

SENATE THIRD READING
SB 417 (Cabaldon)
As Amended January 22, 2026
2/3 vote. Urgency

SUMMARY

Authorizes the Affordable Housing Bond Act of 2026 to place a \$10 billion bond on the November 3, 2026, ballot to fund affordable multi-family housing and supportive housing.

Major Provisions

- 1) Authorizes \$10 billion in general obligation bonds at the November 3, 2026, statewide general election to fund the following programs:
 - a) \$5.25 billion to Multifamily Housing Program (MHP). At least 10% of units in a MHP development must be available for extremely low-income households;
 - b) \$1.75 billion to supportive housing administered through the MHP program. Requires HCD to offer capitalized operating subsidy reserves for supportive housing developments receiving funding;
 - c) \$800 million for the Portfolio Reinvestment Program, which provides funding to rehabilitate, fund short-term capitalized operating subsidy reserve, and extend the long-term affordability of HCD-funded rental multifamily housing projects that are at-risk of conversion to market-rate housing;
 - d) \$250 million for the Tribal Housing Grant Program;
 - e) \$500 million for a program to be created by the Legislature that funds acquisition and rehabilitation of unrestricted housing units (*i.e.*, unsubsidized housing that may naturally be affordable) and the attachment of long-term affordability restrictions to the units;
 - f) \$1 billion to the CalHOME Program and the My Home down payment assistance program administered by CalHFA;
 - g) \$250 million to the Joe Serna, Jr. Farmworker Housing (Serna) Program and a dedicated program for tribes to finance housing and housing related activities that will enable tribes to rebuild and reconstitute their communities; and
 - h) \$200 million for wildfire prevention, rental assistance, and affordable housing construction.
- 2) Authorizes the Legislature to amend any law related to programs which have been allocated funds by the bond to further improve the efficacy and effectiveness of those programs.
- 3) Authorizes the Legislature to reallocate funds authorized by the bond to effectively promote affordable housing in the state.
- 4) Authorizes HCD to disperse funds made available through the bond to housing developments during the construction period.

- 5) Includes the following definitions:
 - a) "Board" means HCD for programs administered by the department and CalHFA for programs administered by the agency;
 - b) "Committee" means the Housing Finance Committee; and
 - c) "Fund" means the Affordable Housing Bond Act of 2026.
- 6) Authorizes the Committee, upon a request by the board, to determine whether or not it is necessary and desirable to issue bonds, upon a request by the board, and if so, the bonds will be issued and sold.
- 7) Authorizes the board to request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account to support the bond.
- 8) Includes an urgency clause.

COMMENTS

Affordable Housing Need: According to the 2022 Statewide Housing Plan, to meet California's unmet housing needs, the state needs an additional 2.5 million housing units, including 1.2 million for lower-income households. Decades of underbuilding have led to a lack of housing overall, particularly housing that is affordable to lower-income households. The state needs an additional 180,000 new units of housing a year to keep up with demand – including about 80,000 units of housing affordable to lower-income households. By contrast, production in the past decade has been under 100,000 units per year – including less than 20,000 units of affordable housing per year.

Furthermore, the state's homelessness crisis is driven by the lack of affordable rental housing for lower income people. According to the California Housing Partnership's (CHP's) Housing Need Dashboard, in the current market, over 2 million extremely low-income and very low-income renter households are competing for roughly 750,000 available and affordable rental units in the state. Over three-quarters of the state's extremely low-income households and over half of the state's very low-income households are severely rent burdened, paying more than 50% of their income toward rent each month.

Despite recent investments over the last few years, state and local governments have not significantly invested in affordable housing production in decades, leading to a lack of supply. In addition, local governments have failed to adequately zone or plan for affordable housing for decades. In the last eight years, the state has taken major steps to increase the supply of housing by requiring local governments to plan and zone for 2.5 million new housing units, holding local governments accountable for approving housing, and streamlining both affordable housing and mixed-income housing.

Affordable Housing Funding: Developing housing that is affordable to very low- and low-income families requires some amount of public investment. Due to the high cost of land and construction materials and significant regulatory barriers, the private market does not build housing that is affordable for lower income households. The state provides public subsidies to non-profit and for-profit developers to build affordable housing that is deed restricted for 55

years. It is important to note that a single affordable housing unit serves more than one individual over the course of its 55-year affordability term. Most affordable housing units will serve 17.5 people over the term. Historically, the state has funded affordable housing production through voter-approved bonds and low-income housing tax credits (LIHTC). Only in the last few years have the Legislature and the Governor allocated General Fund dollars to affordable housing.

Beginning in 2019, an unprecedented \$8 billion in General Fund has gone to a variety of affordable housing programs. According to the Legislative Analyst's Office, while the budget picture is fair for the upcoming year, the outlook suggests that the state faces double-digit operating deficits in the years to come. The last voter-approved bond, the Veterans and Affordable Housing Bond Act of 2018, authorized \$3 billion to fund state affordable housing programs and \$1 billion for the CalVet program, which provides mortgages to veterans. All of the funding from the bond, including \$1.5 billion for the state's flagship affordable multi-family rental housing program – MHP – has been fully allocated.

In addition to bond proceeds and the General Fund, the federal and state government both subsidize affordable housing through LIHTC. The federal government offers two forms of tax credits, a 9% and a 4% credit. The 9% credit equates to approximately \$109 million in annual subsidy. The 4% credits are unlimited but must be paired with private activity bonds (PABs), which are capped. Since 1986, the state has offered a state LIHTC that generally equates to about \$100 million each year. In 2019, AB 101 (Budget Committee, Chapter 159) was signed into law, providing an additional \$500 million in "enhanced" state LIHTCs in 2020 and future years, subject to appropriation. Twenty-five million of the \$500 million in enhanced LIHTC is available for farmworker housing developments. The enhanced LIHTC must be paired with 4% federal credits in an effort to capitalize on the unlimited nature of those credits and to leverage PABs. The Governor did not include any funding for affordable housing in his January budget, including zeroing out the \$500 million in enhanced state LIHTC that has been allocated since 2019.

In 2025, H.R.1 lowered the private activity bond (PAB) financing threshold from 50% to 25% of land and building costs. Due to this change, affordable housing developments financed with PABs issued after Dec. 31, 2025, qualify for 4% LIHTCs with much fewer bonds than before. As a result, the PABs and 4% LIHTC will be able to stretch much further than in the past. To fully leverage this change, the state will need additional gap financing to pair with these PABS and credits. Estimates suggest that the state may be able to double our affordable housing production, from 20,000 to 40,000 units, with the additional bond cap.

Other Funding for Affordable Housing: In 2017, the Legislature passed SB 2 (Atkins), Chapter 364, which created a permanent funding source for affordable housing through a \$75 recording fee on real estate documents, excluding those recorded at the time of sale of a property. The fee generates between \$300 million and \$500 million each year. Seventy percent of the funds must go directly to counties to spend on housing priorities. The remaining 30% is split between the CalHFA Mixed Income Housing program, the Joe Serna, Jr. Farmworker Housing Program, and funds for state incentive programs.

The Affordable Housing and Sustainable Communities (AHSC) Program is one of the state's few affordable housing programs that receives ongoing funds. The program is funded by a continuous appropriation of 20% of funds from the Greenhouse Gas Reduction Fund (GGRF), funded by proceeds of the cap-and-trade system. Because AHSC is a GHG reduction program,

applicants who receive awards are responsible for monitoring and reporting their projects' emissions reductions using a quantification methodology certified by the California Air Resources Board. Since 2015, there have been ten rounds of AHSC funding, investing \$2.5 billion in affordable housing to produce 15,324 affordable housing units and reducing 4.4 million tons of CO₂e. In 2025, the budget extended the GGRF through 2045, and the investments were adjusted so that AHSC was locked in at \$800 million a year, provided Cap and Invest proceeds are maintained.

Supportive Housing: Supportive housing combines non-time-limited affordable housing assistance with wrap-around supportive services for people experiencing homelessness, as well as other people with disabilities. The state has funded supportive housing through MHP and the No Place Like Home Program (NPLH). NPLH authorized the state to issue \$2 billion in General Obligations bonds against revenues from the Mental Health Services Act – a 1% tax on millionaires in the state. Those funds supported the construction of over 7,000 supportive housing units, and the funds are now exhausted. The voters passed Proposition 1 in March of 2024 to strengthen California's behavioral health system by funding mental health treatment, substance use disorder services, and supportive housing for veterans and individuals facing homelessness. The Proposition 1 bond included \$1.98 billion for supportive, with \$1.065 billion designated for veterans and \$922 million for other people experiencing or at risk of homelessness with behavioral health challenges. SB 417 would provide \$1.75 billion to supportive housing for people at risk or experiencing homelessness. In addition, the bond would require that 10% of any units created through MHP go to people who are extremely low-income (at or below 30% of area median income), who may be at greater risk of homelessness.

Other Programs: SB 417 would require a portion of the bond proceeds to go toward a program to finance housing and housing-related activities that will enable tribes to rebuild and reconstitute their communities. SB 1187 (McGuire), Chapter 295, Statutes of 2024, created the Tribal Housing Grant Program (THGP) at HCD for the construction and rehabilitation of rental and for-sale housing. SB 417 also references funding for a program to be created by the Legislature that funds the acquisition and rehabilitation of unrestricted housing units and attachment of long-term affordability restrictions to the units. SB 490 (Caballero) of 2022 and SB 225 (Caballero) of 2024 would have created such a program, but both bills were held at various stages during the legislative process. In addition, SB 417 would set aside \$200 million for wildfire prevention, rental assistance, and affordable housing construction.

Funding Infrastructure: Funding for infrastructure was significantly reduced with the loss of redevelopment over a decade ago. The Legislature has prioritized policies and funding for infrastructure for mixed income and affordable housing. The Infrastructure Grant (IIG) Program was created in 2007 to provide funding for infrastructure that supports higher-density affordable and mixed-income housing in locations designated as infill. Under the program, developers and local governments can partner to apply for infrastructure funding, including the development or rehabilitation of parks or open space; water, sewer, or other utility service improvements; streets; roads; sidewalks; and environmental remediation. Originally, bond funding was provided for the program through the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) and the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1). Since 2019-20, the budget included \$775 million General Fund for the IIG Program. The IIG program was changed in 2019 to include funding for small jurisdictions, ensuring that funds were allocated across the state. The program includes a 10% set-aside in rural areas and allows a local government to

apply for funding without a developer partner. The funds can be used in areas where developers are not building because the infrastructure is not adequate to support development.

In 2022, through the budget process, the state created an IIG Catalytic program with the goal of providing financial assistance for Capital Improvement Projects (CIPs or Projects) that are necessary to facilitate the development of Catalytic Qualifying Infill Areas. Sites and parcels that make up Catalytic Qualifying Infill Areas must have been either previously developed (within the last ten years) or largely surrounded by sites developed with Urban Uses. IIG does not directly fund the construction of housing units, but is estimated to have supported the creation of 10,628 homes between 2019-20 and 2022-23. SB 417 includes some funding for IIG as part of the \$5.25 billion allocated to MHP, but does not specify the amount that would go to IIG.

Differences Between SB 417 and AB 736 (Wicks) (2026): This bill funds all of the same programs as AB 736 (Wicks), also a \$10 billion affordable housing bond, with a few differences. SB 417 has an additional \$25 million in MHP; includes IIG in the MHP funding for the bond but does not specify how much goes to the program, includes \$100 million less for the Joe Serna Jr. Farmworker Housing Program, and includes \$200 million for a new wildfire prevention, rental assistance, and affordable housing construction program.

According to the Author

"California has provided affordable housing developers with new tools to streamline permitting for affordable housing on hundreds of thousands of parcels throughout the state. Unlocking the promise of the state's landmark housing policies requires cash to move to construction. SB 417 proposes placing the \$10 billion Affordable Housing Bond Act of 2026 on the November ballot, allowing voters to decide whether to make a critical investment in expanding the state's affordable housing stock.

This bond would also enable California to leverage matching federal resources, including federal housing tax credits, maximizing the impact of state dollars. The Affordable Housing Bond Act of 2026 represents a necessary and effective step toward addressing the housing crisis Californians face every day."

Arguments in Support

A larger coalition of affordable housing organizations writes in support of this bill, "the Affordable Housing Bond Act of 2026 (SB 417, Cabaldon) comes at a crucial time for California. Historically, the state has used voter-approved General Obligation bonds to fund the construction and rehabilitation of affordable housing. However, the \$3 billion bond funds authorized by the Veterans and Affordable Housing Bond Act of 2018 was fully allocated by the end of 2024. Further, recent federal changes make it possible for California to nearly double affordable housing production, but only if the State invests \$4.1 billion annually to leverage \$6.7 billion in available federal funding. The average state investment in affordable housing leverages public and private dollars at a rate of 5 to 1. Without additional state resources, we cannot take full advantage of 4% federal Low-Income Housing Tax Credits, leaving billions of dollars of federal assistance on the table."

Arguments in Opposition

Habitat for Humanity is opposed to this bill unless it is amended to specify that 10% of the bond proceeds go to CalHOME. This bill currently designates \$1 billion to the CalHOME Program and the My Home down payment assistance program administered by CalHFA, but does not specify how much would be allocated to each program.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

- 1) *Bond Costs.* Estimated total principal and interest costs to pay off the bonds of approximately \$17.39 billion (\$10 billion in principal and \$7.39 billion in interest), with General Fund (GF) debt service payments of approximately \$580 million annually when all bonds are sold. This assumes an interest rate of 4.02% (the rate secured by the State Treasurer over several general obligation bond sales in 2025) and a 30-year maturity. Actual costs would depend on the interest rate and the timing of the sales.
- 2) *Administrative Costs.* HCD would incur significant increased staffing and operating costs to administer the various housing programs funded by the bond act. Consistent with previous housing bond measures, HCD expects to utilize up to 5% of bond proceeds for administrative purposes. HCD indicates final staffing estimates would fall within these parameters and it does not anticipate a GF impact.

The California Housing Finance Agency (CalHFA), which administers the downpayment assistance program, does not anticipate significant additional administrative costs.

- 3) *Ballot Costs.* Estimated one-time GF costs to the Secretary of State (SOS) in the range of \$984,000 to \$1.23 million for printing and mailing costs to place the measure on the ballot in the November 3, 2026, statewide election. This estimate assumes an average per-page cost of \$123,000 and the addition of eight to ten pages in the Voter Information Guide.

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

VOTES

SENATE FLOOR: 30-9-1

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNERNEY, Menjivar, Padilla, Pérez, Reyes, Richardson, Rubio, Smallwood-Cuevas, Stern, Umberg, Wahab, Weber Pierson, Wiener

NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Ochoa Bogh

ASM HOUSING AND COMMUNITY DEVELOPMENT: 10-2-0

YES: Haney, Patterson, Ávila Farías, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Wicks, Wilson

NO: Ta, Tangipa

ASM APPROPRIATIONS: 12-3-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Dixon, Ta, Tangipa

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