UNFINISHED BUSINESS

Bill No: SB 750
Author: Cortese (D), et al.
Amended: 8/20/26
Vote: 21

SENATE HOUSING COMMITTEE: 11-0, 4/22/25
AYES: Wahab, Seyarto, Arreguín, Cabaldon, Caballero, Cortese, Durazo, Gonzalez, Grayson, Ochoa Bogh, Padilla

SENATE JUDICIARY COMMITTEE: 13-0, 4/29/25
AYES: Umberg, Niello, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Valladares, Wahab, Weber Pierson, Wiener

SENATE APPROPRIATIONS COMMITTEE: 6-0, 5/23/25
AYES: Caballero, Seyarto, Cabaldon, Grayson, Richardson, Wahab
NO VOTE RECORDED: Dahle

SENATE FLOOR: 38-0, 5/28/25
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Limón, Reyes

ASSEMBLY FLOOR: 64-6, 8/27/26 - See last page for vote

SUBJECT: California Housing Finance Agency: credit enhancement mechanisms study

SOURCE: Ethos Real Estate

DIGEST: This bill requires the California Housing Finance Agency (CalHFA) to conduct a comprehensive assessment of potential credit enhancement mechanisms designed to reduce borrowing costs for housing projects receiving state financial assistance, by July 1, 2028.

Assembly Amendments rewrite this bill to conduct an assessment of potential credit enhancement mechanisms to reduce borrowing costs for housing projects receiving state financial assistance.

ANALYSIS:

Existing law:

1) Authorizes CalHFA to make loans to housing sponsors for housing developments and to qualified mortgage lenders, among others. Provides that the primary purpose of CalHFA is to meet the housing needs of persons and families of low- or moderate-income.

2) Provides that CalHFA is administered by a board of directors and is supervised on a day-to-day basis by an executive director.

3) Establishes the Health Facility Construction Loan Insurance Law, which provides an insurance program for health facility construction, improvement, and expansion loans 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.

This bill:

1) Requires CalHFA to conduct a comprehensive assessment to evaluate a variety of potential credit enhancement mechanism designed to reduce borrowing costs for housing projects that receive state financial assistance. The assessment shall include, but not be limited to all of the following:

   a) Credit enhancement structures applicable to both construction phase and permanent financing, with a primary emphasis on construction phase risk and strategies to reduce construction loan interest rates and financing volatility;

   b) Mechanisms that could do any of the following:

      i. Reduce construction and permanent loan interest rates.
      ii. Mitigate lender risk and volatility during the construction period.
      iii. Improve capital efficiency and pricing for permanent financing, where feasible.

iv. Support projects that are funded by a combination of state, local, federal, or private financing, including, but not limited to, projects administered by the Department of Housing and Community Development, the agency, and the Housing Development and Finance Committee.
v. Provide credit enhancement options for state-funded projects that do not utilize available federal mortgage insurance or risk-sharing programs, including, but not limited to, the FHA-HFA Risk-Sharing Program.
vi. Encourage housing trusts and pension funds to invest in housing development.
vii. Boost the creation of midsize housing developments.
viii. Provide credit enhancement to complement local and regional bond projects.

c) Construction phase risk and market conditions, as specified;

d) Permanent financing considerations, as specified;

e) Credit enhancement structures, as specified;

f) Financial modeling and fiscal analysis, as specified; and,

g) Governance and administrative structure, as specified.

2) Requires CalHFA to submit an interim assessment to the Legislature and the Department of Finance by January 1, 2028, and the final assessment by July 1, 2028.

Background

Recent efforts to increase multifamily housing. Beginning largely in 2017, the State of California and the voters have taken significant steps to invest billions of dollars for affordable housing construction, homeownership opportunities, and flexible homelessness solutions, as well as investments in infrastructure necessary to support these projects. The Legislature has also created streamlined development approval processes and reduced opportunities for local governments to disapprove of quality permanent housing projects and homeless shelters, which have sped-up the approval of these processes and reduced costs associated with unreasonable project delays. Further, the state has increased planning requirements so that local governments must create an environment to facilitate the creation of housing, and in particular, affordable housing construction, and provided grants directly to local governments for these purposes.

Comments

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

2) *CalHFA background.* CalHFA is the state's affordable-housing bank. 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. CalHFA also provides down payment assistance in the form of deferred, "silent second" mortgages (*i.e.,* the borrower makes no monthly payments but repays the loan at sale or refinance) for families who need extra assistance achieving homeownership. CalHFA received $150 million for home purchase assistance from Proposition 1 (2018) bond funds to provide first and junior loan options for low- to moderate-income families, including low to zero interest rate down payment assistance loans.

   CalHFA also operates multifamily housing programs, including their Permanent Loan Programs and their Conduit Issuer program. The Permanent Loan programs provide competitive long-term financing for affordable multifamily rental housing projects. Eligible projects include newly constructed or acquisition/rehabilitation developments that provide affordable housing opportunities for individuals, families, seniors, veterans, and special needs tenants. The CalHFA Conduit Issuer Program is designed to facilitate access to tax-exempt and taxable bonds by developers that seek financing for eligible projects that provide affordable multifamily rental housing for individuals, families, seniors, veterans or special needs tenants. The conduit bonds may be used to finance the acquisition, rehabilitation, and/or development of an existing project, or they can be used for the construction of a new project.

3) *Background of the Cal-Mortgage Program (an existing state-backed loan program).* The Cal-Mortgage Program, since the 1960s, has assisted non-profit healthcare facilities in obtaining private financing to develop or expand health facilities and services in communities throughout California at no cost to taxpayers. Without such a guarantee, many of these facilities could not arrange the financing required to serve their communities. Under the administration of the Department of Healthcare Access and Information (HCAI), the Cal-Mortgage Program insures loans to nonprofit and public healthcare facilities for construction projects that improve access to needed healthcare. HCAI can insure loans to non-profit public benefit corporations or public entities (i.e., cities, counties, and municipalities including healthcare districts and joint powers authorities) in which the State of California guarantees the payments of principal and interest on the loans. The loan insurance allows the borrower to access lower interest rates, similar to the tax-exempt bond rates available to the state. According to the most recent Cal-Mortgage Consolidated State Plan[1], HCAI underwrote 44 loans between 2015-2020, including loans serving medically underserved populations, seismic retrofits for a hospital, community-based treatment centers, development of healthcare networks in rural communities, and technology improvements to improve quality of care for specialized populations.

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

According to the Assembly Appropriations Committee, the following impacts are contingent upon voter approval of a corresponding constitutional amendment not yet introduced:

- CalHFA estimates significant General Fund (GF) costs, likely in the millions of dollars for program start up and annual on-going costs to administer the program. Staff would be required to coordinate with stakeholders and interested parties, develop and adopt guidelines and regulations, partner with private lenders and program applicants, underwrite agreements, perform IT

[1] Department of Health Care Access and Information. 2017, 2019, 2021 Consolidated State Plan. March 2023, Accessed here: https://hcai.ca.gov/wp-content/uploads/2023/03/2017-2019-and-2021-Consolidated-State-Plan-Final.pdf

systems upgrades, and conduct ongoing monitoring of affordable housing developments financed through the program. CalHFA notes this bill creates a new program unlike programs currently administered by the agency and requires new expertise, staff, and resources.

- Unknown, but potentially significant future GF costs to cover construction loan defaults, to the extent the Fund is not sufficiently capitalized to cover these costs.

- The LAO indicates the required report on the effectiveness of the Program will likely take 25% to 50% of an LAO analyst's time over the course of a year to complete, with additional staff time needed to review and publish the report. The LAO's budget is contained within the Legislature's fixed expenditure cap and historically it does not receive additional funding for new statutorily-required reports. For this reason, the new reporting requirement will not directly increase state spending, but instead, will reduce the LAO's capacity to serve the Legislature in other ways, such as responding to other legislative requests and completing other LAO reports.

Of note, there are multiple bills moving through the Legislative process requiring the LAO to analyze and report on various issues. Taken in totality, the requirements in these bills could, over time, diminish the time and capacity of LAO staff to not only respond to other legislative needs and priorities but also complete other core office responsibilities.

SUPPORT: (Verified 8/21/26)

Ethos Real Estate (Sponsor)
Abundant Housing LA
All Home, a Project of Tides Center
Asian Law Alliance
Bill Wilson Center
California Apartment Association
California Community Builders
California Housing Partnership
California Yimby
Core Afffordable Housing
East Bay Yimby
Fieldstead and Company, INC.
Good River Partners
Grow the Richmond
Habitat for Humanity California

Homefirst Services of Santa Clara County
Housing Action Coalition
Los Angeles Business Council
Mountain View Yimby
Napa-solano for Everyone
Northern Neighbors Sf
Peninsula for Everyone
San Francisco Yimby
San Jose Yimby
San Mateo Forward
Santa Cruz Yimby
Santa Rosa Yimby
Silicon Valley Leadership Group
South Bay Afl-cio Labor Council
South Bay Yimby
Spur
The School of Arts and Culture
The Two Hundred
Ventura County Yimby
Yes! in Redwood City
Yimby Action
Yimby LA
Yimby Los Angeles
Yimby Monterey Peninsula
Yimby Slo

OPPOSITION: (Verified 8/21/26)

None received

ASSEMBLY FLOOR: 64-6, 8/27/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Ellis, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NOES: Chen, DeMaio, Dixon, Hadwick, Johnson, Macedo

NO VOTE RECORDED: Bauer-Kahan, Castillo, Flora, Jeff Gonzalez, Hoover, Lackey, McKinnor, Sanchez, Tangipa

Prepared by: Alison Hughes / HOUSING / (916) 651-4124
9/21/26 15:35:42

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