
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

SB 417 (Cabaldon) - The Affordable Housing Bond Act of 2026

Version: February 18, 2025

Urgency: Yes

Hearing Date: January 20, 2026

Policy Vote: HOUSING 8 - 1

Mandate: No

Consultant: Mark McKenzie

Bill Summary: SB 417, an urgency measure, would enact the Affordable Housing Bond Act of 2026, and authorize the sale of \$10 billion in general obligation bonds for specified affordable housing programs, upon approval by voters at the June 2, 2026 statewide primary election.

Fiscal Impact:

- **Bond costs:** Total principal and interest costs to pay off the bonds would be approximately \$17.39 billion (\$10 billion in principal and \$7.39 billion in interest), with average annual debt service payments of \$580 million (General Fund), when all bonds are sold, and assuming a 30-year maturity and an interest rate of 4.02% (the average weighted interest rate secured by the State Treasurer over several general obligation bond sales in 2025). If interest rates increase to 5% in the near future, annual debt service would be approximately \$651 million (General Fund) and total principal and interest costs over the repayment period would be approximately \$19.5 billion. Staff notes that this bill explicitly authorizes a maturity date of up to 35 years from the date of issuance of each bond. The estimated annual debt service costs would be lower, but total interest costs would be higher over the repayment period, if the bonds are sold with a 35-year maturity date.
- **Administrative costs:** The Department of Housing and Community Development (HCD) would incur significant increased staffing and operations costs to administer the various housing programs funded by this Bond Act (Affordable Housing Bond Act Trust Fund of 2026). HCD expects to utilize up to 5% of bond proceeds dedicated to the programs it administers, or up to \$465 million in total, for administrative costs. See staff comments.

The California Housing Finance Agency (CalHFA), which administers the Downpayment Assistance Program, does not anticipate significant additional administrative costs as a result of this measure.

- **Ballot costs:** One-time Secretary of State (SOS) costs, likely in the range of \$4 million in the 2025-26 fiscal year (General Fund), to generate and mail a supplemental pamphlet to voters for the June 2, 2026 primary election, due to the compressed timeline and deadlines in the Elections Code for measures to be included in the main Voter Information Guide pamphlet that is mailed to voters. See Recommended Amendments below.

Background: Existing law establishes the following programs:

- The Multifamily Housing Program (MHP), which is administered by HCD to assist the new construction, rehabilitation, and preservation of permanent and transitional rental housing, including supportive housing, for lower income households through loans to local governments and non- and for-profit developers.
- The Infill Infrastructure Grant Program of 2019 (IIG), which is administered by HCD to allocate grant funds for capital improvement projects that are an integral part of, or necessary to facilitate the development of, affordable and mixed-income housing projects on qualifying infill sites, as specified.
- The Portfolio Reinvestment Program, which is administered by HCD to provide loans or grants to rehabilitate, capitalize operating subsidy or replacement reserves for, and extend the long-term affordability of HCD-funded housing projects that have an affordability restriction that has expired, that have an affordability restriction with a remaining term of less than 10 years, or are otherwise at-risk for conversion to market-rate housing.
- The Tribal Housing Grant Program, which is administered by HCD to allocate competitive and entitlement grant funding to federally-recognized Indian reservations and Rancherias, and tribally designated housing entities, for specified affordable housing projects and purposes.
- The Joe Serna, Jr. Farmworker Housing Grant Program (Serna Program), which is administered by HCD to finance the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households.
- The CalHome, which is administered by HCD to provide grants to local public agencies and non-profit developers to assist individuals and households through deferred-payment loans. The funds provide direct, forgivable loans to assist development projects involving multiple ownership units, including single-family subdivisions.

Existing law authorizes CalHFA to provide first time homebuyer assistance, including but not limited to a deferred-payment, low-interest, subordinate mortgage loan, including down payment assistance, closing cost assistance, or both, to make financing affordable to low- and moderate-income households.

Proposed Law: SB 417, an urgency measure, would enact the Affordable Housing Bond Act of 2026, which places a \$10 billion general obligation bond before voters in the June 2026 statewide primary election to finance specified affordable housing and homeownership programs. If approved, the measure directs proceeds of bonds issued and sold for the following:

- \$5.25 billion deposited in the Housing Rehabilitation Loan Fund to be used for the MHP and IIG Programs. At least 10% of assisted units in each development receiving funding must be available for extremely low-income households.
- \$1.75 billion to be deposited in the Housing Rehabilitation Loan Fund to be used for supportive housing administered through the MHP program. The measure requires

HCD to offer capitalized operating subsidy reserves for supportive housing developments receiving funding.

- \$800 million to be appropriated by the Legislature for the Portfolio Reinvestment Program.
- \$500 million to be appropriated by the Legislature to HCD for a new program to fund the acquisition and rehabilitation of unrestricted housing units and attach long-term affordability restrictions on the housing units, while safeguarding against the displacement of current residents, and to rehabilitate housing that has been significantly damaged or eliminated by a federally-recognized natural disaster. The measure includes legislative intent that criteria regarding eligibility and use for the funds would be established in statute.
- \$200 million to be appropriated by the Legislature for a new program to fund wildfire prevention and mitigation, wildfire displacement assistance, and acceleration of construction of affordable housing in rental markets impacted by wildfires.
- \$1 billion to be appropriated by the Legislature to provide homeownership opportunities through the CalHOME Program administered by HCD, and the home purchase assistance program administered by CalHFA.
- \$250 million to be appropriated by the Legislature for the Joe Serna, Jr. Farmworker Housing (Serna) Program.
- \$250 million to be appropriated by the Legislature for the Tribal Housing Grant Program administered by HCD.

SB 417 would authorize the Legislature to amend any of the statutes related to programs funded by this measure to improve the efficiency and effectiveness of those programs, and to reallocate proceeds of bonds among those programs as necessary to effectively promote the development of affordable housing in this state. The bill would also authorize HCD to disburse any funds made available to housing development projects funded by this measure during the construction period.

The measure only takes effect if adopted by the voters at the June 2, 2026 statewide election, and contains an urgency clause giving the measure immediate effect if enacted.

Related Legislation: AB 736 (Wicks), the Affordable Housing Bond Act of 2026, which is currently pending in the Senate Rules Committee, would authorize the sale of \$10 billion in general obligation bonds to fund various affordable housing programs, upon approval of the voters at the June 2, 2026 statewide primary election. AB 736 is substantially similar to this bill, but includes funding for the existing Low-Income Weatherization Program, rather than funding for a new wildfire prevention, rental assistance, and affordable housing construction program.

SB 492 (Menjivar), which is currently pending in this Committee, would authorize the sale of an unspecified amount of general obligation bonds for purposes of funding youth

centers and youth housing programs, upon approval of the voters at the next statewide general election.

AB 1657 (Wicks), which was placed on this Committee's Suspense File in 2023, and did not advance to the Senate Floor, would have enacted the Affordable Housing Bond Act of 2024, which authorized the sale of \$10 billion in general obligation bonds, upon approval of the voters at the March 5, 2024 statewide election.

SB 225 (Caballero), which died on the Assembly Inactive File in 2024, would have established the Community Anti-Displacement and Preservation Program to fund the acquisition and rehabilitation of unrestricted housing units, and attach affordability restrictions on those units, while safeguarding against the displacement of current residents, as specified.

Staff Comments: The State Treasurer sold over \$6 billion in general obligation bonds for various purposes in 2025 (including both new money bonds and refunding bonds to refinance previously issued general obligation bonds). The weighted average all-in interest rate on general obligation bond sales over the 2025 calendar year was approximately 4.02%. The fiscal impact estimates noted above assume equivalent rates but also note the difference in debt service costs if the rate rose to historical averages of 5%. Staff notes that interest rates for general obligation bond sales have fluctuated in recent years, with rates as low as 2% in 2021 and as high as 5.06% in October of 2025. California's GO Bonds are currently rated Aa2 by Moody's Investor Service, AA- by S&P Global Ratings, and AA by Fitch Ratings.

The General Obligation Bond Law generally requires proceeds from the sale of bonds to be used for the costs of construction or acquisition of "capital assets." This term is defined as tangible physical property with a useful life of 15 years or more, but may also include other physical property and associated construction work and equipment with a lower expected useful life, as specified. Staff notes that this measure provides an explicit exemption from the requirement that bonds be used for the construction or acquisition of capital assets, as specified in the General Obligation Bond Law. The Committee may wish to consider whether it would be more prudent to use the General Fund, or another appropriate funding source, to pay for any expenditures that would not qualify as a "capital asset" with a sufficient useful life, rather than incurring interest to repay bonds over 30-35 years for goods or services that do not have an extended useful life.

SB 417 would allocate proceeds from the sale of general obligation bonds for seven existing programs, six of which are administered by HCD, and for two new programs to be created by the Legislature and likely administered by HCD: one to fund the acquisition and rehabilitation of unrestricted housing units and attachment of affordability restrictions to those units, and one for a wildfire prevention, mitigation, and displacement assistance program. Staff notes that the former program anticipates passage of a measure that would be similar to bills introduced in a previous legislative session (SB 490 (Caballero, 2022) and SB 225 (Caballero, 2023)). To date, no new bills have been introduced in the current legislative session to establish either of the new programs specified in this bill.

HCD indicates that it would incur significant increased staffing and operating costs to create and administer two new housing programs, including costs to engaging stakeholders in program design, drafting program guidelines and application documents, reviewing applications and conducting financial feasibility and underwriting activities, disbursement of funds, and performing long-term monitoring and compliance duties for funded projects and activities. While HCD did not provide a detailed estimate of projected staffing needs associated with these new programs or the staffing and operational needs associated with substantial new funding for existing programs, their previous estimates associated with AB 1657 (Wicks) from the 2023-24 legislative session, a substantially similar measure, may serve as an approximation of needs for illustrative purposes. The following is an excerpt from this Committee's analysis of AB 1657 (Wicks):

HCD anticipates that this bond program would allow MHP to triple its annual funding allocation, in addition to the creation of two new programs, as specified, which would require an additional 25.0 to 30.0 PY of new staff in the first budget year and ongoing. In addition, HCD anticipates that this bond would allow for the issuance of approximately 1,000 new loans to support the development of affordable housing and 300 grants over 10 years. To close this volume of loans and manage those grants, HCD estimates a need for approximately 70.0 to 75.0 PY of new personnel, and an additional 30.0 to 35.0 PY of staffing to be hired on a staggered basis over the life of the bond for long term management and compliance monitoring of the funded projects. Total staffing needs are estimated to be between 125.0 and 140.0 PY, with some immediate needs and others added over a subsequent decade.

HCD expects total staffing needs associated with SB 417 to be within the typical 5% cap for administrative costs authorized by housing bond measures, and does not anticipate a General Fund impact related to its administrative costs. Staff notes that the measure does not include explicit authority for HCD and other administering entities to use up to 5% of bond allocations for administrative purposes, but the General Obligation Bond law authorizes bond proceeds to be used to pay the costs of a state agency for administering a grant or loan program, as specified. (Government Code Sec. 16727). The Committee may wish to consider an amendment to explicitly authorize administering entities to use up to 5% of bond proceeds for administrative purposes.

Recommended Amendments: As noted above, the SOS would incur significant costs to produce and mail a supplemental pamphlet and ballot to voters that includes information related to this Bond Act because there would be insufficient time to include it in the main Voter Information Guide ballot pamphlet for the June 2, 2026 statewide primary election. Staff recommends an amendment to instead require the Affordable Housing Bond Act of 2026 to be submitted to voters at the November 3, 2026 statewide general election. The SOS indicates that printing and mailing costs associated with placing a measure on the statewide ballot are generally estimated to be approximately \$123,000 per page, based on the average costs for recent elections, and depending on the length of the ballot. These per page costs assume that SB 417 is enacted with sufficient time to include the Bond Act as part of the main November 3, 2026 general election ballot pamphlet. Assuming this Bond Act would add 6-8 additional pages to the Voter Information Guide ballot pamphlet, SOS costs would be reduced to a range of \$784,000 to \$984,000 in the 2026-27 fiscal year (General Fund). Actual costs would

depend upon the length of the title and summary, analysis by the Legislative Analyst's Office, proponent and opponent arguments, and text of the proposal.

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