

Assembly Bill 2926

Preserving Affordable Housing by Strengthening the Preservation Notice Law Assemblymember Ash Kalra

SUMMARY

Assembly Bill (AB) 2926 would preserve existing affordable housing by requiring owners who receive a bona fide purchase offer from a preservation buyer to either accept the offer or re-restrict the property as affordable housing.

By amending the Preservation Notice Law, this bill ensures the state preserves scarce affordable housing stock and protects existing low-income tenants from being displaced.

BACKGROUND

According to the California Housing Partnership's 2023 Affordable Homes at Risk report, between 1997 and 2022, California lost 22,078 affordable homes due to expired regulatory restrictions on government-assisted multifamily housing developments and owners deciding to opt-out, sell, or allow their properties to be converted to market rate. Furthermore, another 4,749 affordable homes are at high risk of being lost in the next year, and 31,309 more over the next ten years. At a time when California faces a dire affordable housing shortage, the loss of even one existing affordable home is tragic.

California's Preservation Notice Law requires owners of affordable housing looking to convert to market rate to give notice of the opportunity to submit a purchase offer at full market value one year in advance to potential buyers interested in preserving affordability. Over the first six months, owners may only sell to a preservation buyer. In the following six months, preservation buyers who submitted a purchase offer have a right of first refusal to match any other offer. However, because owners are not obligated to sell at all, they can instead hold the property, commit to not selling for an additional five years, and convert it to market rate, displacing existing low-income tenants in the process.

SOLUTION

AB 2926 would help preserve existing affordable housing by requiring owners who receive a bona fide purchase offer from a preservation buyer to either accept the offer or re-restrict the development as affordable housing.

The public has an overwhelming interest in saving scarce, affordable homes. Under this approach, affordable housing would be preserved with no harm to the owner, who has already benefited from public subsidy and will receive a fair market price for the property.

AB 2926 would also make several technical amendments to the California Preservation Notice Law, including:

- Update the list of affordable housing programs covered by the law to include recently enacted streamlining legislation.
- An owner seeking an exemption from notice and sale requirements may not terminate a tenancy due to a planned renovation during escrow.
- Require an owner, in the 12-month notice to tenants, to state whether any rent increases may occur, as opposed to just rent increases in excess of Low-Income Housing Tax Credit limits.
- Require an owner, in the 6-month notice to tenants, to state that they will accept enhanced Section 8 vouchers if existing tenants receive them.
- Require owners of developments with at least 5% affordable units, as opposed to 25%, to certify compliance with the law annually.
- Clarify that tenant associations, not just individual tenants, may enforce the law.

SPONSORS

California Housing Partnership Corporation
California Rural Legal Assistance Foundation

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