

Date of Hearing: August 16, 2023

ASSEMBLY COMMITTEE ON APPROPRIATIONS  
Chris Holden, Chair  
SB 482 (Blakespear) – As Amended June 30, 2023

Policy Committee: Housing and Community Development                      Vote: 8 - 0

Urgency: No                      State Mandated Local Program: No                      Reimbursable: No

**SUMMARY:**

This bill requires the Department of Housing and Community Development (HCD) to offer capitalized operating reserves to supportive housing units funded by the Multifamily Housing Program (MHP) after developers have sought capitalized reserves from other potential funding sources. The bill also defines “supportive housing” for purposes of the MHP.

**FISCAL EFFECT:**

HCD estimates ongoing General Fund costs of approximately \$187,000 annually for one staff position to conduct compliance monitoring activities for MHP supportive housing projects with capitalized operating reserves.

**COMMENTS:**

1) **Purpose.** According to the author:

There are numerous shovel-ready supportive housing projects across the state that developers are unable to secure the financing needed to begin construction on solely due to the lack of funding for operating costs. Capitalized operating subsidy reserves (COSRs) are a vital tool that can allow these stalled projects and others in the pipeline to receive the financing they need to be constructed. [This bill] will direct HCD to provide COSRs to supportive housing projects through the Multifamily Housing Program. This will expand production of housing units targeted to low-income Californians with complex health challenges and disabilities.

2) **Background.** Capitalized operating reserves provide an upfront subsidy to cover deficits in annual operating revenues for housing developments. These reserves are often used in conjunction with permanent supportive housing projects for extremely-low income households. Supportive housing developments tend to have higher operating costs due to the associated supportive services offered in conjunction with a unit and lower rents charged on those units. Capitalized operating reserve funding allocations are held in an account administered by HCD and the department reviews and approves disbursements as needed.

Existing law establishes MHP to provide deferred loans to eligible applicants for the development and construction of a new transitional or rental housing development,

rehabilitation, or acquisition and rehabilitation, of a transitional or rental housing development, or conversion of a nonresidential structure to a transitional or rental housing development. Eligible costs include the cost of developing dwelling units, transitional housing, and childcare, and after school care and social service facilities linked to assisted development units.

Existing law specifies eligible cost categories for MHP funds, including capitalized reserves for replacement and operation. Existing law authorizes HCD to allow capitalized operating reserves be used for rent subsidies for assisted units reserved for occupancy by very low income households. HCD is authorized to offer capitalized reserves for operations and supportive services in the form of a grant.

This bill requires, rather than authorizes, HCD to offer capitalized operating reserves to supportive housing units, after developers have sought capitalized reserves from other funding sources.

- 3) **Prior Legislation.** SB 948 (Becker), Chapter 667, Statutes of 2022, replaced individual project transition reserves in HCD affordable housing programs with a pooled reserve model to mitigate the loss or exhaustion of project rental or operating subsidies, as specified.

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