GOVERNOR′S VETO
AB 1165 (Gipson)
As Enrolled September 1, 2026
2/3 vote

SUMMARY

1) Establishes the California Housing Justice Act of 2026.

2) Requires the Department of Housing and Community Development (HCD) in coordination with the California Interagency Council on Homelessness (CA-ICH) and other stakeholders to create a finance plan to solve homelessness .This finance plan shall determine the funding necessary to create enough housing to meet the unmet housing needs of people experiencing homelessness, and the unmet housing needs of people expected to fall into homelessness based on the most recent statistics of rates of Californians falling into homelessness.

3) Requires the Business, Consumer Services, and Housing Agency to report to the Legislature, on or before October 1 of each year, beginning in 2028, on its progress in meeting the performance measures and benchmarks contained in the finance plans and annual performance metrics. The agency shall publish goals on its website and update progress toward the goals at least annually.

Governor′s Veto Message
This bill would require the Department of Housing and Community Development to develop statewide finance plans on homelessness and housing unaffordability, establish related metrics, and update the Statewide Action Plan for Preventing and Ending Homelessness.

California must continue making strategic investments to prevent and end homelessness and expand affordable housing. But this bill layers a new finance planning and reporting mandate onto existing work at a time when the state should be focused on delivering programs and measuring results. Further, this bill would require statewide funding estimates based on a static set of conditions, even though housing costs, local housing production, available resources, and Californians' needs change over time.

Planning and reporting requirements can be valuable when they fill a clear gap, improve accountability, or provide information that is not otherwise available. But new mandates should meet a high bar and provide a concrete benefit beyond existing efforts. This bill does not meet that important threshold. The state should instead focus its capacity on implementing established plans, evaluating results, and closing identified gaps rather than adding another planning requirement that substantially overlaps with work already underway.

COMMENTS

Homelessness in California: Based on the 2024 point in time count, 187,000 people experiencing homelessness on any given night California. Many of those people – 78% or 143,900 – are unsheltered, meaning they are living outdoors and not in temporary shelters. Nearly half of all unsheltered people in the country were in California during the 2024 count. Fifty-seven percent of people experiencing homelessness in California spent most nights outdoors, 21% in a vehicle. Homelessness grew at a higher rate in the nation (18%) than in California (3%) from 2023 to 2024, driven by a 25% jump in sheltered homeless in the US compared to 9% in California. The

homelessness crisis is driven by the lack of affordable rental housing for lower income people. In the current market, 2.2 million extremely low-income and very low-income renter households are competing for 664,000 affordable rental units. Of the six million renter households in the state, 1.7 million are paying more than 50% of their income toward rent. The National Low Income Housing Coalition estimates that the state needs an additional 1.5 million housing units affordable to very low-income Californians.

According to the Statewide Housing Plan released in 2022 by the Department of Housing and Community Development (HCD), the state needs 2.5 million new housing units to meet the demand. Specifically, for lower-income households, the state needs 1.2 million units for households who make 80% of the area median income or less. According to HCD, the state needs 180,000 units of housing built a year to keep up with demand – including about 80,000 units of housing affordable to lower-income households.

State Funding: Historically, the largest state investment in housing has been in homeownership. The state provides approximately $5 billion in subsidy each year to homeowners through the mortgage interest deduction. The investment in affordable rental housing is far less and much less consistent. Over the past twenty years, the state has largely relied upon voter-approved bonds to fund the construction or rehabilitation of affordable rental housing, homeownership units and down payment assistance, and housing for special populations including veterans and special needs groups. The state has a small number of ongoing funding sources for affordable housing, including the Building Homes and Jobs Act of 2017 and the state low-income housing tax credit.

Although historically the General Fund has not been a significant source of funding for affordable housing, beginning in 2019, Governor Newsom and the Legislature have included significant one-time resources for affordable housing.

In 2019-20 through 2023-24, the Budget provided a total of about $12 billion for various one-time, discretionary housing initiatives. In Budget year 2021-22, the amount invested is significantly higher because of federal funds the state received through the American Rescue Plan in response to COVID. These totals may not reflect funding provided through other programs that serve people who are homeless or at risk of homelessness found in the human services programs. The lack of permanent ongoing funding to construct affordable housing has contributed to the severe affordability crisis particularly for lower-income households and a growing number of people experiencing homelessness.

This bill would require HCD in consultation with CA-ICH to develop a finance plan to solve homelessness. This finance plan would determine the funding necessary to create enough housing to meet the unmet housing needs of people experiencing homelessness, and the unmet housing needs of people expected to fall into homelessness based on the most recent statistics of rates of Californians falling into homelessness. The plan would have metrics tied to outcomes to determine success.

According to the Author
According to the author,″ California voters want to end homelessness and housing unaffordability and identify it as the top issue facing the state in survey after survey. So why, unlike public education, healthcare, behavioral health and transportation, do we fail to provide ongoing funding at scale to address the crisis? We would never expect our schools to educate our kids if they had to go up to Sacramento every year to make sure they had the money to keep their

doors open–yet that′s what we ask of our housing sector, leaving it instead to a private market that has failed to provide housing security for millions of Californians.

We must commit to ongoing funding at the level needed to meet this crisis. One-time, temporary investments will not deliver the infrastructure and sustainability to end homelessness or housing unaffordability. We cannot afford to keep staring down a cliff that gets bigger and bigger each year, or run harder every day to stay in place, especially as federal investments in housing face greater uncertainty than ever before. It′s time to create ongoing funding at scale to allow California to mount a comprehensive response to homelessness that′s grounded in evidence-based solutions.

More Californians are falling into homelessness than ever before, and we must act with urgency to pass measures that will create more housing affordable to people with the greatest need. AB 1165, the Housing Justice Act, gives us a strategic roadmap to end homelessness and California′s housing affordability crisis. The Act also gives direction on ongoing funding and calls for accountability. And it calls for California to invest in what it takes to solve our homelessness and housing crisis. Simply put, it calls on our state to lead on housing the way we′ve led on climate and the environment, on technology, on medical research. We can no longer wait for the federal government to do the right thing or continue to expect local governments to carry all of the burden. AB 1165 is the right way to tackle this crisis in an upfront, accountable, and ongoing way.″

Arguments in Support
According to a coalition of supporters ″AB 1165 addresses this challenge by requiring the state to create the California Housing Justice Fund and make the investments needed at scale to solve this crisis. The bill would require the state to create financing plans for ongoing investments at the scale necessary to solve homelessness and the housing affordability crisis, an essential step in ensuring that funding to address housing insecurity and homelessness is reliable and sufficient. Taken together, these actions would ensure the state is finally tackling this challenge with appropriate urgency to provide security and stability to all of its residents. We hope you will join us in supporting this legislation.″

Arguments in Opposition
None on file.

FISCAL COMMENTS

1) HCD estimates General Fund (GF) costs of $1.11 million in fiscal year (FY) 2026-27, and $1.05 million in FY 2027-28 and ongoing for five positions to create and evaluate the finance plan, collect data, coordinate with state and local agencies, and provide ongoing support for data reporting requirements. One-time software costs of $60,000 (GF) to make enhancements to the HCD Connect system are included in the first-year costs.

2) Costs of an unknown, but likely minor amount to Cal ICH to coordinate with HCD in the development of the finance plans.

3) Local costs to cities and counties of an unknown, but potentially significant amount statewide to collaborate with HCD to create finance plans to solve homelessness and the housing unaffordability crisis. These costs are potentially reimbursable by the state, subject to a determination by the Commission on State Mandates

VOTES

ASM HOUSING AND COMMUNITY DEVELOPMENT: 9-1-2
YES: Haney, Ávila Farías, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Wicks, Wilson
NO: Ta
ABS, ABST OR NV: Patterson, Tangipa

ASM APPROPRIATIONS: 11-3-1
YES: Wicks, Stefani, Calderon, Caloza, Fong, Mark González, Krell, Bauer-Kahan, Pacheco, Pellerin, Solache
NO: Hoover, Dixon, Tangipa
ABS, ABST OR NV: Ta

ASSEMBLY FLOOR: 54-12-14
YES: Addis, Aguiar-Curry, Ahrens, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ward, Wicks, Wilson, Zbur, Rivas
NO: Davies, DeMaio, Dixon, Ellis, Gallagher, Jeff Gonzalez, Hadwick, Hoover, Johnson, Macedo, Sanchez, Tangipa
ABS, ABST OR NV: Alanis, Arambula, Castillo, Chen, Flora, Gipson, Lackey, Patterson, Ramos, Ransom, Celeste Rodriguez, Ta, Valencia, Wallis

SENATE FLOOR: 30-3-7
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Niello, Strickland
ABS, ABST OR NV: Choi, Dahle, Grove, Jones, Ochoa Bogh, Seyarto, Valladares

ASSEMBLY FLOOR: 59-13-7
YES: Addis, Aguiar-Curry, Ahrens, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Ward, Wicks, Wilson, Zbur, Rivas
NO: Alanis, Chen, Davies, DeMaio, Dixon, Ellis, Jeff Gonzalez, Hadwick, Hoover, Johnson, Macedo, Sanchez, Tangipa
ABS, ABST OR NV: Castillo, Flora, Lackey, McKinnor, Patterson, Ta, Wallis

UPDATED

VERSION: September 1, 2026

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