

ASSEMBLY THIRD READING

AB 2626 (Gabriel)

As Amended March 9, 2026

Majority vote

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.

Major Provisions

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.

COMMENTS

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.

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."

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.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

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.

VOTES

ASM HOUSING AND COMMUNITY DEVELOPMENT: 12-0-0

YES: Haney, Patterson, Ávila Farías, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Ta, Tangipa, Wicks, Wilson

ASM APPROPRIATIONS: 13-1-1

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta

NO: Dixon

ABS, ABST OR NV: Tangipa

UPDATED

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