Chapter 772, Statutes of 2001)