SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2626 (Gabriel) - Housing programs: financing

Version: June 15, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: HOUSING 10 - 0
Mandate: No
Consultant: Mark McKenzie

Bill Summary: AB 2626 would authorize the Department of Housing and Community Development (HCD) to waive payment of residual receipts or annual loan payments used to cover the cost of project monitoring that are required under regulatory agreements, as specified.

Fiscal Impact:

- To the extent HCD exercises the authority to waive payment of residual receipts or minimum annual loan payments, the bill would reduce HCD's revenues and create unknown cost pressures to fund HCD's ongoing administrative and project monitoring expenses from other sources. HCD would also incur unknown administrative workload costs, likely in the low hundreds of thousands of dollars annually, to conduct assessments of department costs and a project sponsor's ability to pay. See Staff Comments. (General Fund)

Background: Under existing law, HCD administers various programs for the development of affordable housing and typically provides financial assistance in the form of deferred payment loans that require a project sponsor to only pay a residual amount to cover HCD's administrative costs over the life of the loan. The amount of the fee charged to developers to cover monitoring costs is typically 0.42% of the total loan amount.

Existing law, the Loan Portfolio Restructuring (LPR) Program, authorizes HCD to approve an extension of a department loan, the reinstatement of a qualifying unpaid mature loan, the subordination of a loan to new debt, or an investment of tax credit equity under numerous rental housing finance programs. Existing law specifies that loans may only be restructured at HCD's discretion if a development is in compliance with the existing regulatory agreement, the development requires a restructuring in order to continue to operate, and the development has, or will have after rehabilitation and repairs, a potential remaining useful life of at least as long as the new loan term. An extension must be for a period of at least 10 years and up to 55 years, at an interest rate of 3 percent. Rents may be adjusted upward to the minimum extent necessary to support the new debt to pay for rehabilitation, and subject to specified limits to maintain affordability. 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.

Existing law, as enacted by AB 130 (Budget Committee), Chap. 22/2025, a trailer bill associated with the 2025-26 Budget, also authorizes 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 130 also allows the owner of a property subject to a regulatory agreement with HCD to take out additional debt on the development to finance rehabilitation or investment in new affordable housing, as specified. HCD background on the trailer bill indicates that leveraging excess equity from current projects to create new and preserve existing affordable housing projects is a cost-effective solution that can increase the impact of prior state investments and support ongoing preservation without additional state funding.

Proposed Law: AB 2626 would authorize HCD, at its sole discretion, to waive payment of residual receipts or minimum annual loan payments used to cover the cost of project monitoring that are required under a regulatory agreement with HCD, based on the assessment of the department's actual cost in combination with a project's ability to pay.

Related Legislation: AB 2020 (Gabriel), which is pending in this Committee, would authorize HCD, at its discretion, to authorize the transfer of excess reserves or operating income from one rental housing development to another under specified conditions.

AB 913 (Gabriel), which was held on this Committee's Suspense File last year, included the provisions of this bill as well as the authorization included in this year's AB 2020.

AB 130 (Budget Committee), Chap. 22/2025, a housing trailer bill, included a provision expanding the LPR program to authorize 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. The bill also allowed an owner of a property subject to a regulatory agreement with HCD to take out additional debt on the development to finance rehabilitation or investment in new affordable housing.

AB 1699 (Torres), Chap. 780/2012, established the LPR Program and authorized HCD to approve an extension of a department loan, the subordination of a loan to new debt, or an investment of tax credit equity under older rental housing finance programs, as specified.

Staff Comments: This bill would allow HCD to waive a developer's payment of residual receipts or minimum loan payments that are used to cover the department's ongoing project monitoring costs, based on an assessment of HCD's actual costs in combination with a project's ability to pay. As noted above, the implementation of this bill is discretionary, and would not result in immediate costs to HCD. To the extent that HCD exercises the authority to waive monitoring fee payments, the department indicates there would be an increase in workload, which creates a General Fund cost pressure to pay for HCD's ongoing administrative costs, as well as cost pressures to pay for ongoing monitoring from other sources. The level of ongoing administrative workload would vary depending on the number of requests for fee waivers and the complexity of each assessment of HCD costs and a project's ability to pay. In addition, the loss of revenues that would need to be covered by other sources to backfill costs for ongoing monitoring would depend upon the number of requests and the amounts waived for those projects.

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