SENATE COMMITTEE ON HOUSING
Senator Jesse Arreguín, Chair
2025 - 2026 Regular

Bill No:	SB 1388	**Hearing Date:**	8/27/2026
Author:	Durazo		
Version:	8/21/2026 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Ryan Hardmeyer		

SUBJECT: Affordable Housing Risk Reduction Program

DIGEST: 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 help mitigate risk in their portfolio and secure more affordable insurance options.

ANALYSIS:

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.

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.

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 authority or nonprofit corporation, as specified, if it 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.

This bill:

1) Defines "alternative risk financing entities" (ARFEs) 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.

2) Requires HCD to develop technical assistance to support affordable housing providers that are preparing for joining and joining ARFEs, which may include, but is not limited to, any 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 ARFEs and related approaches and assisting during the application process.

3) Provides that HCD may contract with third-party consultants to assist with the development, implementation, and administration of the technical assistance described in 3).

4) Provides that HCD or third-party consultants may provide both individual technical assistance to affordable housing providers and develop technical assistance tools that can be made broadly accessible to affordable housing providers, including, but not limited to, training and best practice guides.

5) 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.

Background

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 50% 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.

Comments

1) *Author's statement.* "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."

2) *Challenges for 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.

3) *ARFEs.* This bill defines ARFEs 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. While membership is not broken down by state, as of 2025, there are 83 member public housing authorities who participate in the program. This bill would establish the AHRRP at HCD to provide technical assistance to affordable housing providers to access alternative risk retention pools, such as HHARP. The bill would not provide for the creation of new ARFEs. No funding was included in this year's budget for this program.

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.

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

POSITIONS: (Communicated to the committee before noon on Tuesday, August 25th.)

SUPPORT:

Enterprise Community Partners, INC. (Co-sponsor)
Housing California (Co-sponsor)
Abode Housing Development
Eah Housing
Housing Trust Silicon Valley

OPPOSITION:

None received.

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