

AB 578 (Berman)

Updating the Affordable Housing Monitoring Fee

SUMMARY

AB 578 would unlock nearly \$19 million dollars in private financing for affordable housing by updating the monitoring fee that the California Department of Housing and Community Development (HCD) charges affordable housing developers while still ensuring HCD has adequate resources to do its monitoring work.

BACKGROUND

When an affordable housing development receives a loan from HCD, the department monitors the development to ensure compliance with affordability, maintenance, financial, and other requirements. This monitoring includes operating budgets, rental income, unit conditions, property standards, tenant files, and other aspects related to specific programs.

Currently, HCD charges an annual fee in the amount of 0.42% of the awarded loan for monitoring the development. Twenty years ago, the amount of the awarded loans were much smaller because the costs of housing developments were cheaper. While charging 0.42% was appropriate when loans were small, this percentage now could result in a fee up to \$147,000 per year for a single affordable housing development. This is equivalent to having more than one full-time staff person tasked with monitoring one development for the entire year. This mechanism to cover monitoring costs has not been changed in over 23 years; however, the housing landscape and costs have changed drastically.

THIS BILL

To ensure that affordable housing monitoring costs reflect today's reality, AB 578 would update the annual monitoring fee to be no more than \$260 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 costs. This bill would also allow HCD to adjust the \$260 per unit monitoring fee for inflation based on the California Consumer Price Index.

By updating this monitoring fee to reflect a reasonable cost that still ensures HCD has adequate resources to monitor compliance, the savings could be used by affordable housing developers to leverage private money from a bank in order to build more affordable housing units. This bill is a reasonable update that would unlock nearly \$19 million dollars in private financing that could result in more than 300 units of affordable housing being built every year which is desperately needed for those suffering from California's housing and homelessness crisis.

SUPPORT

California Housing Partnership (co-sponsor)
California Coalition for Rural Housing (co-sponsor)
Abode Communities
California Housing Consortium
California State Association of Counties
City of Thousand Oaks
Community Corporation of Santa Monica
Community Housing Improvement Program (CHIP)
Community Housingworks
Danco Communities
EAH Housing
East Bay Asian Local Development Corporation
Eden Housing
Housing Authority of the City of Santa Barbara
Housing California
Jamboree Housing Corporation
Many Mansions
Mercy Housing California

Midpen Housing Corporation
Resources for Community Development
San Diego Housing Federation
San Joaquin Valley Housing Collaborative
Self-Help Enterprises
Wakeland Housing and Development Corporation

OPPOSITION

None on File

FOR MORE INFORMATION

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