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# SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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## SB 1091 (Caballero) - Community Anti-Displacement and Preservation Program

**Version:** April 6, 2026

**Policy Vote:** HOUSING 10 - 0, JUD. 11 - 0

**Urgency:** No

**Mandate:** No

**Hearing Date:** April 27, 2026

**Consultant:** Mark McKenzie

**Bill Summary:** SB 1091 would establish the Community Anti-Displacement and Preservation Program (CAPP) to fund the acquisition and rehabilitation of unrestricted housing developments of five or more units, and attach affordability restrictions on those units, while safeguarding against the displacement of current residents, as specified.

### Fiscal Impact:

- General Fund and/or bond fund cost pressures, likely in the hundreds of millions of dollars, to provide grant and loan funding for the CAPP. (See Staff Comments)
- HCD would likely incur administrative costs of approximately \$2 million and 9.0-10.0 PY of staff in the first two years, and ongoing costs of approximately \$1.7 million and 8.0-9.0 PY annually thereafter for workload associated with this bill. Specific staff duties include developing and adopting program regulations, managing the release of a Notice of Funding Availability (NOFA), application, and awards process for jurisdictional applicants, as well as selection, contracting with, and oversight of the program manager. Ongoing staff would also be required to monitor borrowing compliance over the term of the affordability covenants. Staff notes that the bill specifies that HCD's administrative costs may not exceed 5% of the moneys deposited into the new fund established by the bill. (Community Anti-Displacement and Preservation Fund / General Fund / bond funds)
- HCD would also likely incur consultant contract costs of approximately \$2 million in the first year and \$1 million ongoing annually for a private sector entity or consortium to manage the program. First year costs would be related to the development technical assistance tools, and ongoing costs would be to provide the technical assistance. Staff notes that the bill specifies an initial contract arrangement would be five years, and authorizes HCD to extend the agreement in additional five-year increments, so the ongoing costs would be incurred annually for the duration of the agreement. (Community Anti-Displacement and Preservation Fund / General Fund / bond funds)

(Staff notes that the detailed breakdown of HCD costs and personnel needs noted here were provided by the department in relation to SB 225 (Caballero), a nearly identical bill that was approved by this Committee in 2023. They are noted here for reference as a likely approximation of administrative costs to establish and implement the CAPP. HCD indicates that all administrative costs would likely be covered by the specified allowance of 5% of funds deposited into the new fund established by this bill.)

**Background:** Existing law establishes several programs that finance housing rehabilitation, including the following:

- Multifamily Housing Program (MHP) – administered by HCD, assists the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower-income households.
- Joe Serna Jr., Farmworker Housing Grant Program – administered by HCD, finances the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower-income households.
- The Portfolio Reinvestment Program - administered by HCD to provide loans 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 expired, that have an affordability restriction with a remaining term of less than 10 years, or are otherwise at-risk for conversion to market-rate housing.
- Affordable Housing and Sustainable Communities Strategies (AHSC) – administered by the Strategic Growth Council (SGC) and implemented by the HCD, funds land-use, housing, transportation, and land preservation projects to support infill and compact development that reduce greenhouse gas emissions. Under this program, the SGC also contracts with a team of consultants across the state for its AHSC technical assistance program. This component provides direct application assistance to teams that are applying for funding and capacity building services for potential applicants to the AHSC Program.

**Proposed Law:** SB 1091 would establish CAPP for purposes of funding the acquisition and rehabilitation of unrestricted housing, as defined, and attaching long-term affordability restrictions on the housing, while safeguarding against the displacement of current residents. Specifically, this bill would:

- Require HCD to adopt regulations for the operation of the program, and specify that the regulations are exempt from the rulemaking provisions of the Administrative Procedures Act.
- Define “unrestricted housing” as a housing development or common interest development of five or more housing units that are not subject to any deed restrictions related to affordability at the time of acquisition, including specified mixed-use developments.
- Create the Community Anti-Displacement and Preservation Fund in the State Treasury, and make all funding available to HCD, upon appropriation by the Legislature, for purposes of the program. The moneys in the fund would include any appropriations made available by the Legislature, any CAPP loan repayments, and funds from any other source that are made available to HCD for the program. HCD’s administrative expenses must not exceed 5% of the moneys deposited into the fund, and up to an additional 5% may be expended for technical assistance and capacity building to eligible borrowers, as specified.
- Require HCD to issue a request for qualification to select a private sector entity or consortium to manage the program for a period of five years, with the option for the

agreement to be extended in additional five year increments. The private sector entity must meet specified minimum criteria to be eligible for selection as the program manager, and HCD must consider specified objectives when selecting the program manager.

- Require the selected program manager to review and approve loan applications, originate and service loans, establish terms and conditions for loan applications, subject to HCD approval, and report to HCD to demonstrate compliance with program regulations and summarize program impacts, as specified.
- Require HCD to grant funds to the program manager to implement the program, including funds for loans or grants, capitalized operating subsidy reserves, and administrative costs.
- Require the program manager to make loans to eligible borrowers based on underwriting guidelines approved by HCD, as specified, and require all properties that will remain rental housing developments following acquisition or rehabilitation with a loan under the CAPP to be subject to a 55-year affordability deed restriction, as specified. Properties sold to low-income households as affordable housing would be subject to a 45-year affordability deed restriction, or a community land trust ground lease of 99 years.
- Authorize HCD to issue grants or loans from the CAPP funds to local public entities, upon request, and require local entities that receive funding to file annual reports demonstrating compliance with affordability requirements. Any loans issued to local entities would not be managed by the program manager.
- Require all tenant protections under existing state law, or a more protective local policy, other than rent stabilization, to apply to tenants of projects funded under CAPP.
- Require HCD to develop technical assistance and capacity building for the development and ongoing operation of projects funded by CAPP, require HCD to contract with third-party consultants to assist with the development, implementation, and administration of the technical assistance and capacity building, and require HCD or third-party consultants to develop technical assistance tools, as specified.

**Related Legislation:** SB 417 (Cabaldon), which is currently pending in the Assembly Appropriations Committee, and AB 736 (Wicks), which is pending in this Committee, would both authorize the issuance of \$10 billion in general obligation bonds to fund specified affordable housing programs, upon approval by the voters. Both measures include an allocation of \$500 million to HCD, upon appropriation by the Legislature, for a new program to fund the acquisition and rehabilitation of unrestricted housing units and attach long-term affordability restrictions on the housing units, while safeguarding against the displacement of current residents. The bond measures include legislative intent that criteria regarding eligibility and use for the funds would be established in statute.

SB 225 (Caballero), which died on the Assembly Inactive File in 2024, was substantially similar to this bill. It would have established the CAPP to fund the acquisition and rehabilitation of unrestricted housing units, and attach affordability restrictions on those units, while safeguarding against the displacement of current residents, as specified.

SB 490 (Caballero), as amended on June 8, 2022, would have established the Community Anti-Displacement and Preservation Technical Assistance Program, upon appropriation of funds by the Legislature, and require HCD to provide technical

assistance to specified entities that would acquire and preserve unsubsidized housing units and attach long-term affordability restrictions on the housing units, while safeguarding against the displacement of current residents. Since funding was not provided in the 2022-23 Budget Act for the purposes of the bill, the author amended SB 490 to deal with the purchase of nondomestic agricultural food products, which was enacted as Chap. 602/2021.

**Staff Comments:** Existing state housing programs are primarily focused on the construction of new affordable housing units and the acquisition-rehabilitation of existing deed-restricted affordable housing that is approaching the end of its affordability term as a means of preserving those affordable units. There is growing interest among various housing practitioners and residents in the acquisition and rehabilitation of unsubsidized affordable housing currently on the private market as an anti-displacement strategy to create or preserve affordable housing stock. This bill would create a technical assistance program at HCD designed to provide support and tools to specified eligible entities that apply for acquisition-rehabilitation funding, including affordable housing developers, non-profit entities, resident groups, and local agencies. In addition, the bill provides the framework for providing loans and grants to eligible entities, to the extent funding is appropriated for the CAPP.

Staff notes that there are two affordable housing bond measures that are pending in the Legislature. As noted above, both SB 417 and AB 736 include an allocation of \$500 million in general obligation bond funds to HCD, upon appropriation by the Legislature, for a new program that would be established in statute to fund the acquisition and rehabilitation of unrestricted housing units and attach long-term affordability restrictions on the housing units, while safeguarding against the displacement of current residents, as envisioned by this bill. As such, funding would be available for CAPP if one of the pending bond measures is enacted and approved by the voters. Absent the availability of housing bond revenues, however, this bill would create significant General Fund cost pressures to fund the CAPP.

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