[March xx, 2020]

The Honorable Marc Berman

1020 N Street, Suite 6130

Sacramento, CA 95814

**RE: AB 578 – SUPPORT**

Dear Assemblyman Berman,

The undersigned organizations are pleased to support AB 578, your bill to cap the monitoring fees that the Department of Housing and Community Development (HCD) charges.

Research by the California Housing Partnership shows that California has a shortfall of over 1 million affordable homes.[[1]](#footnote-1) Government financing is often necessary to build affordable housing, and AB 578 provides efficiency so that government funds can build as many affordable homes possible.

Today, HCD charges 0.42% of the award amount every year to monitor a development. While this was appropriate when loans were small, this percentage now could result in a fee up to $126,000 per year for one development. This is equivalent to more than one full time staff person to monitor one development for the entire year. By capping the fee to a smaller, but reasonable, cost, the savings could be used to leverage private money from a bank.

AB 578 caps the monitoring fee to $150 per unit in the development, which is still adequate to cover HCD’s monitoring costs. In using data from the last round of funding in 2022, the bill saves an average development over $35,000, which can be leveraged to over $500,000 from the bank. For the entire round of funding, this bill would save HCD over $10 million. This is roughly HCD funding an entire affordable housing development with over 60 units with every round of funding.

AB 578 provides a simple, reasonable fix which would result in more than 100 additional units of affordable housing being built every year. This housing is essential for many people including farmworkers, veterans, and those suffering from homelessness.

We thank you for authoring this important measure that helps government funding create more affordable homes for Californians.

Thank you,

1. [California Housing Partnership Housing Needs Portal](https://chpc.net/housingneeds/) [↑](#footnote-ref-1)