

Date of Hearing: April 29, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2020 (Gabriel) – As Introduced February 17, 2026

Policy Committee: Housing and Community Development          Vote: 12 - 0

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

**SUMMARY:**

This bill allows the Department of Housing and Community Development (HCD) to authorize the transfer of excess reserves or excess operating income from one rental housing development to another rental housing development owned by the same developer.

Specifically, this bill:

- 1) Authorizes HCD, at its sole discretion, to improve the fiscal integrity of a development financed with department resources, to authorize the transfer of excess reserves or excess operating income from one rental housing development subject to an HCD regulatory agreement to another rental housing development subject to an HCD regulatory agreement that is owned by the same sponsor or affiliate.
- 2) Includes the following definitions:
  - a) “Excess operating income” means the annual net operating income in excess of the amount that is 1.15 times the sum total of required annual debt service payments, provided the owner can demonstrate sufficient net operating income over a 15-year period.
  - b) “Excess reserves” means replacement reserves, operating reserves, or transition reserves no longer required by, or in excess of the minimum amount required by, the HCD regulatory agreement.

**FISCAL EFFECT:**

Because implementation of this bill’s provisions is discretionary, there are no immediate costs to HCD. However, if HCD exercises this discretion, HCD would incur ongoing General Fund costs of an unknown amount, but likely in the low- to mid-hundreds of thousands of dollars annually for additional staff. HCD indicates the workload increase will vary depending on the number of transactions, the complexity of ownership structures, the financial condition of the involved projects, and the need to evaluate impacts on existing regulatory agreements, affordability covenants, and layering of other financing sources.

HCD notes, as with other similar programmatic structures, having the authority to establish a transaction or administrative fee would help recover costs associated with review, approval, and compliance monitoring of portfolio transactions.

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

**COMMENTS:**

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

California continues to face a severe housing crisis, making the preservation of existing affordable housing more critical than ever. To help address this challenge, affordable housing providers need flexible financial tools to preserve their affordable housing units and maintain the long-term stability of their developments in the face of rising costs. [This bill] seeks to address this by allowing HCD to authorize the transfer of excess reserves or operating income between affordable housing developments owned by the same sponsor. This simple change will help stabilize developments facing financial challenges and protect California's existing supply of affordable housing.

2) **Background.** The state finances affordable multifamily rental housing using a combination of loans, tax credits, and private activity bonds. Unlike market-rate housing, affordable housing does not have the cash-flow from rents to support traditional financing. Due to several factors including the depletion of operating reserves resulting from the COVID-19 rent moratorium and unprecedented increases in insurance rates, affordable housing developments are facing financial challenges. According to the co-sponsors of this bill:

Affordable housing developments across California operate with extremely limited financial margins and rely on carefully structured reserves and operating income to remain viable over time. In recent years, many properties have faced significant financial strains due to unpaid back rent, rising insurance premiums, utility costs, maintenance costs, and other operating expenses, particularly following the COVID-19 pandemic. These rapidly rising operating expenses have caused some state-supported developments to experience operating deficits and exhaust their reserves, putting affordable housing units at risk.

To ensure the fiscal integrity of housing developments financed by HCD, this bill gives HCD the authority to allow transfers of excess reserves or excess operating income between rental housing developments under the same developer. This allows developers with HCD loans and net income to help their HCD-funded properties that need cash flow.

3) **Related Legislation.** AB 2626 (Gabriel), of this legislative session, authorizes HCD to waive payment of residual receipts and minimal annual loan payments required under regulatory agreements. AB 2626 is pending in this committee.

AB 913 (C. Rodriguez), of this legislative session, combined the contents of this bill and AB 2626, above. AB 913 was held on the Senate Appropriations Committee's suspense file.