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AB-671 CalHome Program: accessory dwelling units. (2023-2024)

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Assembly Bill No. 671

CHAPTER 746

An act to amend Section 50650.3 of the Health and Safety Code, relating to housing.

[Approved by Governor October 11, 2023. Filed with Secretary of State October 11, 2023.]

LEGISLATIVE COUNSEL'S DIGEST

AB 671, Ward. CalHome Program: accessory dwelling units.

Existing law establishes the CalHome Program, administered by the Department of Housing and Community Development, to support existing homeownership programs aimed at lower and very low income households, among other purposes. Under the program, funds may be used to enable low- and very low income households to become or remain homeowners, and to provide disaster relief assistance to households at or below 120% of that area median income. Existing law also authorizes the department to make grants to local agencies or nonprofit corporations to construct accessory dwelling units and to repair, reconstruct, or rehabilitate, in whole or in part, accessory dwelling units and junior accessory dwelling units.

This bill would specify that for home ownership development projects that include construction of accessory dwelling units or junior accessory dwelling units, neither the CalHome Program nor any administrative rule or guideline implementing the CalHome Program precludes those dwelling units from being separately conveyed to separate lower income households on separate parcels created pursuant to specified law.

Existing law authorizes loan funds to be used for the purchase of real property, site development, predevelopment, construction period expenses incurred on home ownership development projects, and permanent financing for mutual housing or cooperative developments.

This bill would require units within home ownership development projects that receive CalHome Program funds to initially be sold to and occupied by a lower income household and be subject to a recorded covenant, with a term of at least 30 years, which contains one or more specified provisions, including a resale restriction.

This bill would require the department to implement the changes made by the bill into program guidelines and notices of funding availability released after December 31, 2024.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 50650.3 of the Health and Safety Code is amended to read:

50650.3. (a) Funds appropriated for purposes of this chapter shall be used to enable low- and very low income households to become or remain homeowners as provided in paragraphs (1) and (2), and to provide disaster relief assistance to households at or below 120 percent of the area median income as provided in paragraph (3). Funds shall be provided by the department to local public agencies or nonprofit corporations as any of the following:

(1) Grants for programs that assist individual households.

(2) Loans that assist development projects involving multiple home ownership units, including single-family subdivisions.

(3) Grants for programs that assist individual households as provided in subdivision (d).

(b) (1) Grant funds may be used for any of the following:

(A) Programs that assist individual households with first-time homebuyer mortgage assistance.

(B) Home rehabilitation, including the installation or retrofit of ignition resistant exterior components on existing manufactured homes, mobilehomes, and accessory structures required pursuant to Article 2.3 (commencing with Section 4200) of Subchapter 2 of Chapter 3 of Division 1 of Title 25 of the California Code of Regulations.

(C) Homebuyer counseling.

(D) Home acquisition and rehabilitation.

(E) Construction, repair, reconstruction, or rehabilitation, in whole or in part, of accessory dwelling units, as defined in Section 65852.2 of the Government Code, or junior accessory dwelling units, as defined in Section 65852.22 of the Government Code.

(F) Self-help mortgage assistance programs.

(G) Technical assistance for self-help and shared housing home ownership.

(2) Home rehabilitation funding for the purpose of installing ignition resistant components on manufactured homes, mobilehomes, or accessory structures pursuant to this subdivision shall not be conditioned upon the rehabilitation of additional or unrelated home components unless that rehabilitation is required pursuant to Article 2.3 (commencing with Section 4200) of Subchapter 2 of Chapter 3 of Division 1 of Title 25 of the California Code of Regulations. In administering funding for this purpose, local public agencies and nonprofit corporations may consider the condition and age of the manufactured home or mobilehome, including whether the home was constructed on or after June 15, 1976, in accordance with federal standards and whether the available funds could be more effectively used to replace the manufactured home or mobilehome.

(3) Except as provided in paragraph (4), financial assistance provided to individual households shall be in the form of deferred payment loans, repayable upon sale or transfer of the homes, when they cease to be owner-occupied, or upon the loan maturity date. Financial assistance may be provided in the form of a secured forgivable loan to an individual household to rehabilitate, repair, or replace manufactured housing located in a mobilehome park and not permanently affixed to a foundation. The loan shall be due and payable in 20 years, with 10 percent of the original principal to be forgiven annually for each additional year beyond the 10th year that the home is owned and continuously occupied by the borrower. Not more than 10 percent of the funds available for the purposes of this chapter in a fiscal year shall be used for financial assistance in the form of secured forgivable loans.

(4) Notwithstanding any other law, the department may, in its discretion, permit the mortgage assistance loan to be subordinated to refinancing if it determines that the borrower has demonstrated hardship, subordination is required to avoid foreclosure, and the new loan meets the department's underwriting requirements. The department may permit subordination on those terms and conditions as it determines are reasonable, however subordination shall not be permitted if the borrower has sufficient equity to repay the loan.

(5) All loan repayments shall be used for activities allowed under this section, and shall be governed by a reuse plan approved by the department. Those reuse plans may provide for loan servicing by the grant recipient or a third-party local government agency or nonprofit corporation.

(6) Notwithstanding paragraph (3), loans provided pursuant to the CalHome Program Disaster Assistance for Imperial County that have been made for the purpose of rehabilitation, reconstruction, or replacement of lower income owner-occupied manufactured homes shall be due and payable in 10 years, with 20 percent of the original principal to be forgiven annually for each additional year beyond the fifth year that the manufactured home is owned and continuously occupied by the borrower.

(c) (1) Except as provided in paragraph (6) of subdivision (b), loan funds may be used for purchase of real property, site development, predevelopment, construction period expenses incurred on home ownership development projects, and permanent

financing for mutual housing or cooperative developments.

(2) Units within home ownership development projects that receive CalHome funds shall initially be sold to, and occupied by, a lower income household, as defined in Section 50079.5.

(3) Ownership units shall initially be sold to and occupied by a qualified household and shall be subject to a recorded covenant for at least 30 years that includes one or more of the following:

(A) A resale restriction.

(B) Recapture of the CalHome funds upon resale.

(C) Equity sharing upon resale.

(4) Upon completion of construction, the department may convert project loans into grants.

(5) For home ownership development projects that include construction of accessory dwelling units or junior accessory dwelling units, neither this chapter nor any administrative rule or guideline implementing the CalHome Program precludes those dwelling units from being separately conveyed to separate lower income households on separate parcels created pursuant to Section 66411, 66411.1, or 66411.5 of the Government Code, as applicable.

(d) Notwithstanding any other provision of this chapter, the department may use funds appropriated pursuant to this chapter to make grants to local agencies or nonprofit corporations to assist households at or below 120 percent of the area median income that are victims of a disaster, if one of the following occurs with respect to the county in which the household's residence is located:

(1) The Governor has proclaimed a state of emergency, pursuant to Section 8625 of the Government Code, resulting from a disaster, as defined in Section 8680.3 of the Government Code.

(2) A special appropriation of federal emergency supplemental assistance or a presidential declaration of disaster has occurred.

(e) The department shall review, adopt, amend, and repeal guidelines to implement the making of grants pursuant to subparagraph (E) of paragraph (2) of subdivision (b) and making grants pursuant to subdivision (d). Any guidelines adopted to implement subparagraph (E) of paragraph (2) of subdivision (b) and subdivision (d) shall not be subject to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. In the event of inconsistency regarding the requirements of qualified applicants and eligibility of accessory dwelling units and junior accessory dwelling units, and rents associated with them between those guidelines and any regulations otherwise enacted pursuant to this chapter, those guidelines shall prevail.

(f) The changes made to this section by the act adding this subdivision shall be implemented by the department into program guidelines and notices of funding availability released after December 31, 2024.