Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 1388 (Durazo) – As Amended July 2, 2026

Policy Committee: Housing and Community Development Vote: 10 - 1

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill establishes the Affordable Housing Risk Reduction Program (AHRRP) at the Department of Housing and Community Development (HCD) to provide technical assistance and resources to affordable housing providers to mitigate risk in their portfolio and secure more affordable insurance options.

Specifically, this bill:

1) Establishes the AHRRP to be administered by HCD and requires, upon appropriation by the legislature, HCD to provide technical assistance and supportive resources through loans and grants to affordable housing providers pursuant to the provisions of this bill.

2) Requires HCD to consult, at a minimum, with the California Tax Credit Allocation Committee (CTCAC) and the California Debt Limit Allocation Committee (CDLAC).

3) 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.”

4) Requires HCD to develop technical assistance to support affordable housing providers preparing to join alternative risk financing entities by:

   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.

   c) Identifying alternative risk financing entities and approaches and assisting during the application process.

5) Requires HCD or third-party consultants to provide individual technical assistance to affordable housing providers as well as develop technical assistance tools made broadly accessible, including training and best practice guides.

6) Requires HCD to provide loans or grants to affordable housing providers to facilitate implementing risk mitigation measures identified through technical assistance and to fund upfront costs, including capital contributions, required for an affordable housing provider to join an alternative risk financing entity.

7) Authorizes HCD to contract with third-party consultants to develop and provide technical assistance and to administer loans and grants for the AHRRP.

8) Requires HCD to adopt emergency regulations to implement the AHRRP, and to adopt permanent regulations by January 30, 2029.

FISCAL EFFECT:

1) HCD estimates General Fund costs of approximately $2.79 million in fiscal year 2027-28 and $2.29 million annually thereafter for 10 additional positions to develop a new program, provide technical assistance, administer loans and grants, and adopt emergency and permanent regulations. Staff would review applications and make awards, execute standard agreements, and create a system for monitoring program outcomes and use of funds, and after awards are made and utilized, summarize program outcomes and evaluate success.

   This estimate also includes a one-time contract cost of $500,000 in the first year for a third-party consultant to work with HCD to draft the required regulations and develop the required front-end materials, including technical assistance resources such as written guidance, video trainings, toolkits, and workbooks.

2) Costs to CDLAC and TCAC to consult with HCD are likely minor and absorbable.

   The 2026 budget act does not provide funding for this program.

COMMENTS:

1) **Purpose.** According to the author:

   > 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. By helping affordable housing providers pursue alternative risk financing options, [this bill] will help California meet its housing affordability and supply needs.

2) **Background.** Under existing law, 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 provide enough cash-flow from rents to support conventional financing. The state provides a long-term subsidy to reduce the overall debt service on a development. HCD loans serve as permanent financing once a development is complete. According to the Assembly Committee on Housing and Community Development's analysis:

   > 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. [A recent] survey of 130 affordable properties 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 refers to strategies that enable companies or groups to manage financial risk without having to rely on conventional insurance carriers. Risk retention financing may be a valuable option for affordable housing due to the need for long-term financial stability. For example, the Housing Authorities Risk Retention Pool (HHARP) is a joint powers authority formed by public housing authorities from California, Nevada, Oregon, and Washington that provides risk coverage.

This bill establishes 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.

Analysis Prepared by: Jennifer Swenson / APPR. / (916) 319-2081