

Date of Hearing: April 22, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

AB 2320 (Ta) – As Introduced February 19, 2026

**SUBJECT:** Multifamily Housing Program: Homekey: adaptive reuse

**SUMMARY:** . Specifically, **this bill:**

- 1) Adds a definition of “adaptive reuse” to mean retrofitting and repurposing of existing buildings that create new residential rental units and expressly excludes any project that involves rehabilitation of any construction affecting existing residential units. Adaptive reuse may include retrofitting and repurposing existing hotels or motels if the hotel or motel is not currently a place of residence for the occupants, and/or sites that received a Project Homekey allocation.
- 2) Adds adaptive reuse to the list of eligible uses of Homekey.
- 3) Requires, for awards made before July 1, 2026, the following:
  - a) Construction completion for eligible uses of Homekey shall occur within 24 months of the date of the award for all new construction, gap financing, and adaptive reuse projects, and within 14 months for all other projects. Applicants may ask the Department of Housing and Community Development (HCD) for an extension of this timeframe on the grounds and according to the procedures set forth in the guidelines. The HCD director shall have reasonable discretion to approve or deny such an extension upon conducting a full and good faith review of the applicant’s extension request; and
  - b) Capital expenditure and completion of occupancy for eligible uses for Homekey shall occur within 24 months of the date of the award for all new construction, gap financing, and adaptive reuse projects, and within 15 months for all other projects. Applicants may ask HCD for an extension of this timeframe on the grounds and according to the procedures set forth in the guidelines. The HCD director shall have reasonable discretion to approve or deny such an extension upon conducting a full and good faith review of the applicant’s extension request.
- 4) Exempts adaptive reuse projects from per unit cost caps.

**EXISTING LAW:**

- 1) Establishes the Homekey program to serve individuals and families experiencing homelessness or who are at risk of homelessness, disbursed through the Multifamily Housing Program (MHP), as grants to eligible applicants for:
  - a) Acquisition or rehabilitation, or acquisition and rehabilitation, of motels, hotels, hostels, or other sites and assets, including apartments or homes, adult residential facilities, residential care facilities for the elderly, manufactured housing, commercial properties, and other buildings with existing uses that could be converted to permanent or interim housing;

- b) Master leasing of properties for noncongregant housing;
  - c) Conversion of units from nonresidential to residential;
  - d) New construction of dwelling units;
  - e) The purchase of affordability covenants and restrictions for units;
  - f) Relocation costs for individuals who are being displaced as a result of rehabilitation of existing units; and
  - g) Capitalized operating subsidies for units purchased, converted, or altered with funds provided by this section. (Health and Safety Code (HSC) Section 50675.1.3)
- 2) Requires, upon appropriation, by the Legislature, HCD to administer funding according to the timeline set forth below, subject to any modifications set forth by the guidelines:
- a) HCD may accept funding applications and issue awards on a continuous, over-the-counter basis until the funding has been exhausted or as otherwise required by law;
  - a) Each award shall be expended on the uses described in 1) above and in accordance with all relevant representations and descriptions in the application, within eight months of the date of the award; and
  - b) Applicants may ask HCD for an extension of this timeframe on the grounds and according to the procedures set forth in the guidelines. The HCD director shall have reasonable discretion to approve or deny such an extension upon conducting a full and good faith review of the applicant's extension request. (HSC 50675.1.3)
- 3) Defines "individuals and families who are homeless or who are at risk of homelessness" to mean persons and families that meet the qualifying definitions under Part 578.3 of Title 24 of the Code of Federal Regulations. (HSC 50675.1.3)

**FISCAL EFFECT:** Unknown

**COMMENTS:**

*Author's Statement:* According to the author, "In 2024, voters approved \$2.145 billion in funding to expand housing and treatment options for vulnerable populations and tasked the state with ensuring these funds are used effectively. AB 2320 helps the state meet that goal. Since the passage of Proposition 1, Homekey+ grant funding has been underutilized. The state has had funding available to build permanent supportive housing for veterans and individuals with behavioral health challenges for more than a year, yet barriers to development have limited the program's use. AB 2320 does not reinvent the wheel. The 26-month completion timeline already exists for new construction projects. Applying this same timeline to adaptive reuse projects that require extensive demolition and reconstruction aligns with industry standards and better reflects the realities of these developments. AB 2320 is a commonsense clarification that will help ensure Homekey+ funding can be deployed more effectively to expand permanent supportive housing for those who need it most"

**Homekey+:** During the COVID-19 pandemic, the state used federal resources to create Project Roomkey to quickly house people experiencing homelessness temporarily in hotels and motels to avoid mass contamination of the virus and deaths. Project Roomkey later evolved into Homekey to fund the permanent acquisition of hotels and later new construction, master leasing, and other uses of the funds to create short-term and permanent housing to move people out of homelessness. In 2024, the voters approved Proposition 1 for the creation of housing for people experiencing homelessness with substance abuse and mental health challenges. Those funds have been available through Homekey+. According to information on HCD's website, \$767,900,183 of the \$2.145 billion available has been awarded. HCD issued a Notice of Funding Availability for the 2.1 billion for Homekey+ in March 2026. This includes funding for veterans housing, which was separately authorized by Prop 1.

Homekey+ can be used for a variety of uses and sets timelines for when construction must begin, and when it must be completed. For new construction and gap financing, groundbreaking must occur within six months of award, construction must be complete within 24 months, capital expenditure must be complete within 27 months and the units must be occupied by 27 months. All eligible uses, including acquisition and rehabilitation, must complete construction within 12 months, complete capital expenditure within 15 months, and be occupied within 15 months.

The sponsors wish to use Homekey+ for adaptive reuse projects, which would involve a full teardown of an existing structure, not just rehabilitation. The sponsors of this bill attempted to influence the recent update to the program NOFA to increase the amount of time for adaptive reuse but were unsuccessful. They contend that adaptive reuse projects typically involve extensive demolition, structural reconfiguration, and major electrical and mechanical upgrades; which align more closely with the new construction timeline, rather than the rehabilitation timeline. For example, nearly all unit conversions from nonresidential to multifamily residential require significant upgrades (e.g., electrical and transformer upsizing, merging rooms, adding kitchenettes, and constructing community buildings) that go far beyond typical rehabilitation and better align with new construction.

This bill is an effort to add a definition of adaptive reuse that is distinct from acquisition rehabilitation and give these types of projects more time – 24 months, similar to new construction – rather than 15 months for acquisition-rehab. This bill establishes statutory timelines for when different types of Homekey+ projects must be completed, rather than leaving the establishment of those timelines to the program guidelines, produced by HCD, which are more easily adjusted to meet the program's evolving demands. Although, it may make sense to give adaptive reuse the same amount of time as new construction to complete a project, that should be addressed in guidelines not in statute.

**Arguments in Support:** According to the Orange County Board of Supervisors, "Current Homekey+ guidelines distinguish between acquisition and rehabilitation and new construction, but do not adequately address adaptive reuse projects that require full teardowns and are more complex in scope. The current 14-month completion timeline for adaptive reuse projects makes it difficult to complete projects on time, disqualifies otherwise viable projects from participating in Homekey+ and creates obstacles to providing permanent supportive housing for people experiencing homelessness. AB 2320 aligns the timeline for adaptive reuse projects with the timeline for new construction, reflecting industry standards. Under the new timeline, adaptive reuse projects must be completed within 26 months, rather than 14 months. This measure also

establishes a clear definition of adaptive reuse to address ambiguities and distinguish the differences in project types.”

*Arguments in Opposition:* None on file.

*Committee amendments:* The committee may wish to consider the following amendments that direct HCD to consider applicants to HomeKey+ that utilize funds for adaptive reuse to be subject to the same timelines as new construction, as set forth by the department.

## **SECTION 1.**

Section 50675.1.3 of the Health and Safety Code is amended to read:

*(B) For each award made on or after July 1, 2026, the following shall apply:*

*The department shall consider allowing applicants that utilize funds for adaptive reuse to be subject to the same timelines as new construction, as set forth by the department.*

*For purposes of this section, the following definitions shall apply:*

*(1) "Adaptive reuse" means retrofitting and repurposing of an existing building to create new units.*

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

Orange County Board of Supervisors (Sponsor)  
California State Association of Counties

### **Opposition**

None on file

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