

SENATE THIRD READING
SB 1072 (Committee on Housing)
As Amended August 21, 2026
Majority vote

SUMMARY

Makes technical, nonsubstantive changes to sections of state law relating to housing.

Major Provisions

Includes the following provisions, with the proponent of each provision noted at the end in brackets:

- 1) *Regional Housing Needs Allocation (RHNA) [SEC 1]*. AB 2430 (Wiggins, Chapter 358, Statutes of 2000), extended authority originally established by AB 3452 (V. Brown, Chapter, 1018, Statutes of 1996), which allowed Napa County to transfer up to 15% of its low-income housing allocation in prior housing element cycles to incorporated cities within the county, allowing the county to zone for fewer units of low-income housing. The authority extended by this statute effectively ended in 2007, while the statutory provisions in this code section are no longer applicable, they remain codified. This proposal would remove this defunct section (Section 65584.6 of the Government Code) from Housing Element Law. [Senate Housing Committee]
- 2) *Housing Accountability Act [SEC. 2]*. SB 330 (Skinner, Chapter 654, Statutes of 2019) amended the Housing Accountability Act (HAA) and inadvertently created a broken cross-reference in Government Code (GOV) 65589.5. Specifically, GOV 65589.5(m)(1), originally added by SB 167 (Skinner, Chapter 368, Statutes of 2017), references GOV 65589.5(h)(5)(B), a provision that no longer exists because SB 330 reorganized the statute and moved those provisions to paragraph (6) of subdivision (h). As a result, the statute currently points to a nonexistent paragraph. Subdivision (m) establishes the procedures and timelines for judicial actions brought to enforce the HAA, including actions challenging a local agency's unlawful disapproval or delay of a housing development project. This proposal corrects that drafting error by updating the cross-reference to point to subparagraphs (B) to (D), inclusive, of paragraph (6) of subdivision (h), which relates to a local agency's failure to comply with statutory housing approval timelines. The amendment is intended to restore clarity and ensure the enforcement provisions of the HAA operate as intended. This amendment also reorganizes paragraph (1) of subdivision (m) for clarity. [Assembly Housing Committee]
- 3) *Preservation Notice Law (PNL) [SEC 3 & 4]*. Proposed changes to PNL provide clarity to requirements that have been vague within the law. [HCD]
- 4) *Housing Crisis Act [SEC 5]*. SB 940 (Beall, Chapter 201, Statutes of 2019) temporarily provided the City of San Jose with flexibility in complying with the no net loss requirements of the Housing Crisis Act (HCA). The additional flexibility for the city expired in January of 2023. The HCA originally included a sunset date of 2025, and the expired flexibility provided to San Jose would have naturally been removed from the code at that point. The HCA was extended in 2021 and made permanent in 2025, however the now expired authority for San Jose remains embedded in statute. This proposal would remove the now defunct language from the HCA. [Senate Housing Committee]

- 5) *Low Income Housing Tax Credit (LIHTC) [SEC 6, 12, 13, & 14]*. Proposed changes would make conforming changes included in H.R.1 to: (1) reflect the 25% test (as opposed to 50% test) in its reference to Internal Revenue Code (IRC) Section 42, (2) make clearer the amount of credit a project can take each year, (3) fix a mistaken cross reference, and (4) clarify that special needs projects receiving both federal boosted credits (130% of eligible basis) and state credits are not located in a difficult development area (DDA) or qualified census tract (QCT) but rather designated as a DDA or QCT, as specified. Other changes would clarify that a farmworker includes individuals that were agricultural employees prior to retirement or disability, consistent with HCD's definition of farmworker in their funding programs. This will better align HCD programs with the state tax credit program. [California Tax Credit Allocation Committee and California Debt Limit Allocation Committee]
- 6) *California Tax Credit Allocation Committee (TCAC) Annual Reporting [SEC 7]*. Currently, Health and Safety Code requires TCAC to submit an annual report to the legislature specifying particular information. Current TCAC regulations require recipients of tax credits to include specified numbers of housing units accessible to people with mobility and hearing/vision disabilities, to comply with federal and state law. However, information on these units is not currently provided in the annual report. This amendment would require inclusion of data on those units in the report. This will provide useful information to stakeholders, including people with disabilities who need accessible housing, about implementation of the requirements and compliance with federal and state law. [Disability Rights California]
- 7) *Department of Housing and Community Development (HCD) Annual Reporting [SEC 8]*. Proposed changes would remove the duplicative National Housing Trust Fund requirements in statutes that govern HCD's annual reporting. This change would reduce reporting burden without changing the reporting that would need to be done due to existing federal requirements, thus creating efficiencies, freeing up personnel resources, and saving money. [HCD]
- 8) *Federal Housing Trust Fund [SEC 9]*. The Senate Transportation and Housing Committee was split in 2018 into two separate committees: the Senate Transportation Committee and the Senate Housing Committee. California Health and Safety Code (HSC) Section 50676, related to federal housing trust funds that are allocated to HCD, contains an outdated reference to the Senate Transportation and Housing Committee. This proposal would refer instead to the Senate Housing Committee. [Senate Housing Committee]
- 9) *Community Development Block Grant Program [SEC 10 & 11]*. Proposed changes would remove any references to Small Cities for the Community Development Block Grant (CDBG) program to clean-up outdated verbiage that no longer aligns with federal law. [HCD]
- 10) *Incorporate nonsubstantive chaptering amendments.*

COMMENTS

Omnibus Bills: The Senate Housing Committee introduced this bill as an omnibus measure. Omnibus bills allow the Legislature to combine a number of minor, non-controversial, and technical changes to statutes in one bill. This allows for greater efficiency in the legislative process since it would otherwise be necessary to introduce each proposal as a standalone bill.

Conformity. State law does not automatically conform to changes in federal tax law, except for specific retirement provisions. Instead, the Legislature must affirmatively conform to federal changes, which it can do in two different ways. First, the Legislature can pass an individual tax bill that conforms to a specific federal provision, such as the Regulated Investment Company Modernization Act (AB 1423, Perea, 2011). Second, the Legislature can enact one omnibus bill to provide that state law conforms to federal law as of a specified date. Currently, state law generally conforms to federal tax law as of January 1, 2025 (SB 711, McNerney, 2025).

LIHTC. Housed in the office of the State Treasurer, TCAC, comprised of the State Treasurer, the State Controller, the Director of Finance, and three non-voting members, allocates state and federal LIHTCs.

Housing developers design projects and apply to TCAC for credits. If TCAC grants credits, it enters into a regulatory agreement with the housing developer which sets forth income and rent restrictions. TCAC then reserves the credit for that application, at which point the housing developer often forms partnership agreements with investors who provide project capital in exchange for the credits at a discount. The developer then returns to TCAC for a final credit allocation. Investors claim the credit until exhausted, then can walk away from the partnership, and deduct the amount paid to the partnership in exchange for the tax credits as a capital loss.

TCAC awards 9% federal credits, up to a dollar threshold set in federal law, using a competitive process. TCAC awarded \$115.5 million in 9% federal LIHTCs to 58 proposed housing projects, totaling 2,953 lower-income units in 2025. Also in 2025, TCAC allocated \$639 million in annual federal 4% LIHTCs to 195 proposed housing projects, leading to 25,476 lower-income units. While federal law caps TCAC's authority to allocate federal 9% credits, TCAC can allocate unlimited 4% credits – so long as they are awarded in conjunction with tax-exempt private activity mortgage revenue bonds.

Current state law allows credits against the Personal Income Tax, Corporation Tax, and Gross Premiums Tax to subsidize investors who provide project capital to affordable rental housing projects. State LIHTCs are calculated in partial conformity with federal LIHTCs, and complement federal credits in the hope of providing the capital necessary to pay for the construction of affordable housing. TCAC can allocate state LIHTCs to projects where they allocate federal LIHTCs. The key differences between state and federal LIHTCs are that investors claim the state credit over four taxable years instead of ten, projects must be located in California, and rents must be maintained at specified levels for 30 years instead of 15. The amount of state LIHTC annually allocated by TCAC is limited to \$70 million, adjusted for inflation, which was expanded by AB 101 (Committee on Budget, Chapter 159, Statutes of 2019) and subsequent actions taken to approve the annual Budget Act.

Federal LIHTC changes. In December 2020, Congress enacted the Consolidated Appropriations Act (PL 116-260), which, among other changes, set a minimum credit of 4% per year for the low-income housing credit, effective for allocations commencing in 2021; before then, the percentage was variable based on a determination by the Secretary of the Treasury. Congress had made a similar change to the 9% credit in 2008, which was made permanent in 2015.

In June 2025, Congress enacted H.R. 1 (Public Law 119-21, One Big Beautiful Bill Act, or "OBBBA"). In Section 70422, Congress increased states' LIHTC ceiling, and modified a special rule that allows LIHTCs to be allocated to a project 25% funded with tax exempt bonds; the previous threshold had been 25%.

Tax credit sections in the Gross Premiums, Personal Income, and Corporation Taxes have not been updated to reflect the changes made by the CAA and H.R. 1. TCAC wants to conform state law to federal changes and correct an errant reference

According to the Author

Arguments in Support

None on file.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

- 1) HCD and CTCAC anticipate minor and absorbable costs.
- 2) The Franchise Tax Board estimates no impact to state revenues.
- 3) Costs to local agencies of an unknown but likely minor amount related to housing element timeline revisions. These costs are not reimbursable by the state because local agencies have general authority to charge and adjust planning and permitting fees to cover administrative costs.

VOTES

SENATE FLOOR: 35-0-5

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Padilla, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Blakespear, Niello, Pérez, Reyes, Umberg

ASM HOUSING AND COMMUNITY DEVELOPMENT: 11-0-1

YES: Haney, Ávila Farías, Caloza, Garcia, Kalra, Lee, Ward, Ta, Tangipa, Wicks, Wilson

ABS, ABST OR NV: Patterson

ASM REVENUE AND TAXATION: 7-0-0

YES: Gipson, Sanchez, Carrillo, DeMaio, McKinnor, Quirk-Silva, Michelle Rodriguez

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Arambula, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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