

Date of Hearing: July 1, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

SB 1388 (Durazo) – As Amended June 18, 2026

**SENATE VOTE:** Not relevant.

**SUBJECT:** Affordable Housing Risk Reduction Program

**SUMMARY:** Establishes the Affordable Housing Risk Reduction Program (AHRRP) at the Department of Housing and Community Development (HCD) to provide technical assistance and supportive resources to affordable housing providers to help them mitigate risk in their portfolio and secure more affordable insurance options. Specifically, **this bill:**

- 1) Makes various legislative findings.
- 2) Defines “alternative risk financing entities” to mean entities that manage risk outside of traditional commercial insurance lines, including, but not limited to, captives, risk retention groups, and joint powers authorities (JPAs).
- 3) Requires HCD to develop technical assistance to support affordable housing providers that are preparing to join alternative risk financing entities by doing all of the following:
  - a) Analyzing risk and identifying the most impactful risk mitigation measures;
  - b) Assisting affordable housing providers to implement risk mitigation measures, including, but not limited to, locating necessary funding; and
  - c) Identifying alternative risk financing entities and approaches and assisting during the application process.
- 4) Requires HCD to provide loans or grants to affordable housing providers for all of the following:
  - a) To facilitate affordable housing providers in implementing risk mitigation measures identified through technical assistance; and
  - b) To fund upfront costs, including, but not limited to, capital contributions, required for an affordable housing provider to join an alternative risk financing entity.
- 5) Authorizes HCD to hire a third-party consultant to develop, implement, and administer technical assistance and to administer loans and grants for the AHRRP.
- 6) Requires HCD to submit a letter of support for a housing development project that is applying for low-income housing tax credits (LIHTC) to the California Tax Credit Allocation Committee (TCAC) if a housing credit applicant determines that it cannot receive one from the applicable local agency in time to apply for LIHTC.

- 7) Requires HCD to adopt emergency regulations in consultation with stakeholders to implement the AHRRP. Provides that emergency regulations shall stay in effect until nonemergency regulations become effective.

**EXISTING LAW:**

- 1) Establishes the affordable housing risk retention pool that authorizes affordable housing entities to join in an arrangement that provides for the pooling of self-insured claims or losses against tort liability, liability to officers and employees for their acts or omissions, and physical damage to motor vehicles, personal property and real property of the affordable housing entity. Specifies that the pooling arrangement is not to be considered insurance, and will not be subject to regulation by the Insurance Commissioner. (Insurance Code, Section 13900)
- 2) Defines “affordable housing” as housing 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, as defined in Section 50093 of the Health and Safety Code. (Insurance Code, Section 13906)
- 3) Defines “affordable housing entity” as the following:
  - a) A housing authority created under the laws of this state or another jurisdiction and any agency or instrumentality of a housing authority, including, but not limited to, a legal entity created to conduct a self-insurance program for housing authorities;
  - b) A nonprofit corporation organized under the laws of this state or another state that is engaged in providing affordable housing;
  - c) A partnership, general or limited, or limited liability company that is engaged in providing affordable housing and that is affiliated with a housing if the housing authority or nonprofit corporation has one or more of the following:
    - i) A financial or ownership interest in the partnership or limited liability company or the right to acquire that interest;
    - ii) The power to direct the management or policies of the partnership or limited liability company; and
    - iii) Contract to lease, manage, or operate the affordable housing owned by the partnership or limited liability company. (Insurance Code, Section 13907)

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

**Author’s Statement:** According to the author, “SB 1388 establishes the Affordable Housing Risk Reduction Program and provides affordable housing providers with technical assistance and supportive resources to help them secure more affordable insurance options than available in the current insurance market. This will support affordable housing developers in producing and preserving essential affordable housing, particularly for low-income communities of color.

California's insurance crisis is presenting significant challenges to affordable housing providers. Many are facing limited availability of insurance coverage, significant premium and deductible cost increases, and reductions in the scope and quality of coverage. Some have reported insurance premium increases of up to 500 percent. Providers have limited options to manage increased insurance costs and experience challenges in joining existing or starting new alternative risk financing entities due to cost and access barriers. These escalating costs place additional financial strain on providers and pose challenges in addressing California's affordable housing crisis. By helping affordable housing providers pursue alternative risk financing options, SB 1388 will help California meet its housing affordability and supply needs."

***Affordable Housing Finance:*** The state finances affordable multifamily rental housing using a combination of loans, tax credits, and private activity bonds. Unlike market rate housing, affordable housing does not have enough cash-flow from rents to support conventional financing. Affordable housing is provided to tenants whose household income is below the area median income (AMI). To qualify, very low-income tenants must make 60% or less of the AMI, and lower-income tenants must make only 80% or less of AMI. Tenants in affordable housing are only required to pay 30% of their income toward rent, so the state provides enough long-term subsidy to reduce the overall debt service on a development. HCD loans serve as the permanent financing that comes in once a development is complete to take out the predevelopment and construction loans a developer took on to construct the development. HCD loans are secured with a lien in first position on the property. Developments are also subject to a 55-year recorded regulatory agreement, which runs with the project.

***Challenges Facing Affordable Housing Developments:*** Due to several factors, including the depletion of operating reserves resulting from the COVID-19 rent moratorium and unprecedented increases in insurance rates, affordable housing developments are facing financial challenges. Enterprise Community Partners recently conducted a survey of 130 affordable properties and found that on average the developments were experiencing insurance cost increases of 70%, with some providers reporting increases up to 500%. Because rents are capped, these properties have fewer options to cover these increases. In some cases, the situation is made worse because the project's operating reserves have not recovered from the rent moratoriums. Due to these financial pressures, some properties are at risk of foreclosure or becoming market-rate developments, which would eliminate vital affordable housing units.

***Alternative Risk Financing Entities:*** This bill defines alternative risk financing entities as entities that manage risk outside of traditional commercial insurance lines including captives, risk retention groups, and JPAs. Alternative risk financing refers to strategies that enable companies or groups to manage financial risk without having to rely on conventional insurance carriers. A captive is an insurance company owned by the parent organization to insure its own risks. A risk retention group is a liability company owned by its members who are also policyholders. JPAs are exercised when public officials of two or more agencies agree to establish a joint approach or create another legal entity to work on a common problem, fund a project, or act as a representative body for a specific activity.

Risk retention financing is a valuable option for affordable housing due to the need for long-term financial stability. Self-insurance pools can offer lower premiums, higher coverage limits, custom coverage, and rate stability. The Housing Authorities Risk Retention Pool (HHARP) is a JPA formed by public housing authorities from California, Nevada, Oregon, and Washington that provides risk coverage.

This bill would establish the AHRRP at HCD to provide technical assistance to developers to access alternative risk retention pools. HCD would also provide grants to developers to implement risk mitigation measures and to fund the upfront costs to join alternative risk financing entities. No funding was included in this year's budget for this program.

**Arguments in Support:** According to the Enterprise Community Partners Inc, "Affordable housing providers across California continue to face limited availability of insurance coverage, significant premium and deductible cost increases – with some facing increase as high as 500%, and reductions in the scope and quality of coverage. The highly regulated nature and thin operating margins of affordable housing make it difficult to weather the dynamic private insurance market, putting these properties, their residents, and billions of dollars of state investment at risk. Alternative risk financing options present an opportunity to address the challenges facing the sector.

Many of our affordable housing provider partners have demonstrated an interest in alternative risk financing options but face challenges joining existing or starting new alternative risk financing entities due to cost and access barriers. SB 1388 would address these barriers by providing the necessary resources and technical assistance to support affordable housing providers in accessing these alternative models. Such programs enable entities to collectively assume, manage, and finance their own risks, rather than seeking insurance on the private market. These models can help increase availability of coverage and stabilize pricing for providers in California."

**Arguments in Opposition:** None on file.

**Committee Amendments:** This bill allows HCD to use emergency regulations to implement the program and provides that the regulations take effect until the date that nonemergency regulations are implemented but does not specify when those regulations will be in effect. To ensure that the regulations are properly vetted by the Administrative Procedure Act the committee may wish to set a date by which permanent regulations are adopted.

*(b) Notwithstanding Section 11346.1 of the Government Code, emergency regulations adopted pursuant to this section shall remain in effect until the date that nonemergency regulations to implement this chapter become effective. **The department shall adopt permanent regulations for the operation of the program by January 30, 2029.***

**Author's Amendments:** The author has requested that the committee strike provisions in the bill that allow the HCD to submit a letter to the TCAC if a housing credit applicant determines that it cannot receive one from the applicable local agency in time to apply for LIHTC.

#### **50899.16.**

*(a) Upon appropriation by the Legislature for purposes of the program, the department shall do all of the following:*

~~*(1) Provide technical assistance pursuant to Section 50899.17.*~~

*(2) Provide supportive resources through loans or grants pursuant to Section 50899.18.*

*(3) Provide support for nonprofit housing developers applying for low-income housing tax credits pursuant to Section 50899.19.*

*(b) In carrying out the functions of the program, the department may enter into and perform all necessary contracts.*

*(c) In carrying out the functions of the program, the department shall consult, at a minimum, the California Tax Credit Allocation Committee and the California Debt Limit Allocation Committee.*

**50899.19.**

~~*The department may submit a letter of support for a housing development project that is applying for low income housing tax credits to the California Tax Credit Allocation Committee if a housing credit applicant determines that it cannot receive one from the applicable local agency in time to apply for low income housing tax credits pursuant to Chapter 3.6 (commencing with Section 50199.4) of Part 1.*~~

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Enterprise Community Partners, INC. (Co-Sponsor)  
Housing California (Co-Sponsor)  
Burbank Housing Development Corporation  
Downtown Women's Center  
Homes & Hope  
Little Tokyo Service Center  
Southern California Association of Non-profit Housing  
Supportive Housing Alliance  
The Unity Council

**Opposition**

None on file.

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