

Date of Hearing: April 29, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

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

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 requests.

In addition, any monitoring fees waived by HCD under this bill will reduce income to HCD and may require other resources to cover HCD expenses.

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'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. [This bill] seeks to address this by authorizing HCD 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.

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.

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 shows that Multi-family Housing Program (MHP) monitoring fees average \$1,000 per unit per year. The California Housing Finance Agency (CalHFA), 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.

Advocates assert this bill provides targeted flexibility that allows the state to respond to situations where compliance costs threaten the viability of affordable housing while maintaining appropriate oversight and accountability.

- 3) **Related Legislation.** AB 2020 (Gabriel), of this legislative session, allows 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. AB 2020 is pending in this committee.

AB 913 (C. Rodriguez), of this legislative session, combined the contents of this bill and AB 2020, above. AB 913 was held on the Senate Appropriations Committee's suspense file.

Analysis Prepared by: Jennifer Swenson / APPR. / (916) 319-2081