
CONSENT

Bill No: SB 1170
Author: Durazo (D)
Introduced: 2/18/26
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 7-0, 4/22/26
AYES: Durazo, Choi, Arreguín, Ashby, Cervantes, Laird, Seyarto

SUBJECT: Joint powers agreements: nonprofit housing developers

SOURCE: Author

DIGEST: This bill allows nonprofit housing developers to join risk pooling joint powers authorities.

ANALYSIS:

Existing law:

- 1) Allows two or more public agencies to use their powers in common if they sign a joint powers agreement under the Joint Exercise of Powers Act. Each public agency must independently possess the authority to perform the activity that is to be performed jointly pursuant to a joint powers agreement. Sometimes an agreement creates a new, separate government called a joint powers authority (JPA).
- 2) Allows public agencies to use the JPA law and the related Marks-Roos Local Bond Pooling Act to form bond pools to finance public works, working capital, insurance needs, and other public benefit projects.
- 3) Generally limits membership in JPAs to public agencies: federal, state, and local governments. However, legislation has authorized some types of private entities to enter into joint powers agreements with public agencies for specified purposes, including:

- 4) Allows mutual water companies and private water companies to join a JPA for risk-pooling and providing technical support, continuing education, safety engineering, and operational and managerial advisory assistance to JPA members to reduce risk liabilities.

This bill allows nonprofit housing developers to join risk pooling joint powers authorities.

Background

Risk pooling JPAs. State law allows a mutual water company to enter into a joint powers agreement with any public agency to jointly exercise any power common to the contracting parties provided the agreement ensures no participating public agency becomes responsible for the underlying debts or liabilities of the joint powers agency (AB 2014 (Cortese, Chapter 250, Statutes of 1994)). However, mutual water companies do not have the independent power to offer insurance, so they could not join a JPA for insurance purposes. AB 656 (Cristina Garcia, Chapter 250, Statutes of 2015) addressed this issue by allowing mutual water companies to join a JPA for risk-pooling and providing technical support, continuing education, safety engineering, and operational and managerial advisory assistance to JPA members to reduce risk liabilities.

Prior to AB 656, mutual water companies had to purchase insurance in the open market. Because the pooling of self-insurance among entities participating in a JPA is not subject to insurance premium taxes, a risk-pooling JPA can generally set lower premiums and offer broader coverage than would be available through the private marketplace. By allowing mutual water companies to realize some of these savings through membership in a mutual water company insurance JPA, AB 656 made residual funding available to help mutual water companies. AB 428 (Blanca Rubio, Chapter 151, Statutes of 2025) extended SB 656 to private water companies.

Affordable housing insurance. Just like other types of development, affordable housing developers need insurance policies to cover losses from property damage or injury claims. Recently, affordable housing developers have reported significant insurance premium increases, or trouble purchasing insurance policies altogether.

Comments

Purpose of the bill. According to the author, “I am proud to author Senate Bill 1170, which allows affordable housing developers and public agencies to partner

on self-insuring affordable housing developments through a risk-pooling Joint Powers Authority (JPA). This measure aims to address the significant increases in insurance costs for 100% affordable housing developers, as well as a lack of available insurance altogether. California is struggling with an affordable housing crisis, with over half of Californians considered rent-burdened. At the same time, the affordable housing supply in California cannot meet current demand, exacerbating the affordable housing crisis in the most populous and second most expensive state in country. As affordable housing developers are working on addressing the urgent need for housing, they are seeing insurance premiums rise, if they can get insurance at all. Many affordable housing developers are reporting over 100 percent insurance premiums increases. By allowing non-profit developers to join a risk-pooling JPA that pools self-insurance claims and losses, SB 1170 will help reduce affordable housing insurance costs and lower affordable housing production costs. This will help preserve existing affordable housing developments and encourage the production of more affordable housing.”

Public agency in name only. The beauty of the Joint Exercise of Powers Act is its flexibility: local agencies can come together to form an agreement of their own design to carry out any power common to each of its members. As such, local agencies do not need legislative authority to form a JPA unless it requires powers not common to all its members, or when statutory certainty and specificity is preferable to the agreement’s details. The Legislature has seldom offered private entities the opportunity to join JPAs because they are not public agencies: unlike public agencies, private companies are not subject to laws regarding public meetings, their records are not always public. SB 1170 opens up the Joint Exercise of Powers Act to more private entities, but it does so in an effort to protect and produce affordable housing.

Something different? The problems affordable housing developers face getting insurance is not a new problem, nor is the proposed risk-pooling strategy a new potential solution. Public housing authorities have had a risk pool since 1987, but that did not cover nonpublic entities. AB 2327 (Harkey, Chapter 384, Statutes of 2010) authorized an affordable housing entity to join with others in an arrangement providing for the pooling of self-insured claims or losses. Despite these existing risk pools, insurance for affordable housing remains an issue. SB 1170 creates another option for affordable housing developers to pursue lower insurance premiums, but it remains to be seen whether a JPA model can help in ways these previous efforts have not. SB 1170 does not mandate its formation, or limit exactly who governs it, or specify how it provides insurance. Figuring out how to model a JPA to fill in gaps in the affordable housing insurance market will come down to each JPA.

Related/Prior legislation

AB 1339 (Mark González, Chapter 728, Statutes of 2025) requires, upon appropriation, the California Department of Insurance (CDI) to conduct a study on the availability of property, liability, and builders' risk insurance coverage for certain affordable housing entities within one-year of such an appropriation. CDI has not released this report yet.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 4/23/26)

None received

OPPOSITION: (Verified 4/23/26)

None received

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**** **END** ****