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An act to amend Sections 50825, 50826, 50827, 50828, 50832, 50833, 50833.1, and 50834 of, to add Section 50826.1 to, and to repeal Section 50832.1 of, the Health and Safety Code, relating to housing.



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

SECTION 1. Section 50825 of the Health and Safety Code is amended to read:

50825. It is the intent of the Legislature in enacting this chapter to ensure that funds allocated to the state pursuant to the federal State Community Development Block Grant Program (42 U.S.C. Sec. 5306(d)), and administered by the department, be of prioritized for the most effective activities in order to provide maximum benefit in meeting the ~~housing and economic development~~ needs of persons and families of low or moderate income. The Legislature intends that these funds be provided to eligible cities and counties that ~~encourage new~~ develop and preserve decent affordable housing developments and economic development and which need the funds to support those developments. It is the intent of the Legislature to reaffirm established state policy that each eligible city or county contribute to meeting the statewide housing goals, or contribute to meeting the state's urgent need to halt the flow of jobs out of California by working to retain and expand existing businesses and attract new businesses that provide jobs to low- and moderate-income persons and families, or do both, and that funds allocated pursuant to this chapter be distributed accordingly. and suitable living environments and expand economic development opportunities that will contribute to meeting statewide goals.

It is the intent of the Legislature that program funding be prioritized for the most effective activities in order to provide that taxpayer contributions are efficiently deployed to foster housing and economic development. All funded eligible activities must be consistent with the state's consolidated plan and any annual update to the consolidated plan that is provided to the federal Department of Housing and Urban



Development, which details how the State of California intends to use federal program funds.

SEC. 2. Section 50826 of the Health and Safety Code is amended to read:

50826. As used in this chapter:

(a) "Consolidated plan" means the five-year action plan that results from the process set by the United States Department of Housing and Urban Development (HUD) that assesses affordable housing and community development needs and market conditions, allows the prioritization of development needs, and makes data-driven, place-based investment decisions for federal funding provided by HUD.

~~(a)~~

~~(b) "Eligible city or county" means an area which is not a metropolitan city or part of an urban county, as defined by paragraphs (4) and (6), respectively, of subsection (a) of Section 5302 5302 (a) (4) and (6), respectively, of Title 42 of the United States Code.~~

~~(b)~~

~~(c) "NOFA" means notice of funding availability, a public announcement that an estimated amount of funding will be awarded by a department program according to specified criteria and schedules.~~

~~(c)~~

~~(d) "Persons and families of low or moderate income" means persons and families whose income does not exceed 80 percent of the area median income, adjusted for family size, as determined pursuant to regulations adopted by the department.~~

~~(d)~~



(e) "Program" means the State Community Development Block Grant Program created pursuant to federal law (42 U.S.C. 5301, et seq.).

SEC. 3. Section 50826.1 is added to the Health and Safety Code, to read:

50826.1. Notwithstanding any other law, the department may adopt guidelines to implement this chapter. Any guideline, rule, policy, or standard of general application employed by the department in implementing this chapter shall not be subject to the requirements 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). The department shall convene a stakeholder process to inform the development of guidelines for the implementation of the program pursuant to this chapter. Until guidelines are adopted, the department shall administer the program pursuant to adopted regulations. Upon adoption of guidelines, previously adopted regulations are repealed. The repeal of previously adopted regulations pursuant to this section shall not be subject to the requirements 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).

SEC. 4. Section 50827 of the Health and Safety Code is amended to read:

50827. ~~Thirty~~ (a) Fifteen percent of the annual allocation of federal Small Cities Community Development Block Grant ~~funds funds, less department administrative funds,~~ shall be set aside for economic development projects and ~~programs specified in Sections 50832, 50832.1, 50833, and 50834.~~ programs. All funds made available pursuant to the program shall, consistent with the requirements of subsection (c) of Section 5301 of Title 42 of the United States Code, be utilized to provide decent housing, a suitable living environment, and expanding economic opportunities,



principally for persons and families of low or moderate income. If there are insufficient qualified applications for economic development projects and programs, these funds shall be available for other qualifying projects and programs submitted during the NOFA schedule period.

(b) The department is not required to set aside funds as specified in subdivision (a) in any year where the total grant amount of the federal State Community Development Block Grant Program award, including funds for department administrative fees, is less than twenty-five million dollars (\$25,000,000).

SEC. 5. Section 50828 of the Health and Safety Code is amended to read:

50828. ~~Not less than 51 percent of the funds made available to the department pursuant to the program~~ annual allocation of federal Small Cities Community Development Block Grant funds, less department administrative funds, shall be utilized by the department to make grants to eligible cities or counties for the purpose of providing or improving housing opportunities for persons and families of low or moderate income or for purposes directly related to the provision or improvement of housing opportunities for persons and families of low or moderate income, including, but not limited to, the construction of infrastructure. If there are insufficient qualified applications for economic development projects and programs, these funds shall be available for other qualifying projects and programs submitted during the NOFA schedule period.

SEC. 6. Section 50832 of the Health and Safety Code is amended to read:

~~50832. (a) In order to ensure that a city or county may apply for both economic development and general program grants pursuant to this chapter in the same year,~~



~~each applicant shall have a maximum grant request limitation as determined by the department and announced in the applicable NOFA, excluding general allocation planning and technical assistance grants and economic development allocation planning and technical assistance grants made available under Section 50833, of which a maximum amount as determined by the department and announced in the applicable NOFA, per year may be used for either general program or economic development applications. These limitations may be waived for the economic development allocation based upon available economic development funds after September 1 of each year. The department shall aggressively inform eligible cities and counties of the eligibility criteria and requirements under this section and in Section 50833.~~

~~(b) Except for applications specified in Section 50832.1, applications for all activities or set-asides under this section and Section 50833 shall be evaluated on a first-in, first-served basis.~~

~~(c) For~~

~~50832. For all economic development applications under this section or Section 50833, including economic development assistance grants, program applications, the department shall develop project standards and rating factors which meet the minimum requirements of federal statutes for eligible projects and that meet National Objectives.~~

~~(d) A jurisdiction may submit multiyear proposals for a period not exceeding three years in duration.~~

SEC. 7. Section 50832.1 of the Health and Safety Code is repealed.



~~50832.1. (a) The department is authorized to utilize specified amounts of the economic development set aside for a reservation of funds program to establish or enhance local revolving loan fund programs.~~

~~(b) To the extent that the department determines that some local communities lack capacity to apply for and administer projects under this section and Section 50832, the department may utilize federal training dollars to provide training services to those communities. In providing training, the department may contract with training entities, provide the training directly, or make stipends available for that training.~~

~~(c) Utilizing only existing Community Development Block Grant administrative funds, the department shall make every effort to assist communities unable to demonstrate compliance with federal regulations to come into compliance, which may include providing communities training in revolving loan fund administration through outside contractors.~~

SEC. 8. Section 50833 of the Health and Safety Code is amended to read:

~~50833. (a) The department shall determine and announce in the applicable NOFA the percentage of the total amount of the State Block Grant Program funds set aside for economic development that shall be allocated to make economic development planning and technical assistance grants to eligible small cities or counties for business attraction, retention, and expansion programs for the development of local economic development strategies, predevelopment grant feasibility studies, and downtown revitalization programs. Eligible small cities or counties may contract with public agencies or nonprofit economic development corporations and other eligible subgrantees or for-profit corporations or entities to provide these services. Each applicant shall be~~



~~required to provide a cash match of up to 25 percent of the total amount requested. A technical assistance grant received under this set-aside is in addition to the city or county ceiling, under Section 50832, or its ability to apply under the economic development or general program set-asides. The department shall determine and announce in the applicable NOFA the maximum per year grant amount. Each applicant shall not receive more than two grants per year and shall be eligible to apply each year, although no applicant shall receive grants in excess of the maximum amount determined by the department and announced in the applicable NOFA in any one year. Funds not applied for or allocated under this section may be used for other economic development purposes under Sections 50832 and 50832.1.~~

(b) ~~The department shall determine and announce in the applicable NOFA the percentage of the total amount of the State Block Grant Program funds not used for economic development that shall be set aside to make technical assistance grants to eligible small cities or counties for purposes including, but not limited to: inventory of housing needing rehabilitation in the district, income surveys of area residents, and any general studies of housing needs in the district. Each applicant shall be required to provide a cash match of up to 25 percent of the total amount requested. A technical assistance grant received under this set-aside is in addition to the city or county ceiling or its ability to apply under the economic development or general program set-asides. Unexpended funds allocated under this section shall revert to the general program, but not to the economic development set-aside. The department shall determine and announce in the applicable NOFA the maximum grant amount per application. Each applicant shall not receive more than two grants per year and shall be eligible to apply~~





~~each year, although no applicant shall receive grants in excess of the maximum amount determined by the department and announced in the applicable NOFA in any one year.~~

~~(e) If, under federal law, the economic development planning and technical assistance grants and the general allocation planning and assistance grants are considered to be administrative expenditures, the department may reduce the percentages of the set-asides by up to the amount necessary to remain within the allowable limits for administrative expenditures.~~

(d)

50833. (a) Two or more jurisdictions may pool their funds and make a joint application for the same project.

~~(e) General administrative activity planning studies shall not be counted against allocations under this section.~~

(f)

(b) The department may issue a NOFA under which the director may determine that an applicant with one or more current Community Development Block Grant agreements signed in 2012 or later, for which the expenditure deadline established in the grant agreement or agreements has not yet passed, is eligible to apply for and receive an award of, funds pursuant to this chapter, without regard to whether the applicant has expended at least 50 percent of Community Development Block Grant Funds awarded in 2012 or thereafter. For any applicant that is so determined, the director shall include in the application file a written confirmation of eligibility and any award of funds. An application made pursuant to the director's determination under this section may be evaluated solely on the basis of eligibility, need, benefit, or readiness,



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without regard to any specific rating criteria provided by Section 7078 of the California Code of Regulations. Regulations, or guidelines adopted pursuant to Section 50826.1. The awarding of funds to an applicant pursuant to the director's determination under this section does not exempt those funds from consideration under any expenditure requirement under law.

SEC. 9. Section 50833.1 of the Health and Safety Code is amended to read:

50833.1. (a) In the event that the department is allocated supplemental funds in excess of the state's annual program allocation pursuant to subdivision (d) of Section 5306 of Title 42 of the United States Code to meet an extraordinary need, including funds provided to serve as an economic stimulus to the economy of California, or in the event that federal funds are required to be set aside from the department's annual allocation pursuant to federal law or regulation, the department may distribute these supplemental or federally mandated set-aside funds pursuant to guidelines to be set forth in a special Notice of Funding Availability.

(b) The distribution of supplemental or federally mandated set-aside funds under this section shall not be subject to ~~the requirements of Sections 50831, 50832, and 50833, and shall be made notwithstanding~~ any special allocations specified in Subchapter 2 (commencing with Section 7050) of Chapter 7 of Division 1 of Title 25 of the California Code of Regulations. Regulations or guidelines adopted pursuant to Section 50826.1.

(c) ~~The guidelines for the distribution of supplemental allocations and federally mandated set-aside funds shall not be subject to any provision of Subchapter 2 (commencing with Section 7050) of Chapter 7 of Division 1 of Title 25 of the California~~



~~Code of Regulations that the department determines to be in conflict with the purpose of, or impair the achievement of the goals of, the supplemental allocation or the federally mandated set-aside funds.~~

~~(d) The department may adopt emergency regulations to implement this section. The adoption of any emergency regulations to implement this section that are filed with the Office of Administrative Law within one year of the effective date of the federal act that allocates these supplemental funds shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare.~~

SEC. 10. Section 50834 of the Health and Safety Code is amended to read:

~~50834. (a) The department shall prepare a separate and discrete training manual and request for proposal for the economic development set-aside. The department shall ensure that it can respond to requests for grants as rapidly as possible. Once an economic development project award is approved by the director, a contract shall be executed and funds made available as soon as possible.~~

~~(b)~~

50834. (a) Any program income received by a city or county grantee, grantee or its subrecipients, or any loan repayments made by a beneficiary to a grantee, may shall be utilized by the city or county grantee for any an activity currently eligible under federal law and regulations, provided that the department determines that the beneficiary or grantee has complied reasonably with the terms and conditions described in the contract between the grantee and the department.



~~(c) Any economic development set-aside of funds not encumbered for funding of a project by the end of the federal contract period shall revert to the general program and be set aside for use if approved projects for which no funds are available are pending.~~

~~(d) The department shall conditionally commit economic development allocations to projects that meet the requirements of this chapter up front, contingent upon the applicant receiving those other funding commitments necessary to complete the project.~~

(b) Program income retained by a city or county grantee is treated as additional program funds and is subject to all requirements, including that these funds must be used before requesting additional draws from the grant, unless the funds are in a department-approved revolving loan fund.

(c) If the grantee does not have an active program, as defined through adoption of guidelines, including a revolving loan fund program, any unused program income shall be remitted to the department.

(d) The department may establish, through the adoption of guidelines pursuant to Section 50826.1, a requirement that all program income generated from awards following the date of adoption be remitted to the department, including program income previously deposited in a local revolving loan fund.



## LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, \_\_\_\_\_.

General Subject: State Community Development Block Grant Program.

(1) Under existing law governing the State Community Development Block Grant Program, the Department of Housing and Community Development is required to distribute federal funds in the form of grants to eligible cities and counties to provide housing and economic development, principally for persons and families of low or moderate income. Existing law declares the Legislature's intent regarding funds allocated to the state pursuant to the federal State Community Development Block Grant Program, which is administered in the state by the Department of Housing and Community Development.

This bill would revise and recast the statement of intent to also reference the most efficient use of grant funds.

(2) Existing law defines various terms for purposes of administering the federal State Community Development Block Grant Program.



This bill would define the term “consolidated plan” for these purposes to mean a five-year action plan that makes investment decisions based on assessed needs and market condition.

(3) Existing law requires that 30% of the annual allocation of federal State Community Development Block Grant funds be set aside for specified economic development projects and programs administered by the Department of Housing and Community Development, subject to specified criteria.

This bill would instead require 15% of that annual allocation, less department administrative funds, to be set aside for those purposes. The bill would require any funds available due to insufficient qualified applications for economic development projects and programs to be available for other projects and programs, as specified. The bill would specify that the department is not required to set aside funds in any year where the total grant amount of the federal State Community Development Block Grant Program award is less than \$25,000,000, as specified.

(4) Existing law requires no less than 51% of the funds made available to the department under the federal State Community Development Block Grant Program to be utilized by the department to make grants to eligible cities or counties for the purpose of providing or improving housing opportunities for persons and families of low or moderate income or for purposes directly related to the provision or improvement of housing opportunities for persons and families of low or moderate income, as specified.

This bill would instead require at least 51% of the annual allocation of federal Small Cities Community Development Block Grant funds, less administrative funds of the department, to be utilized for those purposes. The bill would require any funds



available due to insufficient qualified application to be available for other projects and programs.

(5) Existing law requires the department to determine, and announce in the applicable Notice of Funding Availability, the maximum grant request limitation for each applicant of which a maximum per year can be used for either general program or economic development applications. Existing law requires the department to inform cities and counties that are eligible for economic development and general program grants of the eligibility criteria and requirements. Existing law provides that applicants for all activities or set-asides, except as specified, are to be evaluated on a first-in, first-served basis. Existing law authorizes a jurisdiction to submit multiyear proposals for a period not to exceed 3 years in duration.

This bill would delete these provisions.

Existing law requires the department to develop project standards and rating factors that meet specified minimum requirements of federal statutes for all economic development applications, including economic development assistance grants.

This bill would instead apply this provision to all program applications.

(6) Existing law, to the extent that the department determines that some local communities lack capacity to apply for and administer economic development projects and programs, authorizes the department to utilize federal training dollars to provide training services to those communities.

This bill would repeal this provision.

(7) Existing law requires the department to determine and announce, in the applicable Notice of Funding Availability, the maximum amount of grant funds that



may be used by eligible small cities and counties for economic development projects and programs and the assessment of housing needs. Existing law requires the department to develop and use certain eligibility criteria and requirements for certain economic development fund applications. Existing law authorizes the department to reduce the percentages of the set-asides under specified circumstances.

This bill would delete these provisions.

(8) Existing law provides that the guidelines for the distribution of supplemental allocations and federally mandated set-aside funds are not subject to specified regulations that the department determines to be in conflict with the purpose of, or impair the achievement of the goals of, the supplemental allocation or the federally mandated set-aside funds. Existing law additionally authorizes the department to adopt emergency regulations with regard to allocation of supplemental funds and federally mandated set-aside funds.

This bill would delete these provisions.

This bill would authorize the department to adopt guidelines to implement the federal State Community Development Block Grant Program and would provide that any guideline, rule, policy, or standard of general application employed by the department in implementing that program is not subject to the rulemaking requirements of the Administrative Procedure Act.

(9) Existing law requires the department to set aside a specified amount of program funds for economic development. Any economic development set-aside of funds not encumbered for funding a project by the end of the federal contract period reverts to the general program and set-aside for use for other specified projects. Existing





law also requires the department to prepare a separate and discrete training manual and request for proposal for the economic set-aside, as specified.

This bill would delete these provisions and would instead require program income retained by a city or county grantee to be treated as additional program funds. The bill would provide that those funds are subject to all requirements, including that these funds must be used before requesting additional funds from the grant, unless the funds are in a revolving loan fund approved by the department. The bill would require any program income to be remitted to the department if the grantee does not have an active program.

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

