

Date of Hearing: July 15, 2025

ASSEMBLY COMMITTEE ON JUDICIARY

Ash Kalra, Chair

SB 750 (Cortese) – As Amended July 7, 2025

As Proposed to be Amended

SENATE VOTE: 38-0

SUBJECT: CALIFORNIA HOUSING FINANCE AND CREDIT ACT

KEY ISSUE: SHOULD CALIFORNIA ESTABLISH A “CREDIT ENHANCEMENT PROGRAM” TO DRAW MORE PRIVATE CAPITAL INTO THE CONSTRUCTION OF AFFORDABLE HOUSING?

SYNOPSIS

This bill, pending voter approval of a constitutional amendment, would establish the California Housing and Credit Program, to be administered by the California Housing Finance Agency (CalHFA). The program would use the state’s credit to ensure loans and offer other “credit enhancements” as a way of facilitating investment in the construction of affordable multifamily housing. Among other things, the bill would also require the developer to pay workers prevailing wage rates in exchange for guaranteed loans and other credit enhancements.

Because the California Constitution limits the state’s ability to create debt, the program created by this bill would only become operative if the Legislature enacts, by two-thirds vote, and the voters approve, a constitutional amendment. The author has indicated to the Committee that he will introduce the constitutional amendment in January of 2026. Tentatively, language for that amendment would track an earlier constitutional amendment that allowed the state to guarantee loans for construction of nonprofit and public medical facilities.

This author-sponsored bill is supported by the California Apartment Association, the League of California Cities, and California Yimby among others. There is no registered opposition to this bill which recently passed out of the Assembly Housing and Community Development Committee on an 8-0 vote, with four members not voting. The author will take an amendment in this Committee that was agreed to in principle in the prior Committee.

SUMMARY: Creates the California Housing Finance and Credit Program (Program), a state-backed construction loan program at the California Housing Finance Agency (CalHFA) for purposes facilitating housing construction. Specifically, **this bill:**

- 1) Creates the California Housing Finance and Credit Program (Program), a state-backed construction loan program at the California Housing Finance Agency (CalHFA) for purposes of constructing housing, as specified, and creates the California Housing Finance and Credit Fund (Fund) for purposes of funding the Program.
- 2) Empowers CalHFA to administer and implement the Program by, among other things, doing the following:

- a) Insuring construction loans or permanent loans for affordable housing development.
 - b) Offering credit enhancements for construction loans and permanent loans for affordable housing developments.
- 3) Authorizes the CalHFA Executive Director to do the following:
- a) Enter into contracts of insurance and any other contracts relating to the Program.
 - b) Decline to insure any risk in which the minimum requirements of the Program are not complied with, or which is beyond the safe carrying of the fund.
 - c) Reinsure any risk.
 - d) Make rules for the settlement of claims against the Program and determine to whom and through whom the payments are to be made.
 - e) Conduct all business and affairs and perform all acts as they deem necessary to implement Program.
 - f) Charge an annual fee, a portion of the premium in advance until the loan is insured or until the commitment expires.
- 4) Requires CalHFA to submit an annual report to specified legislative committees annually that shall include an evaluation of the Program effectiveness in relation to cost and shall include recommendations for the improvement of the Program.
- 5) Requires the Legislative Analyst's Office to report biennially to the Legislature regarding the effectiveness of the Program, with recommendations for adjustments to the program.
- 6) Requires the Governor to include in the budget a limit to authorization for CalHFA to insure housing construction and expansion loans for the year. The limit shall not be set at a level that, in combination with other obligations of the state, creates an excessive risk of increasing interest rates for loans, including but not limited to adversely affecting the state's credit rating.
- 7) Requires CalHFA to establish minimum qualifications for a proponent of a housing development to qualify for construction loan insurance and permanent loan insurance available under the Program, and establishes minimum requirements for loans that are insured or subject to a credit enhancement.
- 8) Authorizes CalHFA to insure or issue commitments to insure loans upon the certification of an approved financial institution that the borrower is qualified for loan insurance.
- 9) Allows CalHFA to insure any loan that is eligible for insurance and to make commitments for the insuring of the loans prior to their date of execution or disbursement thereon.
- 10) Provides that nothing prohibits CalHFA, in the event of defaults, from taking any action authorized to protect the financial interest of the state.

- 11) Requires the housing project developer to pay all workers employed on the development no less than the general prevailing rate of per diem wages for work of a similar character in the locality in which the development is located, and not less than the general prevailing rate of per diem wages for holiday and overtime work.
- 12) Makes this bill contingent upon approval of a future constitutional amendment that is approved by the voters, and in that event, shall become operative on January 1, 2027.

EXISTING LAW:

- 1) Prohibits the Legislature from creating any debts or liabilities that on their own or in the aggregate exceed \$300,000, except in the case of war or to suppress insurrection, unless the debt or liability is authorized by law for a single object or work, upon the vote of two-thirds' of the Legislature and a majority of the voters, as specified. (California Constitution, Article XVI, Section 1.)
- 2) Provides the Legislature with the authority to insure or guarantee loans made by private or public lenders to nonprofit corporations and public agencies for the construction, expansion, enlargement, improvement, or renovation or repair of any public or nonprofit hospital or other health care facility. Specifies that no provision of the Constitution, including Section 1 of Article 16 and Section 14 of Article 11, shall be construed to limit this section. (Cal. Const. Art. XVI, Sec. 4.)
- 3) Establishes the California Housing Finance Agency, administered by a board of directors, to support the needs of low- and moderate-income renters and homebuyers through financing and various other programs. (Health & Safety Code Section 50900.)
- 4) Establishes the Health Facility Construction Loan Insurance Law, which provides for a mortgage insurance program for health facility construction, improvement, and expansion projects in order to stimulate the flow of private capital into health facilities construction, improvement, and expansion, and to help meet the need for new, expanded and modernized public and nonprofit health facilities. (Health & Safety Code Section 129000.)

FISCAL EFFECT: As currently in print this bill is keyed fiscal.

COMMENTS: According to the author:

California's affordable housing pipeline includes projects that could provide rental housing for up to 559,944 low to moderate-income households. Given the state's current budget climate, we are in desperate need of a mechanism to unlock affordable housing with minimal cost to our General Fund. SB 750 would help solve this crisis by creating a program that guarantees loans and wraps bonds for housing. The program would accomplish this by unlocking private financing at favorable interest rates with no cost to the state General Fund, as administrative expenses would be covered by fees charged at origination. The Cal Mortgage Program at the Department of Healthcare Access and Information provides a clear precedent for using the state's credit to attract private capital to projects the state desperately needs. For over 50 years, that program has insured loans totaling \$9 billion without an ongoing cost to the General Fund. It's time to do the same for housing. This bill is contingent on the accompanying Senate

Constitutional Amendment passing the legislative process and being approved by the voters.

This bill, pending voter approval of a constitutional amendment in 2026, would enact the California Housing Finance and Credit Act to create a “credit enhancement program” for affordable housing construction loans. “Credit enhancement” refers to any method of reducing risk for a lender, including loan guarantees, credit insurance, bond ratings and guarantees, and other forms of securitization. The author and supporters hope that the bill will use the state’s credit to stimulate the flow of private capital and facilitate the development of sorely needed affordable housing construction. The bill would require the CalHFA – which has extensive experience in financing housing – to administer the program and authorize it to insure and offer credit enhancements for construction loans for affordable housing developments. CalHFA is the state’s affordable-housing bank. Currently, CalHFA borrows money from the private financial market at below-market interest rates by issuing tax-exempt revenue bonds. CalHFA passes these interest rate savings on to low- and moderate-income first-time homebuyers and affordable rental housing developers by offering below market-rate mortgages. These bonds are backed only by CalHFA revenues and not by the state General Fund. This bill would expand the CalHFA role in financing affordable housing through the administration of California Housing Finance and Credit Program.

The bill would also require CalHFA to prepare an annual report and develop procedures for engagement, and would require the Legislative Analyst’s Office to prepare a biennial report on the program’s effectiveness. The bill would create a California Housing Finance and Credit Fund within the State Treasury. This money would be continuously appropriated to insure loans, offer other credit enhancements, and cover implementation costs. Finally, the bill would require the developer to pay all workers employed on the development no less than the prevailing wage rates for the region.

Constitutional limitations on state debt and the need for an amendment. Section 1 of Article 16 of the California Constitution limits the state’s ability to create any debt or liability exceeding \$300,000 unless authorized by law. This authorization must specify “a single object or work” and provide ways and means for repayment of the debt. Moreover, the authorization requires a two-thirds vote of the legislature and a majority vote of the people. As one might imagine the state has incurred debts and liabilities far in excess of \$300,000, and the sections following the general prohibition in Section 1 of Article 16 are followed by several sections authorizing specific exceptions to the prohibition. As a precedent for this bill, Section 4 of Article 16 grants the Legislature the power to “insure or guarantee loans made by private lenders to nonprofit corporations and public agencies” for the construction, expansion, or improvement of any public or non-profit medical facility. Section IV expressly states that no provision in the Constitution, including Section 1 of Article 16, limits this authorization.

The bill, therefore, is conditioned on two-thirds of Legislature passing, and the voters approving, a constitutional amendment authorizing the state to insure and guarantee loans for affordable housing, just as Section 4 authorized the state to insure and guarantees loans for construction, expansion, or improvement of public or nonprofit medical facilities. Although the author has not yet introduced a bill to place a constitutional amendment before the voters, the language of such an amendment would read, tentatively, as follows:

SEC. 1.6. The Legislature shall have the power to insure or guarantee loans and insure or guarantee bond issuances, in full or in part, made by private or public financial institutions, the proceeds of which are to be used for the construction, expansion, or enlargement of multifamily housing. No provision of this Constitution, including, but not limited to, this article, shall be construed as a limitation upon the authority granted to the Legislature by this section.

In conclusion, as noted in the bills legislative findings and declaration, only 20 percent of the units required to house the state's very low-income population has been permitted, and only 30 percent of the units needed to house the state's low-income population has been permitted. In a market economy, the law of supply and demand means that the shortage of housing means that rents will rise, making it even more difficult for struggling Californians to find affordable housing. This Committee has heard several measures that address the problem of affordable housing in various ways. This bill would seemingly address the problem very directly by marshaling private capital to build more affordable housing.

Proposed Amendment. The author will take the following amendment in this Committee. The amendment ensures that the recipients of the credit enhancements meet certain qualifications.

- On page 7, line 23 and insert: *part, including, but not limited to, a requirement that the development complies with any of the following:*

(1) The development is receiving financing from, and will have a recorded regulatory agreement with, the agency, the California Tax Credit Allocation Committee, or the Department of Housing and Community Development.

(2) The development is subject to a recorded regulatory agreement substantially equivalent to the requirements of a regulatory agreement with the agency, the California Tax Credit Allocation Committee, or the Department of Housing and Community Development for at least 55 years for rental units or 45 years for homeownership units.

(3) Each unit for sale in the development complies with all of the following requirements:

(A) The unit is for sale by a nonprofit corporation organized pursuant to Section 501(c) (3) of the Internal Revenue Code.

(B) The unit is for sale for a price below the fair market value of the unit.

(C) The unit receives a property tax welfare exemption.

- On page 7, strike out lines 31-34 inclusive.

ARGUMENTS IN SUPPORT: All Home, an affordable housing advocate, writes:

By unlocking access to lower-cost capital for affordable housing developers—particularly in a high-interest-rate environment—SB 750 provides a powerful new way to scale the production of affordable and supportive housing that low-income households and people experiencing homelessness need.

The measure also offers a fiscally prudent approach amidst an uncertain budget environment: the program would be self-sustaining, with origination fees covering administrative costs and no ongoing burden on the State's General Fund. The proposal builds on successful models such as New York City's Residential Mortgage Insurance Corporation (REMIC) and California's own Health Facility Construction Loan Insurance Program, both of which demonstrate that leveraging public credit to support projects that serve the public good is both effective and low-risk.

SB 750 follows in that tradition, providing a scalable and timely solution to finance more of the housing California needs. California must build over a million homes in the coming decade—many of them affordable to extremely low- and very low-income households—in order to meaningfully address our housing crisis. SB 750 would help move the needle on that goal by making deeply affordable housing projects more viable and financeable. It is the kind of innovative, equity-driven policy that reflects All Home's belief that everyone deserves a safe, stable place to call home.

YIMBY Action, and several of its local and regional affiliates, support this bill because it will “increase affordable housing supply by making multifamily housing loans more attractive to private lenders through state-backed guarantees.” YIMBY Action continues:

This kind of financial support for affordable housing is exactly what we need. . . With over 4,040 individual members, we fight at the local, state and national level for secure housing for all. California's severe housing shortage is causing skyrocketing homelessness and poverty, crippling our economy, and exacerbating our global climate crisis. These impacts fall disproportionately on California's low-income workers and families and disproportionately affect communities of color. SB 750 will help address the housing shortage and ensure a welcoming California where everyone can thrive.

REGISTERED SUPPORT / OPPOSITION:

Support

Abundant Housing LA
All Home, a Project of Tides Center
Asian Law Alliance
Association of Bay Area Governments
Bill Wilson Center
California Apartment Association
California Community Builders
California Housing Partnership
California Yimby
City of Long Beach
Core Affordable Housing
County of Santa Clara
East Bay Yimby
Ethos Real Estate
Fieldstead and Company, Inc.
Good River Partners
Grow the Richmond
Habitat for Humanity California

Home First Services of Santa Clara County
Housing Action Coalition
League of California Cities
Los Angeles Business Council
Metropolitan Transportation Commission
Mountain View Yimby
Napa-Solano for Everyone
National Alliance to End Homelessness
Natural Resources Defense Council
Non-profit Housing Association of Northern California
Northern Neighbors Sf
Peninsula for Everyone
San Francisco Yimby
Santa Cruz Yimby
Santa Rosa Yimby
SLOCO Yimby
South Bay AFL-CIO Labor Council
South Bay Yimby
Spur
The School of Arts and Culture
The Two Hundred
Ventura County Yimby
Yimby Action
Yimby LA
Yimby Los Angeles
Yimby SLO

Opposition

None on file

Analysis Prepared by: Tom Clark / JUD. / (916) 319-2334