ASSEMBLYMEMBER — DISTRICT 15

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AB 726 – Incentivizing Local Investment in the Rehabilitation of Deeply-Affordable Housing

BILL SUMMARY

AB 726 allows cities and counties to receive credit on their housing element annual report for contributing to the substantial rehabilitation of deeply-targeted affordable housing.

BACKGROUND

Since 1969, California has required that all local governments (cities and counties) adequately plan to meet the housing needs of everyone in the community. This process starts with HCD determining how much housing at a variety of affordability levels is needed for each region in the state. Then the regional governments develop a methodology to allocate that housing need to local governments. California's local governments then adopt housing plans (called housing elements) as part of their "general plan" to show how the jurisdiction will meet local housing needs.

Currently, California cities and counties report to HCD annually the amount of affordable housing they have developed for their low-income residents.

Before 2000, much of the affordable housing that HCD funded required extremely affordable rents that barely cover, if even that, the development's annual operating expenses. In other words, these developments have no extra money to fund long-term repairs. The only funding source developed to address this need is the Portfolio Restructuring Program (PRP) at HCD, which was funded at low levels during the last surplus but has since run out of money. Properties cannot wait much longer for repair. Rehabilitating these developments is critical to ensure that tenants do not end up living in substandard conditions or that, in a worst case scenario, California permanently loses this critical affordable housing stock to disrepair.

Local governments have some resources for affordable housing but usually prioritize that for new construction which gives them credit towards their regional housing needs (RHNA) goals. In general, rehabilitation does not count.

Investing in the rehabilitation of this deeply affordable housing that has no other path to repair is worthy of equal credit as new construction.

SOLUTION

AB 726 would allow cities and counties to include in their annual housing element progress report the number of existing affordable housing units rehabilitated by the city or county as long as they meet the following conditions:

- The units must be deed-restricted, meaning that use of the unit is limited to low-income families.
- The average affordability of the units must be no greater than 45% of the median income of the area.
- The units must be at least 15 years old.
- The units must be rehabilitated using at least $60,000 of city or county funds per unit.

SUPPORT

California Housing Partnership (sponsor)
California Housing Consortium (sponsor)

FOR MORE INFORMATION

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