Office of Senate Floor Analyses
(916) 651-4171

UNFINISHED BUSINESS

Bill No: SB 417
Author: Limón (D) and Rivas (D), et al.
Amended: 6/22/26
Vote: 27 - Urgency

SENATE HOUSING COMMITTEE: 8-1, 1/6/26
AYES: Wahab, Arreguín, Cabaldon, Caballero, Cortese, Durazo, Grayson, Padilla
NOES: Seyarto
NO VOTE RECORDED: Ochoa Bogh, Reyes

SENATE APPROPRIATIONS COMMITTEE: 5-2, 1/22/26
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

SENATE FLOOR: 30-9, 1/27/26
AYES: 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
NOES: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Seyarto, Strickland, Valladares
NO VOTE RECORDED: Ochoa Bogh

ASSEMBLY FLOOR: 6/25/26 – Roll call not available

SUBJECT: The Veterans and Affordable Housing Bond Act of 2026

SOURCE: Author

DIGEST: This urgency bill would enact the Veterans and Affordable Housing Bond Act of 2026, which, if adopted by the voters in the statewide election November 2, 2026, would authorize $11.25 billion in general obligation bonds to fund specified housing programs.

Assembly Amendments of 6/22/26:

1) Increase the bond authorization by $1.25 billion for the Department of Veteran Affairs (CalVet) Home Loan Program, for a total bond authorization of $11.25 billion.

2) Add funds for youth housing, student housing, the Local Housing Trust Fund Matching Grant Program, and funds for the acquisition, conversion, or rehabilitation of interim housing to permanent housing, including scattered site projects for persons who are homeless, chronically homeless, or are at risk of homelessness, as specified.

3) Revise funding allocations to the following programs: Multifamily Housing Program (MHP), MHP-Supportive Housing, Portfolio Reinvestment Program (PRP), CalHome, Joe Serna Jr. Farmworker Housing Program (Serna), Tribal Housing Grant Program, Infill Infrastructure Grant (IIG) Program of 2019, and California Housing Finance Agency (CalHFA) downpayment assistance program.

ANALYSIS:

Existing law:

1) Authorized the Veterans and Affordable Housing Bond Act of 2018, which provided $4 billion in funding, including $1 billion for the Department of Veterans Affairs (CalVet) program and $3 billion for various affordable housing programs.

2) Establishes MHP at the California Department of Housing and Community Development (HCD) to assist the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower income households through loans to local governments and non- and for-profit developers.

3) Establishes the PRP 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 either expired, that has a remaining term of less than 10 years, or are otherwise at-risk for conversion to market-rate housing.

4) Establishes the Serna Program at 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.

5) Establishes CalHome at 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.

6) 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.

This urgency bill:

1) Enacts the Veterans and Affordable Housing Bond Act of 2026, which, if adopted by the voters in the statewide election on November 2, 2026 statewide election, would authorize $11.25 billion in general obligation bonds to fund the following programs:
   a) $5.1 billion to MHP. At least 10% of units in a MHP development must be available for extremely low-income households;
   b) $1.25 billion to the CalVet Home Loan Program to assist veterans in purchasing homes;
   c) $1.15 billion to supportive housing administered through the MHP program. Requires the administering agency to offer capitalized operating subsidy reserves for supportive housing developments receiving funding;
      i) Up to 15% shall be made available as grants to acquire capital assets for the acquisition, conversion, or rehabilitation of interim housing to permanent housing, including scattered site projects for persons who are homeless, chronically homeless, or are at risk of homelessness, the purchase of affordability covenants and restrictions for units, relocation costs for individuals who are being displaced as a result of rehabilitation of existing units, and capitalized operating subsidies for units purchased, converted, or altered with funds made available by this measure.
      ii) $150 million shall be used for youth housing, as specified.

   d) $750 million to PRP. Funds not encumbered by November 3, 2036, shall revert to MHP.

e) $200 million to a 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. Any funds not allocated within the first three years shall be made available for MHP.
f) $600 million to CalHome to provide direct, forgivable loans to assist development projects involving multiple home ownership units, including single-family subdivisions, for self-help mortgage assistance programs, and for manufactured homes. Funds not encumbered by November 3, 2036, shall revert to MHP.
g) $500 million to CalHFA for purposes of the home purchase assistance program.
h) $450 million to the Serna Program to fund grants or loans, or both, for the construction or rehabilitation of housing for agricultural employees and their families or for the acquisition of manufactured housing as part of a program to address and remedy the impact of current and potential displacement of farmworker families from existing labor camps, mobilehome parks, or other housing. Funds not encumbered by November 3, 2036, shall revert to MHP.
i) $200 million to the Tribal Housing Grant Program to finance housing and housing-related activities that will enable tribes to rebuild and reconstitute their communities. Funds not encumbered by November 3, 2036, shall revert to MHP.
j) $500 million to the Infill Infrastructure Grant Program of 2019 for infill incentive grants to assist in the new construction and rehabilitation of infrastructure that supports high-density affordable and mixed-income housing in locations designated as infill. Funds not encumbered by November 3, 2036, shall revert to MHP.
k) $350 million for new affordable student housing projects. This funding shall be split evenly among the University of California and the California State University.
l) $200 million for the Local Housing Trust Fund Matching Grant Program to fund competitive grants or loans to local housing trust funds that develop, own, lend, or invest in affordable housing and to create pilot programs to demonstrate innovative, cost-saving approaches to creating or preserve affordable housing. Any funds not encumbered within the first three years shall be made available for MHP.

2) Authorizes the Business, Consumer Services, and Housing Agency, or its successor, to align or streamline the programs funded by the bond to improve efficiency and accelerate the deployment of funds, provided the expenditures

remain consistent with the purposes and eligible uses approved by the voters and the Legislature.

3) Authorizes the Legislature to reallocate the proceeds of bonds issued and sold pursuant to this bill among the programs to which funds are to be allocated to effectively promote the development of affordable housing in this state.

Background

Affordable housing finance generally. California has the largest concentration of severely unaffordable housing markets in the nation, with the average home value in California at $877,285. To keep up with demand, HCD estimates that California must plan for the development of more than 2.5 million homes by 2031, and no less than one million of those homes must meet the needs of lower-income households (more than 640,000 very low-income and 385,000 low-income units are needed).

Developing housing that is affordable to very low- and low-income families almost always requires some amount of public investment. Unlike market-rate housing, 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. The high cost of land and construction, as well as regulatory barriers, in California generally makes it economically impossible to build new housing that can be sold or rented at prices affordable to such households. The private sector sometimes provides financial subsidies or land donations mandatorily through inclusionary zoning policies or voluntarily through density bonus ordinances. In most cases, however, some amount of public financial subsidy is needed from federal, state, and/or local governments.

Comments

Publicly available funds for affordable housing. Prior to 1974, the federal government invested heavily in affordable housing construction. When those units began to deteriorate, the Housing and Community Development Act ended most new construction of public housing and the Housing Choice Voucher Program (Section 8) was created in its place. This new program allowed eligible tenants to pay only a portion of their rent (based on their income) and shifted funds from public housing authorities to the private sector. The goal was to eliminate concentrations of low-income people in housing developments. In 1981, the Reagan administration dismantled federal affordable housing funding. From 1978 to 1983, the funding for low- to moderate-income housing decreased by 77%. In 1970, there were 300,000 more low-cost rental units (6.5 million) than low-income renter households (6.2 million). By 1985, however, the number of low-cost units had fallen to 5.6 million, and the number of low-income renter households had grown to 8.9 million, a disparity of 3.3 million units. Federal investments have not gone back up to pre-1978 levels, and measures like the Faircloth amendment have hamstrung federal investments in new publicly-funded affordable units.

At the state level, California has invested significantly in affordable housing construction and rehabilitation in recent years through the passage of one-time discretionary actions in the budget and the passage of voter approved bonds.

Only in the last few years have the Legislature and Governor allocated General Fund dollars to affordable housing programs. Beginning in 2019, an unprecedented $8 billion from the General Fund has gone to a variety of affordable housing programs. The Veterans and Affordable Housing Bond Act of 2018 (Proposition 1), authorized $3 billion to fund state affordable housing programs and $1 billion for the CalVet program, which provides advantageous mortgages to veterans. All of the funding from the bond was fully allocated by the end of 2023. Proposition 2 of 2018 authorized the state to issue $2 billion in General Obligations bonds against revenues from the Mental Health Services Act for purposes of funding the No Place Like Home Program (NPLH). Those funds supported the construction of over 7,000 supportive housing units and the funds are now exhausted.

It should be noted that of these investments, only funds from the Affordable Housing and Sustainable Communities program (AHSC) – funded by the state's Cap and Invest Program, federal and state low income housing tax credits, and funds from SB 2 (Atkins, Chapter 364, Statutes of 2017), are ongoing sources of funding for the development of affordable housing in the state.

These investments, while critical, have not made up for decades of disinvestment from the federal level, resulting in a supply-side shortage of affordable housing to meet the growing demand. Significant ongoing investments are necessary to meet the current undersupply of housing affordable to lower-income families. According to the bill sponsors, California has nearly 45,000 shovel-ready affordable homes that cannot move forward due to lack of gap financing.

Who benefits from affordable housing? Most subsidized affordable housing developments are built for families and individuals with household incomes at or below 60% of the Area Median Income (AMI); as noted above, AMI is set regionally and means different things in different areas of the state. While these income limits may seem low, many middle- and working-class families fall into these income categories due to the high cost of housing in their region. For example, a renter earning minimum wage (*e.g.*, pre-school teacher, janitor, or retail employee) needs to earn 2.8 times the state minimum wage to afford the average asking rent in California. The average beginning elementary school teacher in California makes between $55,000 - $62,000 per year and a beginning high school teacher makes between $55,000 and $67,000 per year[1], which in some areas of the state falls into the low- or even very low-income categories.

A renewed GO Bond for Housing. According to the sponsors, this new bond could produce more than 40,000 new affordable homes for lower-income households, preserve more than 5,500 existing units, create more than 53,000 construction jobs, and generate $1.3 billion in state and local tax revenue. This bond, if approved by the voters, will fund a number of existing programs that serve lower-income and homeless individuals: MHP, MHP-Supportive Housing, Homekey, PRP, and Local Housing Trust Fund Matching Grant Program. This bond would assist with meeting multifamily infrastructure needs through investments in IIG of 2019, as well as strengthening the state's affordable housing stock through a new acquisition and rehabilitation program that attaches long-term affordability restrictions on subsidies and unrestricted units that are "naturally affordable." This bond would also serve populations with unique economic challenges, including homeless youth, farmworkers, tribes, and students at UCs and CSUs. Lastly, these funds would help families achieve homeownership by investing in CalHome, the CalHFA home purchase program, and the CalVet's Home Loan Program.

CalVet Home Loan Program. This program is funded primarily by veterans' bonds, a type of tax-exempt GO bond. However, the program is fully self-supporting and does not impose any cost to the General Fund. Further, the bonds backing the program are more like revenue bonds in that they are repaid by CalVet loan holders through the payment of principal and interest on their mortgage loans.

Since 1921, California voters have approved 23 bonds for the program, and more than 423,000 veterans have been provided loans since the program's inception. CalVet offers at or below market interest rate loans, with low- or no-down payment requirements. There are also no lender fees other than a one-percent origination fee. Loans are reviewed by underwriters who approve loans that make sense for applicants. CalVet loans carry unparalleled fire, flood, earthquake and hazard insurance, for low deductibles. CalVet loans are serviced by the department, not by bank loan officers. The voters last approved $1 billion for the

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[1] Statewide Average Salaries and Expenditure Percentages: 2023-24. California Department of Education. Accessible here: **Average Salaries & Expenditure Percentage - CalEdFacts (CA Dept of Education)**

CalVet program in 2008 with the passage of Proposition 1. Should this bond measure be approved by the voters, it would add an additional $1.25 billion to the program.

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

According to the Assembly Appropriations Committee:

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 estimates it 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.

   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.

SUPPORT: (Verified 6/23/26)

A Community of Friends
Abode Housing Development
ACLU California Action
Affordable Housing Management Association-northern CA Hawaii
Alliance for Children's Rights
Alliance for Housing and Healing
Alliance of Californians for Community Empowerment (ACCE)

Alta Housing
Amazon.com
American Planning Association, California Chapter
Architects Fora
Audubon California
Azul
Berkeley City Councilmember Igor Tregub
Better Opportunities Builder, INC.
Board of Supervisors for the City and County of San Francisco
Brilliant Corners
Buen Vecino
Burbank Housing
CA Assn of Winegrape Growers
CAA Consultants
Cabrillo Economic Development Corporation
California Apartment Association
California Association of Housing Authorities
California Center for Cooperative Development
California Coalition for Community Investment
California Coalition for Rural Housing
California Coalition for Youth
California Coastal Protection Network
California Conference of Carpenters
California Housing Consortium
California Housing Partnership
California National Organization for Women
California Rural Legal Assistance Foundation
California State University, Office of the Chancellor
California-hawaii State Conference of the NAACP
Care Clt (a Division of Care Assn, Inc)
Champions for Progress INC.
Chelro Care Institute
Children Now
Chinatown Community Development Center
Christian Church Homes (CCH)
City of Anaheim
City of Eureka
City of Fairfield
City of Oakland
City of Santa Ana Councilwoman Jessie Lopez

City of Thousand Oaks
City of Woodland
Coachella Valley Housing Coalition
Collective Operation
Community Corp. of Santa Monica
Corporation for Supportive Housing
Council of Community Housing Organizations
County of San Diego
County of Santa Barbara
Courage California
Destination: Home
Disability Rights California
Drug Policy Alliance
Eah Housing
East Bay Housing Organization - Ebho
East Bay Yimby
Eden Housing
End Poverty in California (EPIC)
Endangered Habitats League
Enterprise Community Partners, INC.
Environmental Action Committee of West Marin
Environmental Center of San Diego
Environmental Protection Information Center
Episcopal Community Services of San Francisco
Equal Rights Advocates
Eviction Defense Network
Evolve California
Fantastic Calculator
Firm Foundation Community Housing
Friends Committee on Legislation of California
Fsy Architects, INC
Generation Housing
Grow the Richmond
Gubb & Barshay Llp
Health in Partnership
Heavin Helps
Homebase
Homefirst
Homes & Hope
Hope Cooperative (tlcs, Inc.)

Hope Solutions
House Farm Workers!
Housing Accelerator Fund
Housing Action Coalition
Housing Authority of City of Santa Paula
Housing Authority of the City of San Buenaventura
Housing Authority of the City of San Luis Obispo
Housing California
Housing Leadership Council of San Mateo County
Housing Now!
Housing Trust Silicon Valley
Human Good
Human Impact Partners
Humboldt Waterkeeper
Indivisible Ca: Statestrong
Initiate Justice
Inland Abundant Housing and Housing Claremont
Inland Empire Waterkeeper
Inland Socal Housing Collective
Inner City Law Center
Jamboree Housing Corporation
League of California Cities
Legal Aid of Sonoma County
Let Spirit Lead, INC.
Lieutenant Governor Eleni Kounalakis
Lifehouse, INC
Lifesteps
Lift to Rise
Lighthouse Silicon Valley
Linc Housing
Lisc San Diego
Long Beach Gray Panthers
Making Housing and Community Happen
Many Mansions
Mayor Daniel Lurie, City and County of San Francisco
Mayor Todd Gloria, City of San Diego
Mayor's and Councilimembers' Association of Sonoma County Legislative Committee
Merritt Community Capital Corporation
Michelson Center for Public Policy

Midpen Housing
Midpen Housing Corporation
Mission Economic Development Agency
Mithun
Monterey Bay Economic Partnership
Monterey Peninsula Yimby
Mountain View Yimby
Move California
Napa-solano for Everyone
National Alliance to End Homelessness
National Housing Law Project
Neighborhood Partnership Housing Services INC
Nonprofit Housing Association of Northern California
Northern Circle Indian Housing Authority
Northern Dreamcatcher
Northern Neighbors
Orange County Coastkeeper
Our Future Los Angeles
Oxnard Union High School District
Partnership for the Bay's Future
Peninsula for Everyone
People for Housing - Orange County
People's Self-help Housing
Pep Housing
Pico California
Planning and Conservation League
Policylink
Prosperity California
Public Advocates
Public Counsel
Public Interest Law Project
Queer Surf
Redwood Community Services
Renewal Enterprise District
Resource Renewal Institute
Resources for Community Development
Riverside; City of
Sacramento Area Congregation Together
Sacramento Community Land Trust
Sacramento Housing Alliance

Sacramento Transit Advocates and Riders STAR
Sacred Heart Community Service
Salted Roots
San Francisco Board of Supervisors
San Francisco Community Land Trust
San Francisco Department of Homelessness and Supportive Housing
San Francisco Safehouse
San Francisco Yimby
San Joaquin Valley Housing Collaborative
Santa Clara County Housing Authority
Santa Cruz Yimby
Santa Rosa Yimby
Satellite Affordable Housing Associates
Save the Bay
Save the Sonoma Coast
Self-help Enterprises
Self-help for the Elderly
Serving Seniors
Sf Yimby
Sierra Business Council
Silicon Valley Community Foundation
Sloco Yimby
Smart Justice California
Socal 350 Climate Action
Somos Mayfair
South Bay Community Land Trust
South Bay Yimby
Southern California Association of Non-profit Housing (SCANPH)
Starting Over Strong
Stinson Beach Affordable Housing Committee
Sun Light & Power
Supportive Housing Alliance
Supportive Housing Community Land Alliance
Surfrider Foundation
Sv@home Action Fund
Techeqiuty Action
Tenderloin Neighborhood Development Corporation
Terracorp
The John Stewart Company
The Kennedy Commission

The Lived Experience Advisory Board of Silicon Valley
The Unity Council
Transform
Truckee Tahoe Workforce Housing Agency
Two Valleys Community Land Trust
United Domestic Workers/afscme Local 3930
United Wholesale Mortgage, LLC
University of California Office of the President
Urban Habitat
Valley Industry and Commerce Association (VICA)
Van Meter Williams Pollack, Llp
Venice Community Housing
Ventura County Yimby
Ventura Homeless Prevention
Victor Valley Family Resource Center
Vital Arts
Wakeland Housing and Development Corporation
West Sacramento; City of
Western Center on Law & Poverty
Women's Empowerment
Wph Holdings, LLC
Wunz Apparel in Action
Yimby Action
Yimby LA
Yimby Los Angeles
Yimby Oceanside
Yimby Slo
Yolo Yimby
Young Community Developers
Zen Development Consultants LLC
Zillow Group

OPPOSITION: (Verified 6/23/26)

Habitat for Humanity

ARGUMENTS IN SUPPORT: According to the authors, "SB 417 is the reflection of the hard work done in the Legislature to address and respond to the critical housing needs that Californians are facing across the state. The Veterans and Affordable Housing Bond Act of 2026 is a historic, $11.25 billion investment that will accelerate the construction, rehabilitation, and preservation of affordable housing, support homeownership programs, and provide funding for a variety of state housing initiatives. This bond targets investments to serve Californians with special housing needs – including people experiencing homelessness, farmworker families, public university students, members of California's tribal communities, young adults, and veterans, through proven, cost-effective programs. Resources will also expand local infrastructure capacity and innovative local housing trust fund programs. The Veterans and Affordable Housing Bond Act of 2026 continues our commitment to prioritize access to housing in the Golden State for everyone."

ARGUMENTS IN OPPOSITION: Habitat for Humanity, writing on a prior version of this bill, is opposed unless it is amended to specify that 10% of the bond proceeds go to CalHOME.

Prepared by: Alison Hughes / HOUSING / (916) 651-4124
6/25/26 9:18:43

****** END *****