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

**AB 750 (Quirk-Silva) - Department of Housing and Community Development**

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

**Policy Vote:** HOUSING 9 - 0
**Mandate:** No
**Consultant:** Mark McKenzie

**Bill Summary:** AB 750 would expand the types of housing projects that may be funded under the Department of Housing and Community Development's (HCD's) Portfolio Reinvestment Program (PRP) to include a "challenged development," as specified.

**Fiscal Impact:**
- HCD indicates that expanding the PRP to allow funding for challenged developments would increase the scope of application processing and the overall complexity of the program, requiring the addition of 5.0 PY of new staff at a cost of approximately $1.2 million annually. Staff notes that these costs would only be incurred to the extent additional funding is appropriated for the PRP in the future. (General Fund, potentially bond funds)

- Unknown future cost pressures, likely in the millions to tens of millions annually, to provide additional program funding to accommodate the demand for challenged developments that would be eligible for funding under the program. Staff notes that the bill requires HCD to allocate an unspecified "certain percentage of funds" for challenged developments based on the relative need and availability of resources. (General Fund, potentially bond funds)

**Background:** Existing law, as enacted by AB 140 (Budget Committee), Chap. 111/2021, established the PRP to allow HCD, to the extent funds are appropriated by the Legislature, to make loans and/or grants to rehabilitate, capitalize operating subsidy or replacement reserves for, and extend the long-term affordability of HCD-funded housing projects that have an affordability restriction that has a remaining term of less than 10 years or has expired, or are otherwise at risk for conversion to market rate. Under the program, HCD is also authorized to approve an extension of a project's existing department loan, reinstatement of a qualifying unpaid mature loan, subordination of a department loan to new indebtedness, or an investment of tax credit equity in order to fund necessary rehabilitation and extending the affordability of the project. HCD is also authorized to forgive some or all of an existing department loan to facilitate a PRP rehabilitation loan, establish loan processing or transaction fees to cover its processing costs, charge a monitoring fee in lieu of the required 0.42% loan payments, and capitalize fees as necessary to ensure a project's financial feasibility and long-term affordability, as specified.

The 2021 Budget Act included a one-time appropriation of $150 million from the General Fund to cover two rounds of funding, including $50 million in the 2022-23 fiscal year, and $100 million in the 2023-24 fiscal year. All previously appropriated PRP funds were allocated by the end of 2024, and no additional funding has been provided for the

PRP in recent budget years. Recently enacted legislation, SB 417 (Limon/Rivas), Chap. 16/2026, the Affordable Housing Bond Act of 2026, authorizes the sale of $10 billion in general obligation bonds for various affordable housing programs, upon approval by the voters at the November 3, 2026 general election, and includes an allocation of $750 million for the PRP, upon appropriation by the Legislature.

**Proposed Law:** AB 750 would expand the PRP by allowing HCD to make loans and grants to housing projects that are "challenged developments" that meet all of the following criteria:

- The development is at least 15 years old.
- The development is either financed under the federal Rural Rental Assistance Program, or serves households of very-low income or extremely low-income, with an average maximum household income as restricted by a regulatory agreement with a federal, state, county, local or other governmental entity that limits household income to no more than 45% of the area median gross income, as specified.
- The development has insufficient access to private or other public resources to complete substantial rehabilitation, as determined by HCD.

The bill would also require HCD to:

- Grant priority to department-funded projects that meet the current eligibility criteria.
- Explicitly allow developments financed under the PRP to layer program funds with other federal, state, and local resources.
- Evaluate and analyze the preservation and rehabilitation needs of department-funded developments that meet the above criteria, prior to allocating program funds, to help inform program guidelines and allocation decisions.
- Allocate a certain percentage of funds to challenged developments that are not department-funded, based on relative need and availability of resources.

**Related Legislation:** SB 417 (Limon), Chap. 16/2026, an urgency measure, enacted the Affordable Housing Bond Act of 2026, authorizing the sale of $10 billion in general obligation bonds for specified affordable housing programs, upon approval by voters at the November 3, 2026 statewide general election. SB 417 includes an allocation of $750 million in funding for the PRP, upon appropriation by the Legislature.

AB 1789 (Quirk-Silva), which was held on this Committee's Suspense File in 2024, was substantially similar to this bill and would have expanded the types of housing projects that may be funded under the PRP to include a "challenged development," as specified.

AB 140 (Committee on Budget), Chap. 111/2021, established the PRP to authorize HCD, upon appropriation of funds, to make loans and/or grants to rehabilitate, capitalize operating subsidies, or extend the long-term affordability of department-funded housing projects that have an affordability restriction that has expired, will expire within 10 years, or is otherwise at risk of conversion

**Staff Comments:** Affordable housing developments are typically funded using multiple federal, state, and local public subsidies in exchange for recorded covenants that require assisted units to remain affordable to lower-income households for a period of 30-55 years, depending on the programs used to finance the development. Once affordability obligations expire, owners may preserve the affordability of the units by renewing assistance or by refinancing with new public subsidies, or they may convert the development to market rate. Under some federal programs, owners can also terminate affordability restrictions early by prepaying the underlying mortgage early or opting out of the rental assistance contract.

The California Housing Partnership (CHP) annually assesses the loss, and the risk of loss, of affordable rental properties that receive public financing. As of April 2024, between 1997 and 2023, California lost 19,249 affordable homes with project-based rental assistance contracts and/or loans provided through specified federal and state programs due to owner decisions to opt out, sell, or allow their developments to convert to market rate. Another 33,910 affordable rental homes (6% of the total current supply) are at risk of conversion in the next 10 years, and 7,350 homes may no longer be affordable as soon as next year. Nearly 60% of these at-risk homes serve seniors and people with disabilities, and Los Angeles, San Francisco, San Diego, and Orange Counties account for more than half of all at-risk units (20,351 units).

This bill is intended to further the key strategy of preserving affordable housing that may be at risk of conversion to market rate, and prevent displacement of lower income tenants. Staff notes that no funding is currently available under the PRP, but the $10 billion Affordable Housing Bond Act of 2026 will go before the voters at the November 3, 2026 general election. Should that measure pass, $750 million in bond funding will be available for the PHP, upon appropriation by the Legislature.

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