

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

AB 2626 (Gabriel) – As Amended March 9, 2026

SUBJECT: Housing programs: financing

SUMMARY: Allows the Department of Housing and Community Development (HCD) to waive payment of residual receipts or minimum annual loan payments required under a department regulatory agreement to improve the fiscal integrity of a development financed with departmental resources.

EXISTING LAW:

- 1) Requires HCD to require annual loan payments in the minimum amount necessary to cover the costs of project monitoring. Provides for the first 30 years of the loan term, the amount of the required loan payments shall not exceed .42% per annum. (Health and Safety Code (HSC) Section 50675.6)
- 2) Allows HCD to approve an extension of a department loan, the reinstatement of a qualifying unpaid matured loan, the subordination of a department loan to new debt, or an investment of tax credit equity under various older HCD rental housing finance programs. (HSC 50560)
- 3) Allows HCD to approve an extension of a loan, the reinstatement of a qualifying unpaid matured loan, or the subordination of an HCD loan to new debt or an investment of tax credit equity if it determines that the project will have after rehabilitation of repairs, a potential remaining useful life equal to or greater than the term of the restructured loan. (HSC 50560)
- 4) Provides that HCD may subordinate its loan to refinance existing senior debt only as necessary for project feasibility and to reimburse borrower advances for predevelopment costs, recent capital improvements, and recent operating deficits. (HSC 50560)
- 5) Establishes the Multi-family Housing Program (MHP), whose Regulations include the following prohibitions:
 - a) Prohibits the Sponsor from encumbering, pledging, or hypothecating the Rental Housing Development, or any interest therein or portion thereof, or allow any lien, charge, or assessment against the Rental Housing Development without the prior written approval of HCD. HCD will not permit refinancing of existing liens or additional financing secured by the Rental Housing Development except to the extent necessary to maintain or improve the Fiscal Integrity of the Project, to maintain Affordable Rents, or to decrease Rents and for no other purpose, including, but not limited to, cash payments to the Sponsor, repayment of general partner loans or of limited partner loans, or for limited partner buyouts. Notwithstanding the general provisions in UMR Section 8308(g), this special condition controls, in that no MHP reserve balance can fund a limited partner buyout or exit.
 - b) No loan may be paid off prior to maturity without the prior written consent of the Department in its sole discretion, which consent shall be subject to conditions deemed

necessary to ensure compliance with the Program requirements. All of the loan documents, including the Regulatory Agreement and Deed of Trust, shall continue in full force and effect notwithstanding any prepayment, in whole or in part, or the loan. (California Code of Regulations (CCR), Title 25, Subchapter 4, MHP Regulations 7322)

- 1) Requires HCD to allow an owner of a property subject to a regulatory agreement with the department to take out additional debt on the development to finance, with the department's approval, rehabilitation of the property or investment in new affordable housing, if all of the following conditions are met:
 - a) All hard debt, including the additional debt, is underwritten with a debt-service coverage ratio of at a minimum 1.15 and is demonstrated to project positive cash flow for 15 consecutive years. For the purposes of this subdivision, "hard debt" means debt that must be repaid via an amortizing payment or at a specified maturity date;
 - b) Any new debt is subordinate to the department's lien and regulatory agreement, as applicable, unless the department reasonably determines that subordination of the department's lien is necessary for the feasibility of a project and to fund reasonable rehabilitation or improvements, including soft costs;
 - c) Any extracted equity is any of the following:
 - i. With the department's approval, contributed to other projects that will increase or improve the supply of deed-restricted affordable housing serving low-income households in the state;
 - ii. Utilized in the purchase of a limited partner interest of a tax credit investor in the project, provided that the amount used to purchase that interest, as specified;
 - iii. Utilized in the payment of any unpaid deferred developer fee for the project pursuant to any applicable department regulations;
 - iv. Applied toward payment for necessary repairs and rehabilitation of the project;
 - v. Utilized for the establishment or replenishment of department-approved project reserves; and
 - vi. Utilized for any other purposes approved by the department.
 - d) The department's regulatory agreement remains in place for the project for its remaining term.
 - e) The department continues to be entitled to receive monitoring fees to ensure compliance with the existing regulatory agreement. (HSC 50406.4)
- 2) Defines "extracted equity" to mean debt added to a department-regulated property that is not used for any of the following purposes:

- a) Approved project rehabilitation work;
- b) To pay off existing debt;
- c) Replenishment of reserves; and
- d) Other department-approved project specific uses. (HSC 50406.4)

FISCAL EFFECT: Unknown.

COMMENTS:

Author's Statement: According to the author, California's housing crisis demands action on every front, and that starts with protecting the affordable housing we already have. To support this goal, affordable housing providers need targeted relief from cost burdens that threaten the viability of the developments that house our most vulnerable residents. AB 2626 seeks to address this by authorizing the Department of Housing and Community Development to waive annual monitoring fee payments for affordable housing developments when necessary to protect their fiscal integrity and long-term affordability. This common-sense fix will keep vulnerable developments afloat and preserve affordable homes for the Californians who need them most.

Affordable Housing Finance: 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. Affordable housing is provided to tenants whose household income is below the area median income (AMI). To qualify, very low-income tenants must make 60% or less of the AMI and lower-income tenants must make only 80% or less of AMI. Tenants in affordable housing are only required to pay 30% of their income toward rent, so the state provides enough long-term subsidy to reduce the overall debt service on a development. HCD loans serve as the permanent financing that comes in once a development is complete to take out the predevelopment and construction loans a developer took on to construct the development. HCD loans are secured with a lien in first position on the property. Developments are also subject to a 55-year recorded regulatory agreement which runs with the project. If a developer pays off an HCD loan before the covenants expire, the regulatory agreement is not extinguished and the developer must continue to provide the units at an affordability rent for the length of the regulatory agreement to lower-income tenants. Last year, AB 130 (Committee on Budget), Chapter 22, gave HCD authority to allow developers to utilize equity in their affordable housing projects to finance further investments in other affordable housing projects, purchase a limited partners interest of a tax credit investor in the project, pay any unpaid deferred developer fee for the project, and pay for necessary repairs and rehabilitation of the project. This bill is different from AB 130 in that it allows HCD to waive payment of residual receipts or minimum annual loan payments required under a department regulatory agreement to improve the fiscal integrity of a development financed with departmental resources.

Challenges Facing Affordable Housing Developments: 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. Enterprise Community Partners recently conducted a survey of 130 affordable

properties and found that on average the developments were experiencing insurance cost increases of 70%, with some providers reporting increases up to 500%. Because rents are capped, these properties have fewer options to cover these increases. In some cases, the situation is made worse because the project's operating reserves have not recovered from the rent moratoriums. Due to these financial pressures some properties are at risk of foreclosing or becoming market-rate developments, which would eliminate vital affordable housing units.

Fees for Monitoring: Existing law authorizes HCD to charge loan processing and monitoring fees to an applicant to generate sufficient revenue to cover initial and ongoing monitoring requirements of the program. Developments pay a flat fee of 0.42% of the total loan amount to support the cost of monitoring. A recent analysis by the California Housing Partnership has shown that Multi-family Housing Program (MHP) monitoring fees average \$1,000 per unit per year. The California Housing Finance Agency (CalHFA), a sister state agency to HCD which also makes loans to affordable housing developments, charges a flat monitoring fee of \$7,500 regardless of the number of units in the development. Past bills have proposed to cap the monitoring fees charged by HCD, this bill gives HCD discretion to waive the fee if it would improve the fiscal integrity of a development financed with departmental resources.

Arguments in Support: According to the California Housing Partnership, “AB 2626 recognizes that the state needs to charge reasonable monitoring and compliance fees and therefore provides HCD with the discretion to waive monitoring fee payments when doing so is necessary to protect the financial health of a development or in the best interests of the state. This targeted flexibility allows the state to respond to situations where compliance costs threaten the viability of affordable housing while maintaining appropriate oversight and accountability.”

Arguments in Opposition: None on file.

Related Legislation:

AB 2020 (Gabriel) (2026) allows Department of Housing and Community Development (HCD) to authorize the transfer of “excess reserves” or “excess operating income” from one rental housing development, subject to a HCD regulatory agreement, to another rental housing development that is owned by the same sponsor or affiliate. AB 2020 will be heard in the Assembly Housing and Community Development Committee on April 15, 2026.

AB 913 (Celeste Rodriguez) (2025) would have authorized the HCD to authorize the transfer of excess reserves or operating income from one rental housing development to another under specified conditions. AB 913 would have also authorized HCD to waive payment of residual receipts or annual loan payments required under regulatory agreements, as specified. AB 913 was held in Senate Appropriations Committee.

AB 515 (Ward) (2023) would have amended the Loan Portfolio Restructuring Program (LPR Program) to authorize the HCD to approve the payoff of a department loan prior to the end of its term, and the extraction of equity from a development for purposes approved by the department, as specified. AB 515 was held in the Senate Appropriations Committee.

AB 578 (Berman) (2023) would have reduced the amount of annual loan payments that developers pay to the HCD to cover the ongoing costs of project monitoring under the Multifamily Housing Program and the No Place Like Home Program to the lesser of the current amount or \$260 per unit. AB 578 was held in the Senate Appropriations Committee.

REGISTERED SUPPORT / OPPOSITION:

Support

California Coalition for Rural Housing (Co-Sponsor)
California Housing Partnership (Co-Sponsor)
Enterprise Community Partners, INC. (Co-Sponsor)
Non-profit Housing Association of Northern California (Co-Sponsor)
Abode Housing Development
All Home
California Coalition for Community Investment
California Housing Consortium
CTY Housing, INC.
East Bay Housing Organizations
East LA Community Corporation
Episcopal Community Services of San Francisco
Housing California
LeadingAge California
Linc Housing
Little Tokyo Service Center
Local Initiatives Support Corporation
MidPen Housing Corporation
Resources for Community Development
Southern California Association of Nonprofit Housing
Supportive Housing Alliance
Tenderloin Neighborhood Development Corporation

Opposition

None on file.

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