SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator John Laird, Chair
2025 - 2026 Regular

Bill No:	AB 179	**Hearing Date:**	June 29, 2026
Author:	Committee on Budget		
Version:	June 26, 2026 Amended		
Urgency:	No	**Fiscal:**	No
Consultant:	Timothy Griffiths		

Subject: Housing

Summary: This housing trailer bill contains the necessary changes to implement provisions adopted as part of the Budget Act of 2026.

Proposed Law: This bill makes various statutory changes to implement the housing-related provisions of the Budget Act of 2026. Specifically, this bill makes the following statutory changes:

<u>Housing Development Finance Committee Bond and Tax Credit Reservation</u>

1) Requires, beginning, January 1, 2027, and until January 1, 2037, the California Debt Limit Allocation Committee (CDLAC) to allocate a minimum of 90 percent of the state's annual cap on tax-exempt private activity bonds to qualified residential rental projects. Provides that the amount may be reduced to no less than 80 percent for a one-year period upon unanimous approval of CDLAC.

2) Requires, beginning January 1, 2027, that CDLAC reserve at least half of the bonds allocated to qualified residential rental projects, for projects awarded funding by the Housing Development and Finance Committee (HDFC).

    a. Specifies that the reservation described above in #2, remains in effect until July 1, 2029, unless reauthorized by the Legislature.

    b. Provides that if the reservation described above in #2 is not reauthorized by the Legislature, then the reservation decreases from at least half to 40 percent of the qualified residential rental projects, for projects awarded by the HDFC.

    c. Provides that if the annual demand survey, as specified, demonstrates demand exceeding the reservation required in #2b above, the reservation shall automatically increase up to 50 percent to meet the demonstrated demand.

3) Requires the CDLAC and when applicable, the California Tax Credit Allocation Committee (CTCAC), to make a ministerial allocation of private activity bonds and low-income housing tax credits for a project awarded funding by HDFC, after transmission of the application from HDFC.

4) Provides that until November 1, 2027, projects that have received a multifamily affordable housing program award prior to January 1, 2027, and that are not seeking additional state subsidy, shall apply directly to CDLAC, and also to CTCAC when applicable, for an allocation from the reservation. Requires CDLAC to notify HDFC of the recommended allocation awards for approval and requires CDLAC make an allocation of the private activity bonds from the reservation, provided that the project meets the federal threshold requirements for bonds.

5) Allows any unused portion of the HDFC reservation, not allocated by November 1 of the calendar year, to be reallocated by the CDLAC for other purposes for the 2027 calendar year.

6) Provides that for the 2028 calendar year, and every year thereafter, any unused portion of the HDFC reservation not allocated by September 1 of the calendar year or any portion determined to be unused by HDFC may be reallocated by CDLAC consistent with federal law.

<u>Housing Development Finance Committee</u>

7) Codifies the Governor's Reorganization Plan No.1 of 2025 related to the Housing Development Finance Committee with the following changes:

   a. Adds the State Treasurer or their designee, the Controller or their designee, and specified nonvoting members to the executive committee.

   b. Requires the executive committee to submit supplemental information regarding its activities to the Joint Legislative Budget Committee and to the relevant budget and policy committees of the Legislature, by April 1 of each year until April 1, 2029.

   c. Requires the executive committee to evaluate project monitoring fees to support the long-term viability of the programs and the financial sustainability of projects.

<u>Technical Modifications to Existing Affordable Housing Programs to Facilitate Streamlined Application and Award Procedures</u>

8) Makes changes to existing state affordable housing funding programs such as the Joe Serna, Jr. Farmworker Housing Grant Program and the Multifamily Housing Program, to facilitate streamlined processing of housing awards consistent with the intent of the Governor's Reorganization Plan No. 1 of 2025 and the Affordable Housing Finance Workgroup.

<u>Affordable Housing and Sustainable Communities Modifications</u>

9) Divides the administration of the Affordable Housing Sustainable Communities (AHSC) Program between the Strategic Growth Council (SGC) and the HDFC beginning with new funding rounds initiated on or after July 1, 2026.

10) Directs HDFC to administer the portion of the AHSC Housing Allocation with a focus on infill housing projects.

11) Directs the council to administer the AHSC Sustainable Communities Allocation to support flexible infrastructure and community improvement investments that advance greenhouse gas reduction objectives, support sustainable land use patterns, strengthen communities, and facilitate affordable housing opportunities throughout the state.

12) Provides allocation targets and additional consideration to AHSC Housing Allocation applications that are connected to sustainable communities-related investments, as specified.

13) Provides allocation targets and additional consideration to AHSC Sustainable Communities Allocation applications that promote development of affordable housing, as specified.

14) Specifies that at least one-fifth, but not more than one-third of the AHSC Sustainable Communities Allocation shall be awarded for projects involving the acquisition of easements or other approaches to protecting agricultural lands that are under pressure of being converted to non-agricultural uses.

<u>Development Impact Fees</u>

15) Requires a state entity within the California Housing and Homelessness Agency, including the Housing Development and Finance Committee, the Department of Housing and Community Development, and the California Housing Finance Agency, to consider quantifiable in-kind local contributions, as specified, when awarding competitive multifamily affordable housing funding for new construction projects, to the extent feasible.

16) Requires the awarding agency to reduce the total award amount for the project, as specified, if a city, county, or city and county is a lead applicant for a project in an affordable multifamily rental or ownership housing development administered by a state entity within that agency and has not committed to waiving any development impact fee, as defined, that it would otherwise impose on the project.

17) Applies to any notice of funding opportunity issued after July 1, 2027.

<u>Disaster Rebuilding Program</u>

18) Establishes the Disaster Rebuilding Assistance Program to be administered by California Housing Finance Agency (CalHFA) to support construction, reconstruction, and renovation loans for properties damaged or destroyed in a qualified disaster.

19) Authorizes the program to include certain forms of assistance, including programs for construction loan loss guarantees and construction loan rate

buydowns, and any additional programs that the agency determines to be appropriate.

20) Requires the agency to first provide the Department of Finance and the Joint Legislative Budget Committee, if the agency expends more than $10 million on any additional program, with the spending plan for the program and how the assistance will be provided.

21) Requires the agency, upon completion of the initial phase of the program, to conduct an evaluation of the program, as specified, and to report the results to the Legislature and various committees by January 10, 2027.

22) Requires the agency to report to the Legislature on program activities and outcomes, as specified, on or before March 1, 2028, and each year thereafter.

Homeless Housing, Assistance, and Prevention Program

23) Provides $900 million in the 2026-27 fiscal year for the implementation of round 7 of the HHAP program to be administered as additional disbursements of round 6. Specifies that 97 percent shall go to large cities, counties, and continuums of care, as specified, and three percent shall be available for tribes.

24) Requires the Housing and Community Development Department (HCD) to disburse 50 percent of an eligible city, county, or continuum of care's total round 7 program allocation only upon fulfillment specified prerequisites, as applicable, including, but not limited to:
  a. Fiscal readiness, as specified.
  b. Housing element compliance.
  c. Pro-housing designation, applicable to HHAP recipient cities and the counties in which they are located only, with a 12-month grace period and a specified timetable for HCD processing of applications.
  d. Provision of qualified matching funds, as defined and applicable to HHAP recipient cities and the counties in which they are located only, that is equal to or greater than 35 percent of the recipient's total program allocation.
  e. Adoption of ordinances or policies for addressing encampments that are consistent with California Interagency Council on Homelessness guidance.

25) Requires HCD to disburse the remaining round 7 allocation to an eligible city, county, or continuum of care only upon fulfillment of specified prerequisites, as applicable, including, but not limited to:
  a. Improvement on at least half of the region's most recent system performance measures compared to the baseline data from the most recent calendar year.
  b. Fiscal readiness, as specified.
  c. Housing element compliance.
  d. Ongoing pro-housing designation, applicable to HHAP recipient cities and the counties in which they are located only.

e. Provision, over the duration of the grant period, of qualified matching funds, as defined and applicable to HHAP recipient cities and the counties in which they are located only, equal to or greater than the 35 percent of the recipient's total program allocation required for the first round 7 disbursement, plus an additional 35 percent for the second disbursement.
f. Continuing to maintain ordinances or policies for addressing encampments that are consistent with California Interagency Council on Homelessness guidance and reporting on specified activities and outcomes related to addressing previously identified encampments.

26) Establishes a mechanism for HCD to reallocate funds if a grantee fails to meet an expenditure deadline for any prior round of the program, after technical assistance and the opportunity to correct. Authorizes HCD to reduce the grantee's future allocation in an amount equal to the amount of funds left unspent at the expenditure deadline and to reallocate these funds to other eligible applicants in the same region unless no such applicant exists, in which case HCD shall reallocate the funds as a bonus among recipients that have achieved a prohousing designation.

27) Streamlines and harmonizes system performance measures (SPMs) across all funding rounds.

28) Provides flexibility in financial reporting by allowing jurisdictions the option to submit reports on a monthly up to quarterly basis.

<u>Residential Care Facilities for the Elderly (RCFE)</u>

29) Clarifies that when development includes both a licensed residential care facility for the elderly licensed and units that are not age restricted, as specified, then specified laws prohibiting separate entryways and amenities apply only to nonage-restricted housing units and do not apply to age-restricted units.

<u>Building Standards</u>

30) Allows California Department of Health Care Access and Information (HCAI) to make modifications to the building standards for clinics during intervening period.

Fiscal Effect: This bill would require expenditures related to continuously appropriated funds and the provisions of this bill are necessary to implement the requirements of the 2026-27 Budget Act.

Support: None on file.

Opposed: None on file.

-- END --