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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 HOUSING AND HOME FINANCE [50000 - 54913] (*Division 31 repealed and added by Stats. 1977, Ch. 610.)*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 6.7. Multifamily Housing Program [50675 - 50675.16] (*Chapter 6.7 added by Stats. 1999, Ch. 637, Sec. 2.)*

50675. The Legislature finds and declares all of the following:

(a) Large numbers of California's renters face excessive housing costs and live in overcrowded or substandard units. Many of these renters also have special housing needs arising from their employment status, age, or disability, and live in communities suffering from a lack of investment.

(b) In previous years, the state has attempted to address the needs of California renters through a series of small programs operated by the Department of Housing and Community Development, each offering financing targeted at a specific population or building type. These programs were typically highly successful in addressing local housing and community development needs. However, because each individual program came with a unique set of rules, the programs were often costly and time consuming to administer, for both the state and program users.

(c) A more efficient method to address renter housing needs would be to operate one omnibus multifamily housing program modeled upon an existing successful program. This omnibus program would provide a standardized set of program rules and features applicable to all housing types. As particular needs are identified, it may be easily and quickly customized to meet those needs.

(d) It is the intent of the Legislature that the Multifamily Housing Program created by this chapter constitute this omnibus multifamily housing program, and that it be based on the department's existing California Housing Rehabilitation Program as established and described in Subchapter 8 (commencing with Section 7670) of Chapter 7 of Part 1 of Title 25 of the California Code of Regulations.

(e) The Multifamily Housing Program is intended to take the place of the following department programs:

- (1) The Deferred-Payment Rehabilitation Loan Program established by Chapter 6.5 (commencing with Section 50660).
- (2) The Rental Housing Construction Program established by Chapter 9 (commencing with Section 50735).
- (3) The Family Housing Demonstration Program established by Section 5 of Chapter 30 of the Statutes of 1988.

Repeal of the statutes establishing these programs would be administratively problematic because the department still administers a portfolio of loans from these programs. Therefore, in lieu of repeal, it is the Legislature's intent that no further allocation of funds be made to these programs and that any and all future funds that would have been appropriated to these programs shall be appropriated instead to the Multifamily Housing Program.

(Added by Stats. 1999, Ch. 637, Sec. 2. Effective January 1, 2000.)

50675.1. (a) This chapter shall be known and may be cited as the Multifamily Housing Program.

(b) Assistance provided to a project pursuant to this chapter, excluding assistance provided pursuant to Section 50675.1.1 or 50675.1.3, shall be provided in the form of a deferred payment loan to pay for the eligible costs of development as hereafter described, or as otherwise specified in subdivision (b) of Section 50675.15.

(c) Except as provided in paragraph (3), on and after January 1, 2008, of the total assistance provided under this chapter, the percentage that is awarded for units restricted to senior citizens, as defined in paragraph (1) of subdivision (b) of Section 51.3 of the Civil Code, shall be proportional to the percentage of lower income renter households in the state that are lower income elderly renter households, as reported by the United States Department of Housing and Urban Development on the basis of the most recent American Community Survey or successor survey conducted by the United States Census Bureau.

(1) The department shall be deemed to have met its obligation under this subdivision if the assistance awarded is not less than 1 percent below the proportional share.

(2) This subdivision does not require the department to provide loans to projects that fail to meet minimum threshold requirements under subdivision (b) of Section 50675.7.

(3) Assistance for projects funded pursuant to Section 50675.1.1 or 50675.1.3, and assistance for projects meeting the definition in paragraph (3) of subdivision (b) of Section 50675.14 shall be excluded from the total assistance calculation under this subdivision.

(4) The department shall determine the time period over which it will measure compliance with this section, but that period shall not be less than one year or two funding cycles, whichever period is longer.

(5) If, at the end of the time period determined by the department, the total amount of funding for which sponsors have submitted qualified applications is lower than the proportional share, the department may award the remaining funds to units that are not restricted to senior citizens.

(6) The department's annual report to the Legislature submitted under Section 50408 shall include a breakdown of funding awards between units restricted to senior citizens and units that are not age-restricted.

(d) This chapter shall be administered by the department and the department shall establish the terms upon which loans or grants may be made consistent with the provisions of this chapter.

(e) In any notice of funding availability offered pursuant to this chapter, or for any funding that is to be offered by using rating and ranking criteria that is consistent with the Multifamily Housing Program or the CalHome program authorized by Chapter 6 (commencing with Section 50650), the department may require applicants to specify the source and amount of funding being applied for. The requirement may be set forth in either the application materials or notice of funding availability. Any requirement imposed by the department pursuant to this subdivision shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Division 3 of Title 2 of the Government Code.

(f) Any reference outside this chapter to rating and ranking applications in a manner consistent with the Multifamily Housing Program or CalHome Program authorized by Chapter 6 (commencing with Section 50650), or administering funds consistent with the Multifamily Housing Program or CalHome Program, shall not be interpreted to authorize funding criteria or requirements that conflict with those that are or were approved by the voters through a statewide initiative or referendum.

(g) This section shall become operative on January 1, 2022.

(Amended by Stats. 2022, Ch. 655, Sec. 3. (AB 2483) Effective January 1, 2023.)

50675.1.1. (a) Notwithstanding any other law, including subdivision (b) of Section 50675.1, funds appropriated in the 2020 Budget Act or an act related to the 2020 Budget Act, including, but not limited to, moneys received from the Coronavirus Relief Fund established by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness, as defined in Section 578.3 of Title 24 of the Code of Federal Regulation, and who are impacted by the COVID-19 pandemic, shall be disbursed in accordance with the Multifamily Housing Program, including as grants to cities, counties, and other local public entities, as necessary, created by this chapter for the following uses, consistent with applicable federal law and guidance:

(1) Acquisition or rehabilitation of motels, hotels, or hostels.

(2) Master leasing of properties.

(3) Acquisition of other sites and assets, including purchase of apartments or homes, adult residential facilities, residential care facilities for the elderly, manufactured housing, and other buildings with existing residential uses that could be converted to permanent or interim housing.

(4) Conversion of units from nonresidential to residential in a structure with a certificate of occupancy as a motel, hotel, or hostel.

(5) The purchase of affordability covenants and restrictions for units.

(6) Relocation costs for individuals who are being displaced as a result of rehabilitation of existing units.

(7) Capitalized operating subsidies for units purchased, converted, or altered with funds provided by this section.

(b) Where possible, the funds described in subdivision (a) shall be allocated by the department in a manner that takes into consideration all of the following:

(1) Need geographically across the state.

(2) Areas with high unsheltered populations and high COVID-19 infection rates.

(3) The demonstrated ability of the applicant to fund ongoing operating reserves.

(4) The creation of new permanent housing options.

(5) The potential for state funding for capitalized operating reserves to make additional housing units financially viable through this program.

(c) Any conflict between the other requirements of the Multifamily Housing Program created by this chapter and this section shall be resolved in favor of this section, as may be set forth in the guidelines authorized by this section.

(d) The Department of Housing and Community Development may adopt guidelines for the expenditure of the funds appropriated to the department. The guidelines shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(e) Up to 2 percent of the funds appropriated for this section may be expended for the costs to administer this program.

(f) On or before April 1, 2021, the Department of Housing and Community Development, in coordination with the Business, Consumer Services, and Housing Agency, shall report to the chairs of each fiscal committee and each relevant policy committee of the Legislature on the use of the funds described in this section. The report shall include, but not be limited to, all of the following:

(1) The amount of funds expended for the uses described in this section.

(2) The location of any properties for which the funds are used.

(3) The number of useable housing units produced, or planned to be produced, using the funds.

(4) The number of individuals housed, or likely to be housed, using the funds.

(5) The number of units, and the location of those units, for which operating subsidies have been, or are planned to be, capitalized using the funds.

(6) An explanation of how funding decisions were made for acquisition, conversion, or rehabilitation projects, or for capitalized operating subsidies, including what metrics were considered in making those decisions.

(7) Any lessons learned from the use of the funds.

(g) Any project that uses funds received from the Coronavirus Relief Fund for any of the purposes specified in subdivision (a) shall be deemed consistent and in conformity with any applicable local plan, standard, or requirement, and allowed as a permitted use, within the zone in which the structure is located, and shall not be subject to a conditional use permit, discretionary permit, or to any other discretionary reviews or approvals.

(h) A report to be submitted pursuant to subdivision (f) shall be submitted in compliance with Section 9795 of the Government Code.

(Added by Stats. 2020, Ch. 15, Sec. 21. (AB 83) Effective June 29, 2020.)

50675.1.3. (a) Notwithstanding any other law, including subdivision (b) of Section 50675.1, funds appropriated to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness, as defined by this section, and who are inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases, shall be disbursed in accordance with the Multifamily Housing Program, including as grants to cities, counties, cities and counties, and all other state, regional, and local public entities, including councils of government, metropolitan planning organizations, and regional transportation planning agencies designated in Section 29532.1 of the Government Code, as necessary, for the following uses:

(1) Acquisition or rehabilitation, or acquisition and rehabilitation, of motels, hotels, hostels, or other sites and assets, including apartments or homes, adult residential facilities, residential care facilities for the elderly, manufactured housing, commercial properties, and other buildings with existing uses that could be converted to permanent or interim housing.

(2) Master leasing of properties for noncongregant housing.

(3) Conversion of units from nonresidential to residential.

(4) New construction of dwelling units.

(5) The purchase of affordability covenants and restrictions for units.

(6) Relocation costs for individuals who are being displaced as a result of rehabilitation of existing units.

(7) Capitalized operating subsidies for units purchased, converted, or altered with funds provided by this section.

(b) Where possible, the funds described in subdivision (a) shall be allocated by the department in a manner that takes into consideration all of the following:

(1) Need geographically across the state.

(2) The demonstrated ability of the applicant to fund ongoing operating reserves.

(3) The creation of new permanent housing options.

(4) The potential for state, federal, or local funding for capitalized operating reserves to make additional housing units financially viable through this program.

(c) Not less than 8 percent of the funds described in subdivision (a) shall be available for projects serving homeless youth, or youth at risk of homelessness, as defined in Part 578.3 of Title 24 of the Code of Federal Regulations.

(d) Any conflict between the other requirements of the Multifamily Housing Program created by this chapter and this section shall be resolved in favor of this section, as may be set forth in the guidelines authorized by this section.

(e) The Department of Housing and Community Development may adopt guidelines for the expenditure of the funds appropriated to the department, and for the administration of this program. The guidelines shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(f) Up to 5 percent of the funds received from the Coronavirus State Fiscal Recovery Fund established by the federal American Rescue Plan Act of 2021 (ARPA) (Public Law 117-2) and appropriated for purposes of this section may be expended for the costs to administer the program, to the extent authorized by federal law.

(g) Up to 5 percent of any General Fund moneys appropriated for purposes of this section may be expended for the costs to administer this program.

(h) The department's annual report to the Legislature submitted under Section 50408 shall include, but not be limited to, all of the following:

(1) The amount of funds expended for the uses described in this section.

(2) The location of any properties for which the funds are used.

(3) The number of usable housing units produced, or planned to be produced, using the funds.

(4) The number of individuals housed, or likely to be housed, using the funds.

(5) The number of units, and the location of those units, for which operating subsidies have been, or are planned to be, capitalized using the funds.

(6) An explanation of how funding decisions were made for acquisition, conversion, or rehabilitation projects, or for capitalized operating subsidies, including what metrics were considered in making those decisions.

(7) Any lessons learned from the use of the funds.

(8) Proposed changes to the program to address lessons learned.

(i) Any project that uses funds received for any of the purposes specified in subdivision (a) shall be deemed consistent and in conformity with any applicable local plan, standard, or requirement, and any applicable coastal plan, local or otherwise, and allowed as a permitted use, within the zone in which the structure is located, and shall not be subject to a conditional use permit, discretionary permit, or any other discretionary reviews or approvals.

(j) A report to be submitted pursuant to subdivision (h) shall be submitted in compliance with Section 9795 of the Government Code.

(k) Upon an appropriation by the Legislature for the purposes described in this section, the department shall administer funding according to the timeline set forth below, subject to any modifications set forth by the guidelines:

(1) The department may accept funding applications and issue awards on a continuous, over-the-counter basis until the funding has been exhausted or as otherwise required by law.

(2) Each award shall be expended on the uses authorized at subdivision (a), and in accordance with all relevant representations and descriptions in the application, within eight months of the date of the award. Applicants may ask the department for an extension of this timeframe on the grounds and according to the procedures set forth in the guidelines. The director shall have

reasonable discretion to approve or deny such an extension upon conducting a full and good faith review of the applicant's extension request.

(l) For purposes of this section, "individuals and families who are homeless or who are at risk of homelessness" means persons and families that meet the qualifying definitions under Part 578.3 of Title 24 of the Code of Federal Regulations.

(m) To advance the objectives specified in Section 50675.1.1 or this section, the department may expand the population served beyond the population specified in subdivision (l) as specified by the guidelines authorized by this section.

(Amended by Stats. 2022, Ch. 70, Sec. 17. (SB 197) Effective June 30, 2022.)

50675.1.5. (a) (1) Notwithstanding any other law, projects to provide housing pursuant to paragraph (1) or (2) of subdivision (a) of Section 5965.04 of the Welfare and Institutions Code, shall be a use by right and shall be subject to the streamlined, ministerial review process, pursuant to subdivision (b), if it meets all of the following criteria:

(A) It is located in a zone where multifamily residential use, office, retail, or parking are a principally permitted use.

(B) At least 75 percent of the perimeter of the site adjoins parcels that are developed with urban uses.

(C) It satisfies the requirements specified in subparagraphs (B) to (K), inclusive, of paragraph (6) of subdivision (a) of Section 65913.4 of the Government Code.

(D) It is not on a site or adjoined to any site where more than one-third of the square footage on the site is dedicated to industrial use.

(E) The development will meet the following objective zoning standards, objective subdivision standards, and objective design review standards:

(i) The applicable objective standards shall be those for the zone that allows residential use at a greater density between the following:

(I) The existing zoning designation for the parcel if existing zoning allows multifamily residential use.

(II) The zoning designation for the closest parcel that allows residential use at a density deemed appropriate to accommodate housing for lower income households in that jurisdiction as specified in paragraph (3) of subdivision (c) of Section 65583.2 of the Government Code.

(ii) The applicable objective standards shall be those in effect at the time that the development application is submitted to the local government pursuant to this section.

(iii) A development proposed pursuant to this section shall be eligible for the same density bonus, incentives or concessions, waivers or reductions of development standards, and parking ratios applicable to a project that meets the criteria specified in subparagraph (G) of paragraph (1) of subdivision (b) of Section 65915 of the Government Code.

(F) No housing units were acquired by eminent domain.

(G) The housing units will be in decent, safe, and sanitary condition at the time of their occupancy.

(H) The project meets the labor standards contained in Sections 65912.130 and 65912.131 of the Government Code.

(I) The project provides housing for persons who meet the criteria specified in subdivision (a) of Section 5830 of the Welfare and Institutions Code and their families.

(J) Long-term covenants and restrictions require the housing units to be restricted to persons who meet the criteria specified in subdivision (a) of Section 5830 of the Welfare and Institutions Code for no fewer than 30 years.

(2) (A) For purposes of this subdivision, parcels only separated by a street or highway shall be considered to be adjoined.

(B) For purposes of this subdivision, "dedicated to industrial use" means any of the following:

(i) The square footage is currently being used as an industrial use.

(ii) The most recently permitted use of the square footage is an industrial use.

(iii) The site was designated for industrial use in the latest version of a local government's general plan adopted before January 1, 2022.

(b) The project shall be subject to the following streamlined, ministerial review process:

(1) (A) If the local government determines that a development submitted pursuant to this section is consistent with the objective planning standards specified in this section, it shall approve the development.

(B) If a local government determines that a development submitted pursuant to this section is in conflict with any of the objective planning standards specified in this section, it shall provide the development proponent written documentation of which standard or standards the development conflicts with, and an explanation for the reason or reasons the development conflicts with that standard or standards, within the following timeframes:

(i) Within 60 days of submission of the development proposal to the local government if the development contains 150 or fewer housing units.

(ii) Within 90 days of submission of the development proposal to the local government if the development contains more than 150 housing units.

(C) If the local government fails to provide the required documentation pursuant to subparagraph (B), the development shall be deemed to satisfy the required objective planning standards.

(D) (i) For purposes of this section, a development is consistent with the objective planning standards if there is substantial evidence that would allow a reasonable person to conclude that the development is consistent with the objective planning standards.

(ii) For purposes of this section, a development is not in conflict with the objective planning standards solely on the basis that application materials are not included, if the application contains substantial evidence that would allow a reasonable person to conclude that the development is consistent with the objective planning standards.

(E) The determination of whether a proposed project submitted pursuant to this section is or is not in conflict with the objective planning standards is not a "project" as defined in Section 21065 of the Public Resources Code.

(2) Design review of the development may be conducted by the local government's planning commission or any equivalent board or commission responsible for design review. That design review shall be objective and be strictly focused on assessing compliance with criteria required for streamlined, ministerial review of projects, as well as any reasonable objective design standards published and adopted by ordinance or resolution by a local jurisdiction before submittal of the development to the local government, and shall be broadly applicable to developments within the jurisdiction. That design review shall be completed as follows and shall not in any way inhibit, chill, or preclude the ministerial approval provided by this section or its effect, as applicable:

(A) Within 90 days of submittal of the development proposal to the local government pursuant to this section if the development contains 150 or fewer housing units.

(B) Within 180 days of submittal of the development proposal to the local government pursuant to this section if the development contains more than 150 housing units.

(c) Division 13 (commencing with Section 21000) of the Public Resources Code shall not apply to actions taken by the Department of Housing and Community Development, the State Department of Health Care Services, or a local agency to provide financial assistance or insurance for the development and construction of projects built pursuant to this section.

(d) The applicant shall file a notice of exemption with the Office of Planning and Research and the county clerk of the county in which the project is located in the manner specified in subdivisions (b) and (c) of Section 21152 of the Public Resources Code.

(e) For purposes of this section, the following definitions shall apply:

(1) "Objective zoning standards," "objective subdivision standards," and "objective design review standards" mean standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official before submittal. These standards may be embodied in alternative objective land use specifications adopted by a city or county, and may include, but are not limited to, housing overlay zones, specific plans, inclusionary zoning ordinances, and density bonus ordinances.

(2) "Use by right" means a development project that satisfies both of the following conditions:

(A) The development project does not require a conditional use permit, planned unit development permit, or other discretionary local government review.

(B) The development project is not a "project" for purposes of Division 13 (commencing with Section 21000) of the Public Resources Code.

(Added by Stats. 2023, Ch. 789, Sec. 1. (AB 531) Effective January 1, 2024.)

50675.2. The definitions of this section shall apply to all activities conducted pursuant to this chapter. Except as otherwise provided in this chapter, or unless the context requires otherwise, the definitions contained in Chapter 2 (commencing with Section 50050) of Part 1 shall also apply to this chapter.

(a) "Affordable rent" shall be established by the department to be consistent with the rent limitations imposed by the Low-Income Housing Tax Credit Program, as administered by the California Tax Credit Allocation Committee.

(b) "Assisted unit" means a unit that is affordable to a lower income household as a result of a loan provided pursuant to this chapter. In order to ensure consistency with the Low-Income Housing Tax Credit Program, occupancy of assisted units shall be limited to households whose income does not exceed the limits specified by the California Tax Credit Allocation Committee.

(c) "Maintain affordable rent levels" means rents may be increased by the sponsor on an annual basis in the amount that would be allowed if the project was subject to the requirements of the Low-Income Housing Tax Credit Program established pursuant to Section 42 of the federal Internal Revenue Code.

(d) "Rental housing development" means a structure or set of structures with common financing, ownership, and management, and which collectively contain five or more dwelling units, including efficiency units. No more than one of the dwelling units may be occupied as a primary residence by a person or household who is the owner of the structure or structures.

(e) "Rehabilitation," in addition to the meaning set forth in Section 50096, includes improvements and repairs made to a residential structure acquired for the purpose of preserving its affordability.

(f) "Rent-up costs" means costs incurred while a unit is on the housing market but not rented to its first tenant.

(g) "Sponsor" has the same meaning as defined in subdivision (c) of Section 50669, and also includes a limited partnership in which the sponsor or an affiliate of the sponsor is a general partner.

(h) "Supportive housing" means housing with no limit on length of stay, that is occupied by the target population, and that is linked to onsite or offsite services that assist the supportive housing resident in retaining the housing, improving their health status, and maximizing their ability to live and, when possible, work in the community.

(i) "Transitional housing" and "transitional housing development" means buildings configured as rental housing developments, but operated under program requirements that call for the termination of assistance and recirculation of the assisted unit to another eligible program recipient at some predetermined future point in time, which shall be no less than six months.

(Amended by Stats. 2023, Ch. 780, Sec. 1. (SB 482) Effective January 1, 2024.)

50675.3. Any moneys appropriated and made available by the Legislature for the purposes of this chapter and 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. These moneys shall be used for the purposes of this chapter, including the implementation and operation of the program created by this chapter, and the administrative expenses of the department shall not exceed 5 percent of the funds appropriated by the Legislature for the purposes of this chapter.

(Added by Stats. 1999, Ch. 637, Sec. 2. Effective January 1, 2000.)

50675.4. (a) To be eligible to receive a loan, a proposed project shall involve one or more of the following activities:

- (1) The development and construction of a new transitional or rental housing development.
- (2) The rehabilitation, or acquisition and rehabilitation, of a transitional or rental housing development.
- (3) The conversion of a nonresidential structure to a transitional or rental housing development.

(b) In the case of rehabilitation projects, to be eligible to receive a loan, the loan shall be necessary to avoid increases in monthly debt service that have either of the following effects:

- (1) Result in rent increases causing permanent displacement of persons of lower income residing in the development prior to rehabilitation.

(2) Make it economically infeasible to accept subsidies available to provide affordable rents to persons of lower income, if the sponsor agrees to accept the subsidies.

(c) To be eligible to receive a loan, the sponsor shall agree to both of the following:

(1) To set and maintain affordable rent levels for assisted units.

(2) To the payment of prevailing wage rates with respect to construction assisted through the program. In implementing this paragraph, it is the intent of the Legislature that this requirement apply to construction work that is dependent on the commitment of program funds in order for construction to proceed. Notwithstanding any other provision of law, the department's enforcement responsibilities shall be limited to the imposition of this requirement through the lending documents. The department shall require, as a condition of loan closing, a signed certificate that prevailing wages have been, or will be, paid in conformance with the requirements of Chapter 1 (commencing with Section 1720) of Part 7 of the Labor Code and that labor records shall be made available to any enforcement agency upon request. The requirements of this paragraph shall not apply to projects for which program funds are used exclusively to achieve lower rents and to pay associated administrative costs.

(Amended by Stats. 2000, Ch. 957, Sec. 1. Effective January 1, 2001.)

50675.5. (a) Eligible costs shall include the cost of developing dwelling units, transitional housing, and childcare, and after school care and social service facilities integrally linked to the assisted dwelling units.

(b) Eligible cost categories shall include all of the following:

(1) Real property acquisition, including refinancing of existing debt to the extent necessary to reduce debt service to a level consistent with the provision of affordable rents and the fiscal integrity of the project.

(2) New construction or rehabilitation, including the conversion of nonresidential structures to residential use.

(3) General property improvements that are necessary to correct unsafe, unhealthy, or unsanitary conditions, including renovations and remodeling, including, but not limited to, remodeling of kitchens and bathrooms, installation of new appliances, landscaping, and purchase or installation of central air-conditioning.

(4) Necessary and related onsite and offsite improvements.

(5) Reasonable developer fees.

(6) Reasonable consulting costs.

(7) Initial operating costs for housing units.

(8) Capitalized reserves for replacement and operation. The department shall offer capitalized operating reserves to supportive housing units after developers have sought capitalized reserves from other potential funding sources. The department may allow capitalized operating reserves to eligible projects to be used for rent subsidies for assisted units reserved for occupancy by households with incomes below limits determined by the department, which shall not exceed the income limit for very low income households. Assisted units may include, but not be limited to, supportive housing units. The department may offer capitalized reserves for operations and supportive services in the form of a grant. To determine project eligibility for capitalized operating reserves, the department may consider all of the following:

(A) The availability of funds.

(B) The individual financial needs of the project.

(C) Whether developers have sought rent or operating subsidies from other potential funding sources.

(D) Any other factors the department deems appropriate.

(9) Any other costs of rehabilitation or new construction authorized by the department.

(Amended by Stats. 2023, Ch. 780, Sec. 2. (SB 482) Effective January 1, 2024.)

50675.6. (a) A sponsor may apply for loans for one or more rental or transitional housing developments. A housing development may utilize any combination of federal, state, local, and private financial resources necessary to make the development affordable,

for the term of the state's regulatory agreement, to the eligible households.

(b) (1) Loans made pursuant to subdivision (f) of Section 50675.7 to sponsors by a local public entity as part of its code enforcement efforts for rental housing developments involving rehabilitation shall only be for terms of not less than 20 years. All other loans shall be for a term of not less than 55 years.

(2) For loans made pursuant to this chapter, the department may approve an extension of an existing loan, the subordination of an existing loan to new debt, or an investment of tax credit equity, as long as the rental housing development is being operated in a manner consistent with the regulatory agreement and the development requires an extension in order to continue to operate in a manner consistent with this chapter. Each extension shall be for a period of not less than 10 years and each extension shall not exceed 55 years or, if needed to match the term of tax credit restrictions, exceed 58 years. The interest rate for the extension shall be 3 percent simple interest, or such interest rate as authorized by the department pursuant to Section 50406.7. All loan payments shall be deferred for the full term of the loan, except for residual receipts payments. These residual receipts payments shall be structured to avoid reducing the amount of payments on local public agency loans resulting solely from changes in the payment terms on the department's loan, and not resulting from fees or other payments to the borrower, and shall otherwise be consistent with the department's uniform multifamily regulations (Subchapter 19 (commencing with Section 8300) of Chapter 7 of Division 1 of Title 25 of the California Code of Regulations) or successor regulations. The department may charge a transaction fee to cover its costs for processing such restructuring transactions. The department may waive or defer some or all of this fee, if it determines that a particular development or class of developments does not have the ability to make these payments.

(c) 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 may forgive that portion of that loan that is used to cover costs of developing child care facilities. 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 forty-two hundredths of 1 percent (.42%) per annum.

(d) 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.

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

(Amended by Stats. 2017, Ch. 418, Sec. 8. (AB 1714) Effective January 1, 2018.)

50675.7. Loans shall be provided using a project selection process established by the department that meets all of the following requirements:

(a) To the extent feasible, this process shall be coordinated with the processes of other major housing funding sources, including that of the California Tax Credit Allocation Committee, and shall ensure a reasonable geographic distribution of funds.

(b) The process shall require that applications for projects meet minimum threshold requirements, including, but not limited to, all of the following:

- (1) The proposed project shall be located within reasonable proximity to public transportation and services.
- (2) Development costs for the proposed project shall be reasonable compared to costs of comparable projects in the local area.
- (3) The proposed project shall be feasible.
- (4) The sponsor shall have the capacity to own and develop the proposed project.

(c) Projects that meet threshold requirements shall be evaluated for funding based on weighted underwriting and evaluative criteria that give consideration to projects that meet the following criteria:

- (1) Serve households at the lowest income levels, consistent with long-term feasibility, considering regional variations.
- (2) Address the most serious identified local housing needs.
- (3) Will be developed and owned by entities with substantial and successful experience.
- (4) Contain a significant percentage of units for families or special needs populations.
- (5) Leverage other funds in those jurisdictions where they are available.

(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) Loans for rental housing developments and transitional housing may be reviewed, approved, and funded by the department directly to the sponsor. The department shall ensure that the sponsor notifies the local legislative body of the sponsor's loan application prior to application submission.

(f) The department may make grants to local public entities using funds reserved by the Legislature for rehabilitation, or acquisition and rehabilitation, in support of code enforcement. The local entities shall then make the funds available as loans, and they may be allowed to collect and retain loan repayments, provided that these repayments are reloaned in accordance with the requirements of this chapter, as it relates to funds used in support of code enforcement.

(g) The department may establish set-asides for specific project types or projects that serve specific target populations.

(h) This section shall become operative on January 1, 2022.

(Repealed (in Sec. 5) and added by Stats. 2020, Ch. 192, Sec. 6. (AB 434) Effective January 1, 2021. Section operative January 1, 2022, by its own provisions.)

50675.8. (a) Prior to disbursement of any funds for loans to rental housing developments made pursuant to this chapter, the department shall enter into a regulatory agreement with the sponsor that provides for all of the following:

- (1) Sets standards for tenant selection to ensure occupancy of assisted units by eligible households of very low and low income for the term of the agreement.
- (2) Governs the terms of occupancy agreements.
- (3) Contains provisions to maintain affordable rent levels to serve eligible households.
- (4) Provides for periodic inspections and review of yearend fiscal audits and related reports by the department.
- (5) Permits a sponsor to distribute earnings in an amount established by the department and based on the number of units in the rental housing development.
- (6) Has a term for not less than the original term of the loan.
- (7) Contains any other provisions necessary to carry out the purposes of this chapter.

(b) The agreement shall be binding upon the sponsor and successors in interest upon sale or transfer of the rental housing development regardless of any prepayment of the loan.

(c) The agreement shall be recorded in the office of the county recorder in the county in which the real property subject to the agreement is located.

(Added by Stats. 1999, Ch. 637, Sec. 2. Effective January 1, 2000.)

50675.9. Where the requirements of federal funding for a project, or the requirements of the low-income housing tax credits used in a project, would cause a violation of the requirements of this chapter, the requirements of this chapter may be modified as necessary to ensure program compatibility. Where the requirements of federal funding or tax credits create what are deemed to be minor inconsistencies as determined by the director of the department, the department may waive the requirements of this chapter as deemed necessary to avoid an unnecessary administrative burden.

(Added by Stats. 1999, Ch. 637, Sec. 2. Effective January 1, 2000.)

50675.10. (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.

(Amended by Stats. 2018, Ch. 37, Sec. 41. (AB 1817) Effective June 27, 2018.)

50675.11. If an appropriation is made by the Legislature for the purposes of this chapter in an amount of twenty million dollars (\$20,000,000) or less, the department may administer the funds with guidelines that shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Title 2 of the Government Code. If an appropriation exceeds twenty million dollars (\$20,000,000), the department may administer the funds with guidelines for 15 months, during which time the guidelines shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Title 2 of the Government Code.

(Added by Stats. 1999, Ch. 637, Sec. 2. Effective January 1, 2000.)

50675.12. (a) The department shall include in the annual report required by Section 50408 information that describes all of the following:

- (1) The number of projects assisted through the program.
- (2) The types of units assisted through the program.
- (3) The location and geographical distribution of the projects and units assisted.
- (4) The average cost per project, and cost per unit.
- (5) The number of projects and units that have been assisted that serve special needs populations and information related to the types of special needs populations served.

(b) After each Notice of Funding Availability issued for the distribution of funds pursuant to the program, the department shall evaluate the ability of projects that serve families or special needs populations to competitively access the program. Based on its analysis, if the department determines that those projects are not able to apply for or to successfully compete for funding, the department shall make the adjustments it deems appropriate to ensure that these populations are adequately served in subsequent Notices of Funding Availability. These adjustments may include, but are not limited to, making adjustments to threshold requirements, evaluative criteria, or the timing of the issuance of Notices of Funding Availability to ensure that reasonable funding remains available for more complex projects that include the supportive services necessary to serve families and special needs populations.

(Added by Stats. 2000, Ch. 667, Sec. 1. Effective January 1, 2001.)

50675.13. (a) With respect to funds made available under this chapter, the department shall award reasonable priority points for projects to prioritize any of the following:

- (1) Infill development.
- (2) Adaptive reuse in existing developed areas served with public infrastructure.
- (3) Projects in proximity to public transit, public schools, parks and recreational facilities, or job centers.
- (4) Sustainable building methods that are either of the following:
 - (A) Established in accordance with the criteria listed under paragraph (8) of subdivision (c) of Section 10325 of Title 4 of the California Code of Regulations, or any successor regulation.
 - (B) Established by the department, in consultation with the California Building Standards Commission for the purposes of funding developments subject to this section and are more stringent than those in subparagraph (A).

(b) The department may utilize other factors in rural areas to promote infill development.

(Amended by Stats. 2007, Ch. 710, Sec. 1. Effective January 1, 2008.)

50675.14. (a) This section applies only to projects funded with funds appropriated for supportive housing projects.

(b) For purposes of this section, the following terms have the following meanings:

- (1) "May restrict occupancy to persons with veteran status" means that the sponsor may limit occupancy to persons meeting the criteria of paragraphs (1) and (2) of subdivision (j) with respect to either of the following:
 - (A) Any unit in the development that has not been previously occupied.

(B) Any unit in the development that subsequently becomes vacant, for a period of not more than 120 days following the vacancy.

- (2) (A) "Target population" means persons, including persons with disabilities, and families who are "homeless," as that term is defined by Section 11302 of Title 42 of the United States Code, or who are "homeless youth," as that term is defined by paragraph (2) of subdivision (e) of Section 12957 of the Government Code.

(B) Individuals and families currently residing in supportive housing meet the definition of "target population" if the individual or family was "homeless," as that term is defined by Section 11302 of Title 42 of the United States Code, when approved for tenancy in the supportive housing project in which they currently reside.

(c) (1) The department shall ensure that at least 40 percent of the units in each development funded under the supportive housing program are targeted to one or more of the following populations:

(A) Individuals or families experiencing "chronic homelessness," as defined by the United States Department of Housing and Urban Development's Super Notice of Funding Availability for Continuum of Care or Collaborative Applicant Program.

(B) "Homeless youth," as that term is defined by paragraph (2) of subdivision (e) of Section 12957 of the Government Code.

(C) Individuals exiting institutional settings, including, but not limited to, jails, hospitals, prisons, and institutes of mental disease, who were homeless when entering the institutional setting, who have a disability, and who resided in that setting for a period of not less than 15 days.

(2) The department may decrease the number of units required to meet the criteria identified in paragraph (1) if the department determines that the program is undersubscribed after issuing at least one Notice of Funding Availability.

(3) Individuals and families currently residing in supportive housing meet the qualifications under this subdivision if the individual or family met any of the criteria specified in subparagraph (A), (B), or (C) of paragraph (1) when approved for tenancy in the supportive housing project in which they currently reside.

(d) Supportive housing projects shall provide or demonstrate collaboration with programs that provide services that meet the needs of the supportive housing residents.

(e) The criteria, established by the department, for selecting supportive housing projects shall give priority to supportive housing projects that include a focus on measurable outcomes and a plan for evaluation, which evaluation shall be submitted by the borrowers, annually, to the department.

(f) The department may provide higher per-unit loan limits as reasonably necessary to provide and maintain rents that are affordable to the target population.

(g) In an evaluation or ranking of a borrower's development and ownership experience, the department shall consider experience acquired in the prior 10 years.

(h) (1) A borrower shall, beginning the second year after supportive housing project occupancy, include the following data in their annual report to the department. However, a borrower who submits an annual evaluation pursuant to subdivision (e) may, instead, include this information in the evaluation:

(A) The length of occupancy by each supportive housing resident for the period covered by the report and, if the resident has moved, the reason for the move and the type of housing to which the resident moved, if known.

(B) Changes in each supportive housing resident's employment status during the previous year.

(C) Changes in each supportive housing resident's source and amount of income during the previous year.

(D) The tenant's housing status prior to occupancy, including the term of the tenant's homelessness.

(2) The department shall include aggregate data with respect to the supportive housing projects described in this section in the report that it submits to the Legislature pursuant to Section 50675.12.

(i) The department shall consider, commencing in the second year of the funding, the feasibility and appropriateness of modifying its regulations to increase the use of funds by small projects. In doing this, the department shall consider its operational needs and prior history of funding supportive housing facilities.

(j) Notwithstanding any other provision of law, the sponsor of a supportive housing development may restrict occupancy to persons with veteran status if all the following conditions apply:

(1) The veterans possess significant barriers to social reintegration and employment that require specialized treatment and services that are due to a physical or mental disability, substance abuse, or the effects of long-term homelessness.

(2) The veterans are otherwise eligible to reside in an assisted unit.

(3) The sponsor also provides, or assists in providing, the specialized treatment and services.

(Amended by Stats. 2023, Ch. 780, Sec. 3. (SB 482) Effective January 1, 2024.)

50675.15. (a) For purposes of this section, the following definitions shall apply:

(1) "Eligible individual" means an individual who meets both of the following criteria:

(A) The individual is experiencing homelessness, as defined in this chapter.

(B) The individual or head of household is eligible to receive qualifying services.

(2) "Experiencing homelessness" means the same as "homeless" and "homelessness," as those terms are each defined in Section 578.3 of Title 24 of the Code of Federal Regulations, as that section read on January 1, 2022, except that people who were homeless upon admission to an institutional setting shall continue to be considered homeless upon discharge, regardless of the length of time residing in the institutional setting. For the purposes of this paragraph, people who have lost their housing as a result of institutionalization, including, but not limited to, institutionalization in skilled nursing facilities, acute care hospitals, psychiatric facilities, jails, and prisons, and have no home to live in upon discharge are considered homeless regardless of the length of time residing in the institutional setting.

(3) "Qualifying services" includes all of the following:

(A) Services received under the Assisted Living Waiver pursuant to state law and Section 1915(c) of the federal Social Security Act (42 U.S.C. Sec. 1396n(c)).

(B) Services received under the Home and Community-Based Alternatives Waiver pursuant to state law and Section 1915(c) of the federal Social Security Act (42 U.S.C. Sec. 1396n(c)).

(C) Services received under the Program of All-Inclusive Care for the Elderly (PACE) pursuant to Chapter 8.75 (commencing with Section 14591) of Part 3 of Division 9 of the Welfare and Institutions Code.

(b) By December 31, 2023, the department shall do both of the following:

(1) With respect to funds made available under this chapter, award incentives listed in subdivision (c) to project applicants that agree to all of the following:

(A) Set aside at least 20 percent of the project's units for eligible individuals. If the project includes more than 100 units, the applicant shall agree to set aside no more than 50 percent of the project's units for eligible individuals.

(B) Demonstrate viability of linking the units to qualifying services.

(C) Accept referrals from local coordinated entry systems.

(2) Partner with the State Department of Health Care Services to determine the most effective way to align qualifying services in housing projects funded under this chapter, including, but not limited to, expediting enrollment, prioritizing waiver and PACE programs for eligible individuals, reducing administrative barriers to using qualifying services in publicly subsidized housing, creating partnerships between developers and providers of qualifying services, and developing sample memoranda of understanding or contracts between developers and providers of qualifying services.

(c) The department shall offer project applicants the following incentives:

(1) Loan limits for impacted units that are higher than offered to other units for people experiencing homelessness.

(2) An exemption for project applicants to submit a services plan for units set aside under this section, so long as the project applicant has completed an executed agreement with a provider of qualifying services to offer services in set aside units. The department shall determine whether the qualifying services are provided in a manner that complies with the applicable requirements of Section 8255 of the Welfare and Institutions Code, and that services provided in each project are meeting applicable department requirements governing staff-to-client ratios.

(3) Based on data and a best practice analysis, providers may receive a higher services cap or an exemption from services caps the department imposes.

(4) Allowing project applicants to use funds made available under this chapter for creating alternative care sites for projects aligning with PACE or other service space to offer other qualifying services to eligible individuals. Alternative care sites shall be funded to operate in a manner consistent with state law, department regulations, and program guidelines.

(d) The department shall engage a consultant to examine to what extent caps are needed on the amount of supportive services that can be paid through project operating budgets on any project funded under this chapter.

(e) No later than 180 days following the first year of operation of a representative sample of projects, with respect to projects receiving incentives under subdivision (b), the department shall assess tenant outcomes and engage with an evaluator to identify both of the following:

- (1) The number and demographics, including age, race, or ethnicity, and presubsidy housing status, of people being served.
- (2) Housing retention rates.

(Added by Stats. 2022, Ch. 655, Sec. 5. (AB 2483) Effective January 1, 2023.)

50675.16. (a) (1) In the City and County of Los Angeles, where the federal Department of Housing and Urban Development has granted an authority, as defined in Section 34203, a waiver effective August 17, 2024, to allow household income verifications to occur after a lease contract is signed for unhoused populations seeking entry into projects pursuant to or in connection with Section 5.110 of Title 24 of the Code of Federal Regulations, if an owner or a management agent leases a subsidized unit to an unhoused person and subsequently learns and verifies that the unhoused person does not meet applicable income requirements, then the department and the California Tax Credit Allocation Committee shall not take any negative actions against the owner or management agent if both of the following conditions are met:

(A) The owner or management agent has cured the noncompliance within 24 months of discovery of the violation.

(B) The local housing authority and continuum of care have developed and posted on their respective internet websites a plan describing how the local housing authority and continuum of care will coordinate with the owner or management agent to move tenants that do not meet applicable income requirements into affordable housing where the tenant is eligible for occupancy within 24 months of discovery of the violation. Income ineligible tenants shall retain their unhoused targeting eligibility.

(2) For purposes of this subdivision, "negative actions" include, but are not limited to, both of the following:

(A) Issuing negative points on a current or future application.

(B) Imposing a financial penalty.

(b) If an agreement between the owner or management agent and the authority, the department, or the California Tax Credit Allocation Committee restricts a unit to a tenant earning no more than 30 percent of the area median income, the tenant shall be deemed to satisfy the income requirements of this program during the 24-month period described in paragraph (1) of subdivision (a) if all of the following conditions are met:

(1) The tenant experienced homelessness prior to moving into the unit. For purposes of this paragraph, "homelessness" has the same meaning as "homeless," as that term is defined in Section 578.3 of Title 24 of the Code of Federal Regulations.

(2) The tenant self-certified household income at no more than 30 percent of the area median income.

(3) A third-party verification shows that the tenant has household income of no more than 50 percent of the area median income, unless the tenant is otherwise eligible pursuant to federal income eligibility requirements.

(4) The tenant's income certification is fully verified in accordance with the program rules within 90 days of the date the tenant took possession of the unit.

(5) At least 50 percent of the assisted units restricted to 30 percent area median income are occupied by verified, income-eligible households.

(6) The issuing housing authority and continuum of care, in coordination with other public agencies, coordinate with an owner or a management agent and move a tenant found to have a household income of more than 50 percent of the area median income following third-party verification described in paragraph (3) within 24 months of discovery of the violation to an affordable housing

unit for which the tenant is eligible without reliance upon the same waiver described in subdivision (a). Income ineligible tenants shall retain their unhoused targeting eligibility.

(c) (1) This section does not modify any other eligibility requirements attached to assistance provided by the Department of Housing and Community Development.

(2) Tenant self-certified date of birth shall be accepted so long as the agreement between the department and the owner does not impose age-based demographic targeting requirements.

(3) If the conditions described in subdivision (b) are met, absent any rent setting methodology from subsidy programs, a tenant whose adjusted income at move-in exceeded 30 percent area median income shall have an effective rent limit for their unit be redesignated to 50 percent of area median income or, if the tenant's verified income is higher than 50 percent of area median income, an effective rent limit for their unit be redesignated to an area median income level commensurate with the income level.

(4) Owner or management agents shall discontinue use of the waiver as described in subdivision (a) in the event that more than 50 percent of the assisted units restricted to 30 percent area median income are occupied by households with adjusted incomes at move-in over 30 percent area median income.

(d) This section shall become inoperative on July 31, 2025, or the final expiration date of a waiver as described in subdivision (a), whichever is later, and, as of January 1 of the following year, is repealed.

(Added by Stats. 2024, Ch. 491, Sec. 3. (SB 1500) Effective January 1, 2025. Conditionally inoperative on or after July 31, 2025, as prescribed by its own provisions. Conditionally repealed, by its own provisions.)