SENATE THIRD READING
SB 1170 (Durazo)
As Introduced February 18, 2026
Majority vote

SUMMARY

Authorizes nonprofit housing developers to enter into joint powers agreements (JPAs) with public agencies for purposes of insurance risk pooling.

Major Provisions

1) Authorizes a nonprofit housing developer to enter into a JPA with one or more public agencies for the purpose of insurance risk pooling, and to be coinsured under a master policy with the total premium prorated among coinsured entities, as specified.

2) Specifies that a nonprofit housing developer may enter into a JPA with any public agency for the purpose of jointly exercising any power common to the contracting parties.

3) Specifies that a nonprofit housing developer may only enter into a JPA with a public agency if the agreement specifies that no participating public agency may become responsible for the underlying debts or liabilities of the joint powers agency and that the public agency is indemnified against those debts and liabilities.

4) Specifies that a JPA established pursuant to the provisions of the bill shall solely use revenues it generates through the insurance it provides to its members for its necessary operating expenses, and to provide technical support, continuing education, safety engineering, and operational and managerial advisory assistance to its members for the purpose of reducing risk liabilities and furthering the technical managerial and financial capacity of those members.

COMMENTS

1) *JPAs, risk pooling, and affordable housing developers*: Under existing law, public agencies may form JPAs to jointly exercise any power common to all members. JPAs offer self-insurance coverage on a pooled basis for a variety of purposes, including liability (malpractice and officers and directors' coverage), workers' compensation, health insurance, and property coverage. Pooling of self-insured claims or losses among local public entities is not considered insurance and is not subject to regulation under the Insurance Code.

   As property and liability insurance rates continue to rise in California, alternative risk-financing mechanisms have become increasingly attractive, particularly among entities less capable of recouping costs through price increases.

   As Enterprise Community Partners, a national non-profit dedicated to affordable housing development, explains in support of the bill, this includes affordable housing developers:

   > California is facing a severe insurance crisis that has significantly impacted the affordable housing sector in California. Between 2020 and 2022, insurance costs for affordable housing providers increased by 56% on average, with some providers experiencing rate hikes as high as 500% from 2022 to 2024. These increases, coupled with reductions in

coverage availability and scope, threaten the financial viability of affordable housing developments that the state has invested billions of dollars to build and operate. Unlike market-rate housing, where costs can be offset through rent increases or profit margins, affordable housing providers operate under strict regulations on rents as well as significant financial constraints as mission-driven organizations. As a result, many are being forced to implement coping strategies, including using operational reserves meant for one time uses, deferring necessary property maintenance and improvements, cutting services and staff, and reducing insurance coverage, which increases financial vulnerability. Even these coping strategies, however, only provide short-term relief.

Over the past several years, California has authorized similar categories of private entities operating in the public interest to enter into JPAs with public agencies for the purpose of risk pooling. These include non-profit hospitals and other non-profit organizations providing health care services, non-profit corporations that provide services for zero-emission transportation, non-profit charter schools, water corporations, and private childcare providers.

This bill would authorize non-profit housing developers to enter into JPAs with public agencies for the purpose of pooling self-insurance claims or losses. Considering the state's substantial investments in housing development, providing new tools for obtaining more affordable coverage against potential loss in this domain is arguably appropriate.

2) *Overlap with existing law*: Division 4 of the Insurance Code (commencing with Section 13900) authorizes an affordable housing entity to join with one or more other affordable housing entities in an arrangement providing for the pooling of self-insured claims or losses with respect to insurance covering liability or property, but prohibits such a pool from providing workers' compensation insurance. That statute further provides that such a pooling arrangement shall not be considered insurance, and shall not be subject to regulation under the Insurance Code.

That provision defines "affordable housing" to mean developments in which some of the dwelling units may be purchased or rented, with or without government assistance, on a basis that is affordable to persons or families of low or moderate income. It also defines "affordable housing entity" to mean any of the following: a housing authority created under the laws of this state or another jurisdiction and any agency or instrumentality of a housing authority; a nonprofit corporation organized under the laws of this state or another state that is engaged in providing affordable housing; or a partnership, general or limited, or limited liability company that is engaged in providing affordable housing that is affiliated with a housing authority, as specified.

The JPA-based risk-pooling authority provided by this bill is somewhat broader than what is provided under existing law. While existing law applies only to "affordable" housing entities, this bill would apply to any non-profit housing developer, regardless of whether the housing developed is intended to be affordable to persons or families of low or moderate income. Additionally, while existing law authorizes affordable housing entities to enter into risk-pools for the purposes of insuring against liability and property loss (and explicitly prohibits risk-pooling for workers' compensation insurance), this bill provides broader authority to pool self-insurance claims or losses, potentially including workers' compensation insurance and health insurance, among others. Rising insurance costs in any of these domains stands to reduce the capacity of non-profit housing developers to develop and maintain additional housing, and accordingly, this expansion of risk-pooling authority through the JPA mechanism provided by this bill could prove more valuable in facilitating more robust housing development in the state.

Regardless of overlap between existing law and this bill, this bill clearly provides additional tools beyond existing law for non-profit housing developers to more affordably insure against losses of all types.

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% 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.

Arguments in Support

The City and County of San Francisco argues in support of the bill:

San Francisco has more than 28,700 units of affordable housing that are owned and operated by nonprofit affordable housing developers. These projects provide stable housing for families, seniors, people with disabilities, and people exiting homelessness, but are increasingly challenged by rising operating costs, including significant increases in insurance premiums and reduced availability of coverage.

SB 1170 would provide nonprofit affordable housing developers with an additional tool to address insurance availability and affordability by allowing them to participate in risk-pooling joint powers agreements. By enabling nonprofit housing developers and public agencies to partner on self-insurance models, SB 1170 could help stabilize costs, preserve existing affordable housing, and support the production of new affordable homes.

Arguments in Opposition

None on file.

FISCAL COMMENTS

This bill was keyed non-fiscal by Legislative Counsel.

VOTES

SENATE FLOOR: 36-0-4
YES: Allen, Alvarado-Gil, Archuleta, Ashby, Becker, Blakespear, Cabaldon, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Weber Pierson, Wiener
ABS, ABST OR NV: Arreguín, Caballero, Valladares, Wahab

ASM INSURANCE: 17-0-0
YES: Calderon, Wallis, Addis, Papan, Ávila Farías, Berman, Chen, Ellis, Gipson, Hadwick, Harabedian, Krell, Nguyen, Ortega, Petrie-Norris, Michelle Rodriguez, Valencia

ASM LOCAL GOVERNMENT: 10-0-0
YES: Carrillo, Ta, Johnson, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward, Wilson

UPDATED

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