Date of Hearing: April 9, 2025

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT
Matt Haney, Chair
AB 736 (Wicks) – As Introduced February 18, 2025

SUBJECT: The Affordable Housing Bond Act of 2026

SUMMARY: Authorizes the Affordable Housing Bond Act of 2026 to place a $10 billion housing bond on the March 2, 2026 primary ballot to fund production of affordable housing and supportive housing. Specifically, **this bill**:

1) Authorizes $10 billion in general obligation bonds to fund the following programs:

    a) $5.25 billion to the Multifamily Housing Program (MHP). At least 10 percent of units in a MHP development must be available for extremely low-income households;

    b) $1.75 billion to supportive housing administered through the MHP program. Requires the Department of Housing and Community Development (HCD) to offer capitalized operating subsidy reserves for supportive housing developments receiving funding;

    c) $800 million for the Portfolio Reinvestment Program;

    d) $500 million for a program to be created by the Legislature that funds acquisition and rehabilitation of unrestricted housing units and the attachment of long-term affordability restrictions to the units while safeguarding against the displacement of current residents;

    e) $200 million for the Energy Efficiency Low-Income Weatherization Program;

    f) $1 billion to the CalHOME Program and the My Home down payment assistance program administered by the California Housing Finance Agency (CalHFA);

    g) $250 million to the Joe Serna, Jr. Farmworker Housing Program; and

    h) $250 million to a dedicated, flexible, and comprehensive state program designed for, and in consultation with, tribes, administered by HCD, to finance housing and housing-related activities that will enable tribes to rebuild and reconstitute their communities.

2) Authorizes the Legislature to amend any law related to programs which have been allocated funds by the bond to further improve the efficacy and effectiveness of those programs.

3) Authorizes the Legislature to reallocate funds authorized by the bond to effectively promote affordable housing in the state.

4) Authorizes HCD to disperse funds made available through the bond to housing developments during the construction period.

5) Includes the following definitions:

    a) "Board" means HCD for programs administered by the department and CalHFA for programs administered by the agency;

b) "Committee" means the Housing Finance Committee;

c) "Fund" means the Affordable Housing Bond Act of 2026;

6) Authorizes the committee, upon a request by the board, to determine whether or not it is necessary and desirable to issue bonds, upon a request by the board, and if so the bonds will be issued and sold.

7) Authorizes the board to request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account to support the bond.

8) Includes an urgency clause.

EXISTING LAW:

1) Authorized the Veterans and Affordable Housing Bond Act of 2018, which provided $4 billion in funding, including $1 billion for the CalVet program and $3 billion for various affordable housing programs. (Health and Safety Code (HSC) Section 54000-54034 and Military and Veterans Code 998.600-998.614)

2) Establishes MHP at HCD to assist the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower income households through loans to local governments and non- and for-profit developers. (HSC Section 50675)

3) Establishes the Portfolio Reinvestment Program to provide loans or grants to rehabilitate, capitalize operating subsidy or replacement reserves for, and extend the long-term affordability of HCD-funded housing projects that have an affordability restriction that has expired, that have an affordability restriction with a remaining term of less than 10 years, or are otherwise at risk for conversion to market-rate housing. (HSC Section 50606)

4) Establishes the Energy Efficiency Low-Income Weatherization Program, which provides technical assistance and incentives for the installation of energy efficiency measures and solar photovoltaic systems in low-income multifamily dwellings serving priority populations. (Government Code (GOV) Section 12087.5)

5) Establishes the Joe Serna, Jr. Farmworker Housing Grant Program (Serna Program) at HCD to finance the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households. (HSC Section 50515.2)

6) Establishes CalHOME at HCD to provide grants to local public agencies and non-profit developers to assist individuals and households through deferred-payment loans. The funds provide direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions. (HSC Section 50650)

7) Establishes the Infill Infrastructure Grant Program (IIG) of 2019 to fund capital improvement projects or catalytic qualifying infill area. The funds can be used for gap funding for infrastructure including but not limited to water, sewer or other utility service improvements, factory-built housing components; adaptive reuse; and site preparation or demolition

necessary to move forward an affordable housing development. Includes a 10% set-aside for rural areas.

8) Authorizes CalHFA to provide first time homebuyer assistance, including but not limited to a deferred-payment, low-interest, subordinate mortgage loan, including down payment assistance, closing cost assistance, or both, to make financing affordable to low- and moderate-income households. (HSC Section 51341)

9) Provides, through SB 2 (Atkins), Chapter 364, Statutes of 2017, the Building Homes and Jobs Act, with funding for, among other programs, affordable homeownership and rental housing opportunities for agricultural workers and their families. This funding is administered by HCD in conjunction with the Serna Program. (Government Code Section 27388.1)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, "Housing affordability is the number one issue for lower income Californians. The Affordable Housing Bond of 2026 will help produce and preserve tens of thousands of affordable housing units over several years, serving hundreds of thousands of lower income households over the following decades. And because every $1 spent by the state is matched by $4 from federal tax credits, local grants, and rent payments from the residents, the Affordable Housing Bond of 2026 is a smart investment."

Affordable Housing Need: According to the 2022 Statewide Housing Plan, to meet California's unmet housing needs, the state needs an additional 2.5 million housing units, including 1.2 million for lower-income households. Decades of underbuilding have led to a lack of housing overall, particularly housing that is affordable to lower-income households. The state needs an additional 180,000 new units of housing a year to keep up with demand – including about 80,000 units of housing affordable to lower-income households. By contrast, production in the past decade has been under 100,000 units per year – including less than 20,000 units of affordable housing per year.

Furthermore, the state's homelessness crisis is driven by the lack of affordable rental housing for lower income people. According to the California Housing Partnership's (CHP's) Housing Need Dashboard, in the current market, over 2 million extremely low-income and very low-income renter households are competing for roughly 750,000 available and affordable rental units in the state. Over three-quarters of the state's extremely low-income households and over half of the state's very low-income households are severely rent burdened, paying more than 50% of their income toward rent each month.

Despite recent investments over the last few years, state and local governments have not significantly invested in affordable housing production in decades, leading to a lack of supply. In addition, local governments have failed to adequately zone or plan for affordable housing for decades. In the last eight years, the state has taken major steps to increase the supply of housing by requiring local governments to plan and zone for 2.5 million new housing units, holding local governments accountable for approving housing, and streamlining both affordable housing and mixed-income housing.

Affordable Housing Funding: Developing housing that is affordable to very low- and low-income families requires some amount of public investment. Due to the high cost of land and construction materials and significant regulatory barriers, the private market does not build housing that is affordable for lower income households. The state provides public subsidy to non-profit and for-profit developers to build affordable housing that is deed restricted for 55 years. It is important to note that a single affordable housing unit serves more than one individual over the course of its 55-year affordability term. Most affordable housing units will serve 17.5 people over the term. Historically the state has funded affordable housing production through voter-approved bonds and low-income housing tax credits (LIHTC). Only in the last few years have the Legislature and Governor allocated General Fund dollars to affordable housing.

Beginning in 2019, an unprecedented $8 billion in General Fund has gone to a variety of affordable housing programs. According to the Legislative Analyst's Office, while the budget picture is fair for the upcoming year, the outlook suggests that the state faces double-digit operating deficits in the years to come. The last voter-approved bond, the Veterans and Affordable Housing Bond Act of 2018, authorized $3 billion to fund state affordable housing programs and $1 billion for the CalVet program, which provides mortgages to veterans. All of the funding from the bond, including $1.5 billion for the state's flagship affordable multi-family rental housing program – MHP – has been fully allocated.

In addition to bond proceeds and the General Fund, the federal and state government both subsidize affordable housing through LIHTC. The federal government offers two forms of tax credits, a 9 percent and a 4 percent credit. The 9 percent credit equates to approximately $109 million in annual subsidy. The 4 percent credits are unlimited but must be paired with private activity bonds (PABs), which are capped. Since 1986, the state has offered a state LIHTC that generally equates to about $100 million each year. In 2019, AB 101 (Budget Committee, Chapter 159) was signed into law, providing an additional $500 million in "enhanced" state LIHTCs in 2020 and future years, subject to appropriation. Twenty-five million of the $500 million in enhanced LIHTC is available for farmworker housing developments. The enhanced LIHTC must be paired with 4 percent federal credits in an effort to capitalize on the unlimited nature of those credits and to leverage PABs. The Governor did not include any funding for affordable housing in his January budget, including zeroing out the $500 million in enhanced state LIHTC that has been allocated since 2019.

Without some form of additional subsidy either through General Obligation bonds, a General Fund appropriation, or more state LIHTC, no more than a trickle of affordable housing projects will have enough subsidy to move forward beyond 2025 given the existing limited resources of state and federal LIHTC.

Other Funding for Affordable Housing: In 2017, the Legislature passed SB 2 (Atkins), Chapter 364, which created a permanent funding source for affordable housing through a $75 recording fee on real estate documents, excluding those recorded at the time of sale of a property. The fee generates between $300 million and $500 million each year. Seventy percent of the funds must go directly to counties to spend on housing priorities. The remaining 30% is split between the CalHFA Mixed Income Housing program, the Joe Serna, Jr. Farmworker Housing Program, and funds for state incentive programs.

The Affordable Housing and Sustainable Communities (AHSC) Program is one of the state's few affordable housing program that receives ongoing funds. The program is funded by a

continuous appropriation of 20% of funds from the Greenhouse Gas Reduction Fund (GGRF), funded by proceeds of the cap-and-trade system. Because AHSC is a GHG reduction program, applicants who receive awards are responsible for monitoring and reporting their projects' emissions reductions using a quantification methodology certified by the California Air Resources Board. Since 2015, AHSC has made ten rounds of funding, invested $2.5 billion in affordable housing to produce 15,324 affordable housing units and reduced 4.4 million tons of CO2E.

Supportive Housing: Supportive housing combines non-time-limited affordable housing assistance with wrap-around supportive services for people experiencing homelessness, as well as other people with disabilities. The state has funded supportive housing through MHP and the No Place Like Home Program (NPLH). NPLH authorized the state to issue $2 billion in General Obligations bonds against revenues from the Mental Health Services Act – a 1% tax on millionaires in the state. Those funds supported the construction of over 7,000 supportive housing units and the funds are now exhausted. The voters passed Proposition 1 in March of 2024 to strengthen California's behavioral health system by funding mental health treatment, substance use disorder services, and supportive housing for veterans and individuals facing homelessness. The Proposition 1 bond included $1.98 billion for supportive, with $1.065 billion designated for veterans and $922 million for other people experiencing or at risk of homelessness with behavioral health challenges. AB 736 would provide $1.75 billion to supportive housing for people at risk or experiencing homelessness. In addition, the bond would require that 10 percent of any units created through MHP go to people who are extremely low-income (at or below 30% of area median income), who may be at greater risk of homelessness.

Other Programs: AB 736 would require a portion of the bond proceeds to go toward a program to finance housing and housing-related activities that will enable tribes to rebuild and reconstitute their communities. SB 1187 (McGuire), Chapter 295, Statutes of 2024 created the Tribal Housing Grant Program (THGP) at HCD for the construction and rehabilitation of rental and for-sale housing. AB 736 also references funding for a program to be created by the Legislature that funds acquisition and rehabilitation of unrestricted housing units and attachment of long-term affordability restrictions to the units. SB 490 (Caballero) of 2022 and SB 225 (Caballero) of 2024 would have created such a program, but both bills were held at various stages during the legislative process.

Funding Infrastructure: Funding for infrastructure was significantly reduced with the loss of redevelopment over a decade ago. The Legislature has prioritized policies and funding for infrastructure for mixed income and affordable housing. The Infrastructure Grant (IIG) Program was created in 2007 to provide funding for infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Under the program, developers and local governments can partner to apply for infrastructure funding, including the development or rehabilitation of parks or open space; water, sewer, or other utility service improvements; streets; roads; sidewalks; and environmental remediation. Originally, bond funding was provided for the program through the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) and the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1). Since 2019-20, the budget included $775 million General Fund for the IIG Program. The IIG program was changed in 2019 to include funding for small jurisdictions, ensuring that funds were allocated across the state. The program includes a 10% set-aside in rural areas and allows a local government to apply for funding without a developer partner. The funds can be used in areas where developers are not building because the infrastructure is not adequate to support development.

In 2022, through the budget process the state created an IIG Catalytic program with the goal of providing financial assistance for Capital Improvement Projects (CIPs or Projects) that are necessary to facilitate the development of Catalytic Qualifying Infill Areas. Sites and parcels that make up Catalytic Qualifying Infill Areas must have been either previously developed (within the last ten years) or largely surrounded by sites developed with Urban Uses. IIG does not directly fund the construction of housing units, but is estimated to have supported the creation of 10,628 homes between 2019-20 and 2022-23.

Arguments in Support: According to a coalition of supporters, "these resources will facilitate the construction of almost 35,000 new units of deeply affordable housing, help preserve or rehabilitate 42,000 homes and make homeownership possible for more than 13,000 low-income households. The new construction rental housing funds will be leveraged with private, federal, and local funds at a ratio of more than 4:1."

Arguments in Opposition: None on file.

Related Legislation:

SB 417 (Cabaldon) of this legislative session, would place a $10 billion bond on the June 2026 ballot with largely the same expenditures as AB 736 except instead of $200 million for the Energy Efficiency Low-Income Weatherization Program it includes $200 million for wildfire prevention and mitigation, wildfire displacement assistance, and acceleration of construction of affordable housing in rental markets impacted by wildfires. This bill also includes $5.25 billion for both MHP and the IIG program, but does not designate how the amount would be split between the two programs.

Committee Amendments: The committee may wish to consider the following amendments to reconfigure the funding in the bond:

- Eliminate $200 million for the Energy Efficiency Low-Income Weatherization Program;
- Reduce the Multi-family Housing Program by $250 million;
- Reduce the Permanent Supportive Housing MHP by $50 million;
- Add in $400 million for the Infill Infrastructure Grant Program of 2019; and
- Increase the amount in the Joe Serna Housing Program by $100 million.

REGISTERED SUPPORT / OPPOSITION:

Support

A Community of Friends
Abode Housing Development
Abundant Housing LA
ACLU California Action
Affordable Housing Management Association-Northern CA Hawaii
All Home

Alliance of Californians for Community Empowerment
American Planning Association, California Chapter
Architects Fora
Asian Americans Advancing Justice-southern California
Association of Bay Area Governments
Bolinas Community Land Trust
Brilliant Corners
California Apartment Association
California Coalition for Community Investment
California Coalition for Rural Housing
California Community Land Trust Network
California Conference of Carpenters
California Council for Affordable Housing
California Housing Consortium
California Housing Partnership
California YIMBY
Care CLT
Champions for Progress
Christian Church Homes
Circulate San Diego
City of San Diego
City of Santa Ana
Collective Operation
Community Corp. of Santa Monica
Construction Employers' Association
Corporation for Supportive Housing
County of Ventura
Courage California
Destination: Home
Disability Rights California
Drug Policy Alliance
EAH Housing
East Bay for Everyone
East Bay Housing Organizations
East Bay YIMBY
Eden Housing
Enterprise Community Partners
Eviction Defense Network
Friends Committee on Legislation of California
FSY Architects, INC
Grow the Richmond
Gubb & Barshay LLP
Habitat for Humanity California
Heavin Helps
Homes & Hope
Hope Cooperative
House Farm Workers!
Housing Accelerator Fund
Housing Action Coalition

Housing Authority of City of Santa Paula
Housing California
Housing Leadership Council of San Mateo County
Housing Trust Silicon Valley
Human Impact Partners
Initiate Justice
Inland Abundant Housing & Housing and Homeless Collaborative of Claremont
Inland So Cal Housing Collective
Inner City Law Center
Jamboree Housing Corporation
LeadingAge California
League of California Cities
Legal Aid of Sonoma County
Linc Housing
Many Mansions
Mayor Daniel Lurie, City and County of San Francisco
Metropolitan Transportation Commission
MidPen Housing Corporation
Monterey Bay Economic Partnership
Monterey Peninsula YIMBY
Mountain View YIMBY
Move California
Multi-Faith Action Coalition
Napa-Solano for Everyone
National Alliance to End Homelessness
Northern Neighbors
Oakland; City of
Partnership for the Bay's Future
PATH Ventures
Peninsula for Everyone
People's Self-help Housing
PEP Housing
PICO California
Public Advocates
Redwood Community Services
Resources for Community Development
Sacramento Area Congregations Together
Sacramento Housing Alliance
Sacramento Poor People's Campaign
Sacramento Transit Advocates and Riders STAR
Sacred Heart Community Service
San Francisco Community Land Trust
San Francisco SafeHouse
San Francisco YIMBY
Santa Clara County Housing Authority
Santa Cruz YIMBY
Santa Rosa YIMBY
Satellite Affordable Housing Associates
Self-Help Enterprises

Self-Help for the Elderly
Serving Seniors
SF YIMBY
SLOCo YIMBY
SOMOS Mayfair
South Bay Community Land Trust
South Bay YIMBY
Southern California Association of Non-profit Housing (SCANPH)
SPUR
Starting Over Strong
Stinson Beach Affordable Housing Committee
Supportive Housing Alliance
SV@Home
TechEquity
TerraCorp
The Public Interest Law Project
The Two Hundred
Transform
Two Valleys Community Land Trust
Urban Habitat
Valley Industry and Commerce Association (VICA)
Ventura County YIMBY
Vital Arts
Wakeland Housing and Development Corporation
WUNZ Apparel in Action
YIMBY Action
YIMBY LA
YIMBY Los Angeles
YIMBY Oceanside
YIMBY SLO
YOLO YIMBY
Young Community Developers

Support If Amended

Fremont, City of
Livable California

Opposition

None on file.

Analysis Prepared by: Lisa Engel / H. & C.D. / (916) 319-2085