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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 HOUSING AND HOME FINANCE [50000 - 54913] (*Division 31 repealed and added by Stats. 1977, Ch. 610.)*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 5.5. Affordable Housing Preservation [50606 - 50609] (*Chapter 5.5 added by Stats. 2021, Ch. 111, Sec. 16.)*

50606. (a) It is the intent of the Legislature in enacting this chapter to provide the department the flexibility necessary to maintain the supply and quality of the affordable rental housing units for which there has already been a significant public investment.

(b) The Legislature finds and declares all of the following:

- (1) Potential conversion of affordable housing to market rate housing is an ongoing and critical statewide problem.
- (2) Additionally, loans made by the department that are reaching the end of their affordability periods are also at risk of converting to market rate rents.
- (3) Lack of access to financial resources to rehabilitate and extend the affordability periods of housing projects increases the risk of conversion to market rate rents.
- (4) As affordable housing converts to market rate rents, displaced tenants may be unable to obtain replacement affordable housing, which could exacerbate the state's homelessness crisis.

(*Added by Stats. 2021, Ch. 111, Sec. 16. (AB 140) Effective July 19, 2021.*)

50607. (a) Upon appropriation by the Legislature for purposes of this chapter, the department may make loans or grants, or both loans and grants, to rehabilitate, capitalize operating subsidy or replacement reserves for, and extend the long-term affordability of department-funded housing projects that have an affordability restriction that has expired, that have an affordability restriction with a remaining term of less than 10 years, or are otherwise at risk for conversion.

(b) Notwithstanding any other law, if the department makes a loan or grant pursuant to this chapter to a project that has an existing loan issued by the department for a multifamily housing project, the department may additionally approve an extension of the existing loan, the reinstatement of a qualifying unpaid matured loan, the subordination of a loan made by the department to new indebtedness, or an investment of tax credit equity for purposes of funding necessary rehabilitation and extending the affordability of the project without complying with the requirements of Chapter 3.9 (commencing with Section 50560). The department may also forgive some or all of the accrued interest on the existing department loan if necessary to facilitate the department's new rehabilitation loan.

(c) The department may establish loan processing or transaction fees for loans or grants authorized by this chapter, as necessary, in an amount not to exceed the amount necessary to generate sufficient revenue to cover the cost of processing loan transactions under this chapter. However, the department may waive fees to the extent necessary for project feasibility.

(d) The department may charge a monitoring fee in lieu of the required 0.42 percent per annum loan payments required by subdivision (a) of Section 50608. The department may capitalize fees authorized by this subdivision, at its discretion, as necessary to ensure the financial feasibility and long-term affordability of the project. All moneys set aside by the department to capitalize a monitoring fee pursuant to this subdivision shall be deposited in the Housing Rehabilitation Loan Fund and, notwithstanding Section 13340 of the Government Code, are continuously appropriated to the department for the purposes of the default reserve set forth in Section 50609.

(e) The department may adopt guidelines to implement this chapter. Any guidelines adopted pursuant to this section are hereby exempted from the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(Amended by Stats. 2022, Ch. 70, Sec. 12. (SB 197) Effective June 30, 2022.)

50608. (a) For any loans issued pursuant to this chapter, principal and accumulated interest is due and payable upon completion of the term of the loan. The loan shall bear simple interest at the rate of 3 percent per annum on the unpaid principal balance. The department shall require annual loan payments in the minimum amount necessary to cover the costs of project monitoring. For the first 30 years of the loan term, the amount of the required loan payments shall not exceed 0.42 percent per annum. The department may, in its sole discretion, require a monitoring fee as authorized in Section 50607 in lieu of the required loan payment for a portion of or the full term of the loan.

(b) All moneys received by the department in repayment of loans made pursuant to this chapter, including interest and payments in advance in lieu of future interest, shall be deposited in the Housing Rehabilitation Loan Fund established by Section 50661. Moneys deposited in that fund pursuant to this subdivision shall be used for purposes of the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675)).

(c) The department may establish maximum loan-to-value requirements for some or all of the types of projects that are eligible for funding under this chapter.

(d) The department shall establish per-unit and per-project loan limits for all project types.

(Amended by Stats. 2022, Ch. 70, Sec. 13. (SB 197) Effective June 30, 2022.)

50609. (a) The department may designate an amount not to exceed 1.5 percent of funds appropriated for use pursuant to this chapter for the purposes of curing or averting a default on the terms of any loan or other obligation by the recipient of financial assistance, or bidding at any foreclosure sale where the default or foreclosure sale would jeopardize the department's security in the rental housing development assisted pursuant to this chapter. The funds so designated shall be known as the "default reserve."

(b) The department may use default reserve funds made available pursuant to this section to repair or maintain any rental housing development assisted pursuant to this chapter that was acquired to protect the department's security interest.

(c) The payment or advance of funds by the department pursuant to this section shall be exclusively within the department's discretion, and no person shall be deemed to have any entitlement to the payment or advance of those funds. The amount of any funds expended by the department for the purposes of curing or averting a default shall be added to the loan amount secured by the rental housing development and shall be payable to the department upon demand.

(Added by Stats. 2021, Ch. 111, Sec. 16. (AB 140) Effective July 19, 2021.)