SENATE THIRD READING
SB 1091 (Caballero)
As Amended August 19, 2026
Majority vote

SUMMARY

Establishes the Community Anti-Displacement and Preservation Program (CAPP) at the Department of Housing and Community Development (HCD) 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.

Major Provisions

1) Includes the following definitions:

   a) "Administering entity" to mean the program manager or a regional housing entity administering funds allocated by HCD.

   b) "Eligible borrower" means an entity whose primary mission includes the development or ownership of housing that is affordable to low-income households and that has demonstrated experience in acquiring, rehabilitating, and operating multifamily housing for the benefit of low-income households. "Eligible borrower" includes, but is not limited to, the following:

      i) An eligible nonprofit corporation that has a principal place of business in the state;

      ii) A limited partnership in which the managing general partner is an eligible nonprofit corporation that has a principal place of business in the state;

      iii) A limited liability company in which the managing member is an eligible nonprofit corporation that has a principal place of business in the state;

      iv) A community land trust, as defined;

      v) A limited-equity housing cooperative, as defined; and

      vi) A local public entity.

   c) "Local public entity" means a public entity in the state, including a city, county, city and county, public housing authority, regional housing finance authority, and successor agency to a former redevelopment agency;

   d) "Program manager" means a private sector entity or consortium selected by HCD to manage the program.

   e) "Rehabilitation" means rehabilitation work necessary to meet health, safety, and quality of life needs, as determined through standards established by HCD.

   f) "Regional housing entity" means:

      i) The Bay Area Housing Finance Authority;

ii) The Los Angeles County Affordable Housing Solutions Agency; or

iii) A regional housing finance authority created locally or under the state Regional Housing Finance Act.

g) ″Tenant protections under state law″ means the protections provided in Chapter 2 (commencing with Section 1940) of Title 5 of Part 4 of Division 3 of the Civil Code, except for Section 1947.12 of that code, and in the California Fair Employment and Housing Act (Part 2.8 (commencing with Section 12900) of Division 3 of Title 2 of the Government Code).

h) ″Unrestricted housing″ means a residential rental development of five units or more that is not currently subject to a recorded deed restriction limiting occupancy to households at specified income levels and rents to levels affordable at those income levels. Mixed-use buildings are eligible if the majority of the building square footage is used for residential purposes.

2) Requires HCD to adopt regulations for the operation of the program that are exempted from the rulemaking provisions of the Administrative Procedure Act.

3) Requires HCD to select a program manager that is a non-profit entity or consortium to manage CAPP for a period of five years meeting specified standards, including originating and servicing loans for affordable housing, covering the state geographically, and having the ability to work on housing models including rental housing, affordable homeownership, and community land trusts.

4) Requires the program manager to make loans to eligible borrowers based on underwriting guidelines approved by HCD, and requires rental housing purchased through CAPP to be deed restricted for 55 years, and homeownership units for at least 45 years.

5) Allows HCD to issue grants and loans to regional housing entities 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.

6) Requires that any funds made available by HCD for this program shall be allocated by an administering entity within the time specified in the initial Notice of Funding Availability (NOFA). Requires an administering entity to issue a NOFA on or before one year following receipt of funds from HCD.

7) Requires all tenant protections under state law, or a more protective local policy, other than rent stabilization, to apply to tenants of projects funded by CAPP.

8) Requires HCD to require in its regulations and regulatory agreement, standards for annual rent increases, with a goal of ensuring affordability for current and future residents.

9) Requires HCD to develop technical assistance and capacity building for the development and ongoing operation of projects funded by CAPP.

COMMENTS

Background on California's Housing Crisis: California′s current housing crisis stems from an undersupply of housing, which HCD recently attributed to ″decades of underproduction underscored by exclusionary policies″ in its 2022 update to the Statewide Housing Plan. Housing affordability remains a major challenge for many of California′s most economically-vulnerable households. According to data from the 2019 American Communities Survey, over half of the state′s renters are considered rent-burdened, which is defined as paying more than 30% of their income towards rent. The California Housing Partnership Corporation (CHPC) assessed the amount of existing unsubsidized affordable properties that due to their age, location or other market factors offer rents that are likely affordable to low-income households. As of 2025, CHPC determined there are an estimated 1.08 million affordable homes across 60,621 unsubsidized affordable properties throughout the state. In comparison, there are 594,055 government regulated affordable rental properties in the state. Combined, these two sources fall short of meeting the housing demand of the state′s approximate 3.68 million lower-income renter households. Homes at very high, high, and moderate risk of losing affordability have the following characteristics: 43% serve seniors, 43% serve families, and 34% are concentrated in the counties of Los Angeles, Orange, Santa Clara, San Francisco, and San Diego.

Existing State Financing of Acquisition-Rehabilitation: According to one of the sponsors, Enterprise Community Partners, in recent decades, most preservation efforts have focused on extending the affordability of subsidized or income-restricted affordable housing in need of capital improvements and/or nearing the expiration of affordability restrictions. This is primarily accomplished through the re-syndication of low-income housing tax credits, refinancing with special-purpose loan funds and products, and renewing rental subsidies such as Section 8 vouchers. More recently, both housing practitioners and residents (including nonprofits, affordable housing developers, community land trusts, and other community-based organizations and tenant associations) have shown a growing interest in the acquisition and rehabilitation of unsubsidized affordable housing currently on the private market as a means to create or preserve affordable housing. The sponsors maintain that acquisition-rehabilitation in practice is a direct anti-displacement strategy that is fast, effective, flexible, and long-term.

While several existing state programs (mostly notably the MHP program at HCD) finance the acquisition and rehabilitation of affordable housing units, these programs are more targeted towards the new construction and acquisition-rehabilitation of existing deed-restricted affordable housing that is approaching the expiration of its affordability term, and not for unsubsidized housing. According to the sponsors, some of the reasons for the narrower focus in existing state programs are that they are limited to buildings with five or more units and specific project types, such as large family, special needs, senior, supportive housing, and high-risk. It is unlikely that a building acquired from the private market with existing tenants would meet these requirements.

Unique Challenges for Acquisition-Rehabilitation Projects: According to the sponsors, occupied acquisition-rehabilitation projects present challenges. First, interested entities need to compete on the private market against investors that have more access to capital and are less reliant on public resources. Second, performing any rehabilitation work with tenants requires technical expertise to identify structural needs and ongoing communication with residents. Additionally, acquisition-rehabilitation projects are often smaller-scale developments that are more difficult to manage and sustain financially. Because this is a newer practice for even experienced developers, acquisition-rehabilitation projects may require new skills to support tenant engagement and property management, particularly with a scattered site model.

This year's budget does not include funding for this program; however SB 417 (Limon and Rivas), Chapter 16, Statutes of 2026, which authorizes a $10 billion bond for the November 2026 ballot includes $200 million for a 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. If the voters approve the bond, the funding could be administered through CAPP.

Tenant Protections: State housing programs have historically funded construction of affordable housing, not acquisition of existing naturally affordable housing. Because this program funds acquisition with existing tenants, it also includes protections for those tenants. The goal of the program is to provide housing for households that are lower income (making 80% of the AMI or less), but it is possible that when the unit is first purchased, a tenant may make more than that amount. This bill prohibits eviction of existing tenants. The Tenant Protection Act (TPA) (AB 1482 (Chiu), Statues of 597, Chapter 2019 caps rent increases to 10% each year and applies just cause eviction protections to rental units it covers. The TPA covers multi-family housing but exempts any new construction for the first 15 years of a development's life. This bill would apply the just cause protections of the TPA to any units purchased using the program. It would not apply the rent cap but directs HCD to develop rent standards for units purchased using the program.

According to the Author
"As California's affordable housing crisis worsens, unsubsidized affordable housing on the private market is disappearing, and fewer low-income families can find stable housing. As rent outpaces demand, housing becomes less accessible and more unaffordable, displacing people from their homes and communities. To address this growing crisis, SB 1091 creates a new program, the Community Anti-Displacement and Preservation Program (CAPP), to assist with the acquisition and rehabilitation of existing unsubsidized housing and with the conversion of this housing to long-term affordable solutions, to keep families housed and in their communities. Acquisition and preservation of unsubsidized affordable housing is a proven successful local model to prevent displacement and grow the supply of affordable housing. SB 1091 is one important step to avoid displacement, homelessness, and to stabilize families in their communities in homes they can afford."

Arguments in Support
According to a coalition of organizations in support of this bill,

"SB 1091 would create a new state program to provide the resources that community organizations, nonprofit affordable housing developers, and local jurisdictions need to acquire unsubsidized rental housing from the private market where tenants are at risk of displacement and to preserve the housing as affordable rental housing or homeownership opportunities. CAPP will prevent displacement and homelessness by stabilizing low-income families in their communities, while also growing California's supply of deed-restricted affordable homes for the future. CAPP would also advance several, interconnected State goals in addition to increasing the supply of affordable housing, including reducing greenhouse gas emissions by preventing families from being displaced and forced to commute long distances to jobs and services, and supporting equitable place-based investment in historically disinvested neighborhoods now facing displacement pressures.″

Arguments in Opposition
None on file.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

1) Ongoing cost pressures (bond funds, General Fund) likely in the hundreds of millions of dollars to provide grant and loan funding for CAPP.

   SB 417 (Limon), Chapter 16, Statutes of 2026, the Veterans and Affordable Housing Bond Act of 2026, places a $11.25 billion bond on the November 3, 2026, ballot to fund veteran′s home ownership program and affordable housing programs. The bond provides $200 million for a program to be created by the Legislature, such as the program created by this bill, that funds acquisition and rehabilitation of unrestricted housing units and the attachment of long-term affordability restrictions to the units. Funding would be available for CAPP if the pending bond measure is approved by the voters.

   Absent the availability of housing bond revenues, this bill would create significant General Fund cost pressures to fund the CAPP. The Budget Act of 2026 does not provide funding for this program.

2) HCD would likely incur ongoing administrative costs (CAPP Fund, General Fund) in the low millions of dollars annually to establish and implement CAPP, based on past estimates of similar bills. The bill specifies that HCD′s administrative costs may not exceed 5% of the moneys deposited into the CAPP Fund and allows up to 5% more of the fund to be used to provide technical assistance and capacity building. HCD indicates these allowances would likely be sufficient to cover the program′s design and implementation depending on the total amount of funding made available. Any costs exceeding the allowances in the bill would necessarily be covered by the General Fund.

VOTES

SENATE FLOOR: 34-2-4
YES: Allen, Archuleta, Arreguín, Ashby, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Dahle, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO: Choi, Jones
ABS, ABST OR NV: Alvarado-Gil, Becker, Grove, Niello

ASM HOUSING AND COMMUNITY DEVELOPMENT: 9-1-2
YES: Haney, Ávila Farías, Caloza, Ward, Kalra, Lee, Quirk-Silva, Wicks, Wilson
NO: Tangipa
ABS, ABST OR NV: Patterson, Ta

ASM JUDICIARY: 9-3-0
YES: Kalra, Bauer-Kahan, Bryan, Connolly, Harabedian, Pacheco, Papan, Stefani, Zbur
NO: Macedo, Dixon, Sanchez

ASM APPROPRIATIONS: 11-2-2
YES: Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
NO: Dixon, Tangipa
ABS, ABST OR NV: Hoover, Ta

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