

Introduced by Senator Blakespear

February 19, 2025

An act to amend Section 50515.2 of the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 477, as introduced, Blakespear. The Joe Serna, Jr. Farmworker Housing Grant Program loan: term extension.

Existing law requires the Department of Housing and Community Development to establish the Joe Serna, Jr. Farmworker Housing Grant Program under which the department is required to make loans available to specified entities for, among other things, the construction or rehabilitation of rental housing for lower-income agricultural employees and their families, as specified.

Existing law authorizes the department, notwithstanding any other law, to extend the term of an existing multifamily housing loan made by the department under other specified programs upon the request of any borrower, subject to specified conditions, including that the borrower provides to the department a complete report showing all existing tenants, their incomes, as specified, and the rents currently charged to each tenant.

This bill would make a nonsubstantive change to the above-described loan extension provision.

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

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

SECTION 1. Section 50515.2 of the Health and Safety Code is amended to read:

50515.2. (a) Notwithstanding any other law, the department may extend the term of ~~an~~ any existing multifamily housing loan made by the department under the original Rental Housing Construction Program established by Chapter 9 (commencing with Section 50735), the Special User Housing Rehabilitation Program established by Section 50670, or the Deferred Payment Rehabilitation Loan Program established by Chapter 6.5 (commencing with Section 50660) upon the request of any borrower subject to the following conditions:

(1) The borrower shall provide to the department a complete report showing all existing tenants, their incomes, as reported in the most recent annual income certification, and the rents currently charged to each tenant.

(2) The borrower shall agree to an extension of the term of the loan by an additional 55 years from the date of departmental approval. If the department determines that the remaining useful life of a project is less than 55 years, the loan may be extended for the remaining useful life of the project, but not less than 30 years. The department may convert the existing outstanding principal and any accrued interest into the new loan amount. The interest rate on the extended term shall be 3 percent simple interest. All future payments of principal and interest may be deferred except for a percentage of interest equal to the percentage charged in the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675)) for the department's ongoing monitoring and management responsibilities.

(3) The borrower shall agree to amend or replace the existing regulatory agreement to include terms generally equivalent to those used in the Multifamily Housing Program. In addition, the borrower shall agree to replace, amend, or revise any other loan document as necessary to accomplish the purposes of this section.

(4) (A) The borrower shall agree to a rent schedule that ensures that all assisted units are affordable to households earning no more than 60 percent of the area median income and that at least 35 percent of all assisted units shall be reserved for, affordable to, and occupied by, households earning less than or equal to the

1 midlevel target used by the Multifamily Housing Program, unless
2 the department finds both of the following:

3 (i) That the project income is insufficient to maintain fiscal
4 integrity, as that term is used in the Multifamily Housing Program,
5 and is insufficient to maintain the rents required under this
6 subparagraph pursuant to the terms of the Uniform Multifamily
7 Regulations, or any successor regulations, except that commercial
8 vacancy loss shall be projected based on the operating history of
9 the project, commercial vacancy rates in the neighborhood, and
10 similar factors typically used by commercial lenders.

11 (ii) That the borrower has exhausted all available potential
12 sources of rental subsidies, including, but not limited to, federal,
13 state, and local funds.

14 (B) If the department finds that a reduction in the percentage
15 of assisted units to less than 35 percent of assisted units is justified,
16 it shall ensure that the largest possible percentage is reserved for
17 the targeted households.

18 (C) For the purposes of this paragraph, “midlevel target used
19 by the Multifamily Housing Program” shall mean the following:

20 (i) For counties with an area median income of 110 percent or
21 less of the state median income, it shall mean households earning
22 30 percent of state median income, expressed as a percentage of
23 area median income.

24 (ii) For counties with an area median income that exceeds 110
25 percent of the state median income, it shall mean households
26 earning less than 35 percent of state median income, expressed as
27 a percentage of area median income.

28 (5) No tenant residing in a project at the time of an extension
29 authorized by this section may be displaced as a result of the
30 regulatory revisions authorized by this section, and, for the initial
31 operating year after approval of the extension, that tenant may not
32 have his or her rent increased above the amounts specified in his
33 or her preexisting regulatory agreements, except that no tenant
34 may pay less than 30 percent of his or her income, calculated
35 pursuant to the Multifamily Housing Program criteria. If a rent
36 increase authorized under this section would exceed a 10 percent
37 increase in payment for a lower income tenant, the project owner
38 shall phase in the increase so that it does not exceed 10 percent
39 per year. After the initial operating year after the extension
40 authorized under this section, the rents for all regulated units that

1 are subject to the new agreement may be adjusted in the percentage
2 calculated pursuant to the Multifamily Housing Program criteria,
3 plus the amount necessary to bring an individual tenant up to the
4 30-percent-of-income standard, provided that the total annual
5 increase does not exceed 10 percent. Rent adjustments for all
6 tenants occupying assisted units at the time of the extension shall
7 be based on the tenant's initial rent established under this
8 paragraph. Upon vacancy of an assisted unit occupied at the time
9 of the extension, the new base rent for that unit shall be established
10 consistent with the standards used in the Multifamily Housing
11 Program for the regulated income band, subject to the reservation
12 of units required under paragraph (4).

13 (b) The department may approve an extension of a loan made
14 by the department if it determines that the project has, or will have
15 after rehabilitation or repairs, a potential remaining useful life of
16 at least 30 years and that the project is deemed financially feasible
17 pursuant to the terms of its Uniform Multifamily Regulations or
18 successor regulations.

19 (c) The department may subordinate its loan or loans to refinance
20 existing senior debt and to additional permanent financing if that
21 additional senior debt is used only for rehabilitation, repairs, or
22 improvements, or both, including related soft costs, that are modest
23 in size, scope, and cost, as determined by the department and
24 necessary to maintain and extend the useful life of the project.

25 (d) (1) For the purposes of this subdivision, the "agency
26 projects" are the 26 projects assisted through the original Rental
27 Housing Construction Program with funds administered by the
28 California Housing Finance Agency.

29 (2) Upon the request of a borrower the agency may extend the
30 term of an existing loan for an agency project by a period that is
31 equal to the remaining useful life of the project, as determined by
32 the agency, but not more than 55 years and not less than 30 years
33 from the date of agency approval, under terms that are substantially
34 consistent with the purposes of this section, if all of the following
35 conditions are met:

36 (A) The borrower shall provide to the agency the report
37 described in paragraph (1) of subdivision (a).

38 (B) The extension shall be subject to the conditions set forth in
39 paragraph (2) of subdivision (a).

1 (C) The rent levels and tenant protections described in
2 paragraphs (4) and (5) of subdivision (a) shall be satisfied, except
3 that the agency, not the department, shall make the determination
4 required under clause (i) of subparagraph (A) of paragraph (4) of
5 subdivision (a) that the project income is insufficient to meet the
6 agency's affordable multifamily lending program requirements.

7 (3) Any determination or approval under this section regarding
8 the agency projects shall be by the agency rather than the
9 department.

10 (4) The borrower and the agency shall amend, replace, or revise
11 any other loan documents or agreements governing the loans for
12 the agency projects as necessary to accomplish the purposes of
13 this section.

14 (5) All funds received by the agency for the agency projects,
15 whether by loan repayment, foreclosure, accrued interest, or
16 otherwise, shall be used to provide assistance to existing or future
17 projects financed by or through the agency pursuant to terms
18 consistent with the agency's affordable multifamily lending
19 programs.

20 (e) It is the intent of the Legislature in enacting this section that
21 the department should manage its reserves for the original Rental
22 Housing Construction Program in a manner that will allow for the
23 continuation of current benefits to current low-income tenants for
24 the longest period of time possible. Accordingly, rent subsidies
25 shall be continued only for units occupied by lower income tenants
26 who were in residence at the time of the extension authorized under
27 this section.

28 (f) It is the intent of the Legislature in enacting this section to
29 provide to the department the flexibility necessary to preserve the
30 affordable rental units for which the state has already made a
31 significant public investment. Accordingly, the department may
32 implement this section through guidelines that shall not be subject
33 to Chapter 2.5 (commencing with Section 11340) of Part 1 of Title
34 2 of the Government Code.

35 (g) This section shall become operative on July 1, 2008.

36 (h) This section shall not apply to loan extensions and senior
37 debt subordinations executed by the department and recorded after

- 1 the effective date of the guidelines adopted by the department
- 2 pursuant to subdivision (h) of Section 50560.

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