**Summary**

AB 578 unlocks over $10 million dollars in private financing for affordable housing by

capping the monitoring fees that the Department of Housing and Community Development (HCD) charges while still ensuring HCD has adequate resources to do its work.

**The Problem**

HCD monitoring includes operating budgets, rental income, unit conditions, property standards, tenant files, and other aspects related to specific programs.

Right now, the law states that HCD charges 0.42% of the awarded loan annually for monitoring the 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 monitoring fees to a smaller, but reasonable, cost, the savings could be used to leverage private money from a bank. The fee would still be adequate to cover HCD’s monitoring costs.

**The Solution**

AB 578 caps the monitoring fee to $150 per unit in the development. This is sensible because the fee is directly related to the size of the development, not the award amount which can be impacted by costs unrelated to monitoring, like construction cost.

In using data from the last round of HCD funding in 2022, this bill saves an average development $36,000 which can leverage over $500,000 from the bank. For the whole round of funding, this bill would save HCD over $10 million. This is roughly equivalent to a whole new affordable development with over 60 units being funded with every round of funding.

With a simple, reasonable fix, this bill results in more than 100 units of affordable housing being built every year which is essential for many people including farmworkers, veterans, and those suffering from homelessness.