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**HEALTH AND SAFETY CODE - HSC**

**DIVISION 31. HOUSING AND HOME FINANCE [50000 - 54913]** ( *Division 31 repealed and added by Stats. 1977, Ch. 610. )*

**PART 2. DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT [50400 - 50899.7]** ( *Heading of Part 2 amended by Stats. 1981, Ch. 996. )*

**CHAPTER 3.5. Predevelopment Loans [50530 - 50532]** ( *Heading of Chapter 3.5 amended by Stats. 2001, Ch. 395, Sec. 4. )*

**50530.** (a) Large numbers of Californians face excessive housing costs and live in overcrowded or substandard housing units. In order to facilitate an increase in the supply of housing, the state has created and funded several predevelopment loan programs, the purposes of which have been to provide interim financing to housing sponsors to cover the planning and development costs associated with the development of new housing.

(b) A more efficient method to address the need to provide interim financing would be through the operation of a single omnibus predevelopment loan program.

(c) It is the intent of the Legislature that the Predevelopment Loan Program as contained in this chapter be used as the vehicle for the department's ongoing urban and rural predevelopment programs as well as specially directed programs as may be funded by the Legislature from time to time. In particular, the Predevelopment Loan Program, as amended, is intended to take the place of the following department programs:

(1) The Rural Predevelopment Loan Program previously established by Chapter 3.1 (commencing with Section 50515).

(2) The preservation predevelopment loans authorized by and subject to Item 2240-101-0001 of the Budget Act of 1999, Item 2240-106-0001 of the Budget Act of 2000, and Item 2240-106-0001 of the Budget Act of 2001.

(3) The jobs-housing predevelopment loans provided for in Chapter 3.7 (commencing with Section 50540).

(*Added by Stats. 2001, Ch. 395, Sec. 6. Effective October 1, 2001.*)

**50530.5.** As used in this chapter:

(a) "Housing" includes, but is not limited to, manufactured housing.

(b) "Predevelopment loan" means a loan for required expenses, other than administrative and construction, that are incurred by eligible sponsors in the process of, and prior to, securing long-term financing for construction, conversion, preservation, or rehabilitation of assisted housing, and that are recoverable once long-term financing is obtained. The purposes for which predevelopment loans may be made include, but are not limited to, the costs of, or the costs associated with, land purchase or options to buy land; options or deposits to buy or preserve existing government-assisted rental housing for the purpose of preserving the affordability of the units; professional services such as architectural, engineering, or legal services; permit or application fees; and bonding, site preparation, related water or sewer development, or material expenses. In addition, the loans may be made for the purpose of extending the time for exercising an option or extending the time period for repayment of an advance previously obtained. These loan funds may be deposited in banks as compensating balances to establish lines of credit for participating nonprofit corporations.

(c) "Fund" means the Predevelopment Loan Fund, which is replenished continuously by repayments of principal on loans made from the fund.

(d) "Land purchase loan" means a loan for the costs incurred by an eligible sponsor in obtaining an option on, or purchasing suitable land for, the future development of assisted housing, including, but not limited to, costs associated with transfer of title, appraisals, payment of property taxes, surveys, and necessary maintenance of the land.

(e) "Eligible sponsors" means local governmental agencies, nonprofit corporations, including cooperative housing corporations, limited liability companies where all of the members are nonprofit public benefit corporations, and limited partnerships, as defined in

subdivision (f).

(f) "Limited partnerships" means limited partnerships where all of the general partners are either nonprofit public benefit corporations, limited liability companies where all of the members are nonprofit public benefit corporations, or a combination of nonprofit public benefit corporations and limited liability companies where all of the members are nonprofit public benefit corporations.

(g) "Local governmental agencies" includes, but is not limited to, the duly constituted governing body of an Indian reservation or rancheria or a tribally designated housing entity as defined in Section 4103 of Title 25 of the United States Code and Section 50104.6.5.

(h) "Nonprofit corporations" includes, but is not limited to, a tribally designated housing entity as defined in Section 4103 of Title 25 of the United States Code and Section 50104.6.5.

*(Amended by Stats. 2019, Ch. 660, Sec. 8. (AB 1010) Effective January 1, 2020.)*

**50531.** (a) The Urban Predevelopment Loan Fund is hereby renamed the Predevelopment Loan Fund.

(b) Notwithstanding Section 13340 of the Government Code, all money in the fund, including any interest on loans made from the fund, is hereby continuously appropriated to the department for carrying out the purposes of this chapter, together with interest as provided in that section. The fund shall be a revolving loan fund that shall be used to make predevelopment loans and land purchase loans to eligible sponsors for assisted housing for occupancy primarily by persons of low income.

(c) All interest, dividends, and pecuniary gains from investments or deposits of moneys in the fund shall accrue to the fund, notwithstanding Section 16305.7 of the Government Code. There shall be paid into the fund all of the following:

- (1) Any moneys appropriated and made available by the Legislature for the purposes of the fund.
- (2) Any moneys that the department receives in repayment of loans made from the fund, including any interest on loans made from the fund.
- (3) Any other moneys that may be made available to the department for the purposes of this chapter from any other source.

(d) Notwithstanding any other provision of law, on the effective date of this subdivision, or as otherwise specified in this section, the following fund balances, as well as any subsequent income derived from loans, including principal and interest, or grants made for the programs identified below, shall be transferred from the funds in which they are currently deposited into the Predevelopment Loan Fund:

- (1) Any funds remaining in the Rural Predevelopment Loan Fund established by Section 50516 and any repayments of these funds.
- (2) Any unencumbered funds remaining for the preservation predevelopment loans authorized by and subject to Item 2240-101-0001 of the Budget Act of 1999 and Item 2240-106-0001 of the Budget Act of 2000 and deposited in the Rental Housing Construction Fund established by Section 50740 and any repayments of these loaned funds.
- (3) All funds appropriated by and subject to Item 2240-106-0001 of the Budget Act of 2001.
- (4) Any unencumbered funds remaining and any income and repayments from these loaned funds made for the jobs-housing predevelopment loans authorized by Item 2240-114-0001 of the Budget Act of 2000 to the extent that those funds remain unencumbered in the Rental Housing Construction Fund established by Section 50740.
- (5) Any unencumbered funds, or any loan repayments, of the former Urban Predevelopment Loan Program that may have been received on or after June 30, 1999, and transferred or deposited into the Rental Housing Construction Fund established by Section 50740.

*(Amended by Stats. 2001, Ch. 395, Sec. 7. Effective October 1, 2001.)*

**50532.** The fund shall be administered by the director and any persons within the department designated by the director, in accordance with all of the following requirements:

- (a) The department shall not commit more than 20 percent of the total moneys appropriated to the fund to any single borrower at any point in time.
- (b) The department shall require adequate security for all loans made from the fund. For the purposes of this subdivision, "adequate security" includes, but need not be limited to, a security interest in any property purchased with fund moneys, a promissory note, or an assignment of a land option, except that in the case of Indian trust land a mortgage on a leasehold interest in the property shall be acceptable.

(c) No predevelopment loan may be made pursuant to this chapter unless the department may reasonably anticipate that a commitment can be obtained by an eligible sponsor for construction financing or long-term financing that will permit occupancy primarily by persons of low income, as specified in subdivision (b) of Section 50531. The department may make land purchase loans to eligible sponsors to enable those sponsors to exercise options or to purchase land on which no option can be obtained even though the sponsor is not able at the time the loan is made to proceed with the development of assisted housing on the purchased site. If the eligible sponsor is unable to proceed with the development of assisted housing on the purchased site within three years of its acquisition, the sponsor, upon demand of the department, shall convey the site to the department. The department shall dispose of the site in accordance with subdivision (o) of Section 50406, and the net proceeds shall be paid into the fund.

(d) The department may establish alternate project selection processes, threshold requirements, and priorities for funds appropriated for special purposes. These alternate processes, requirements, and priorities shall be tied to the specific needs and objectives for which the funds have been appropriated.

(e) The department shall, from time to time, direct the Treasurer to invest moneys of the fund which are not required for its current needs in eligible securities which the department designates from among those specified in Section 16430 of the Government Code. The department may direct the Treasurer to deposit moneys from the fund in interest-bearing accounts in state or national banks or other financial institutions having principal offices in this state. The department may alternatively require the transfer of moneys in the fund to the Surplus Money Investment Fund for investment pursuant to Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code. All interest, dividends, and pecuniary gains from those investments or deposits shall accrue to the fund.

(f) In complying with Section 50408, the department shall also report annually to the Legislature and the Governor on the administration of the fund. The report shall include, but need not be limited to, all of the following information:

- (1) The number of units assisted.
- (2) The average income of households assisted and the distribution of annual incomes among assisted households.
- (3) The rents in assisted units.
- (4) The number and amount of loans made to each eligible sponsor in the preceding year.
- (5) Data on the number of delinquencies and defaults.
- (6) Recommendations, as needed, to improve the operation of the fund.
- (7) The number of loans made at interest rates lower than 7 percent per annum, and the income of households assisted by those loans.
- (8) The public transportation services conveniently available to assisted households.
- (9) The number of manufactured housing units assisted under Section 50531 and this section.
- (10) The location, size, and cost of land, and option rights purchased with land purchase loans.

(g) (1) Except as provided in paragraph (2), the balance of any loan made from the fund or its predecessor fund which remains unpaid on September 22, 1983, except any portion which is delinquent, and all loans made from the fund on or after that date, shall bear interest at a rate of 3 percent per annum.

(2) The department may reduce or eliminate interest on the loans, if, in the exercise of sound discretion, the department determines that action is necessary for the provision of decent housing to very low income households, as described in Section 50105. However, if the department eliminates interest on a loan, it shall charge a loan origination fee not to exceed 2 percent of the loan amount.

(h) To the extent feasible, the department shall ensure a reasonable geographic distribution of the funds. Other things being equal, the department shall give priority to assisting development that meets either of the following requirements:

- (1) It will be located in public transit corridors.
- (2) It will be used for the preservation and acquisition of existing government-assisted rental housing at risk of conversion to market-rate use. Within this category, the department shall give priority to those applications that include matching financing from local redevelopment agencies or federal programs.

(i) The department may make predevelopment loans or land purchase loans for the development of mobilehome parks and manufactured housing subdivisions.

*(Amended by Stats. 2001, Ch. 395, Sec. 8. Effective October 1, 2001.)*

