AB 913 (Rodriguez) Fact Sheet

Summary

This bill provides the Department of Housing and Community Development (HCD) the explicit authority to protect existing affordable housing properties when unexpected expenses, such as insurance rate increases, threaten a development's fiscal integrity. It accomplishes this in two ways: firstly, by authorizing HCD to waive minimal loan payments, if needed; and secondly by allowing excess income to be shifted from one existing affordable housing property to another property that needs the cash flow. This authority would only be for projects that are financed with department resources.

Existing Law

Existing law establishes HCD and authorizes them to provide grants and loans for financing the development of deed-restricted, multifamily, rental housing.[1] These developments are required to cap their rents for low-income households for a certain length of time, typically 55 years. There are two types of payments related to the loans that HCD manages and enforces.[2] The first is a monitoring fee to ensure that the development complies with regulations (0.42% of the loan amount, which can be up to $126,000 per year).[3] The second are residual receipts payments, which are payments to pay back the loan. These are only charged when the development has enough income to pay the residual receipts payments.

Background

In order to protect its most at-risk residents, California enacted an extended rent and eviction moratorium during the COVID-19 pandemic. Many affordable housing developments, which tend to operate on much thinner margins than market-rate, were forced to rely on operating reserves to cover the decreased income from rents. These properties have not been able to replenish their operating reserves and

[1] Health & Safety Code § 50406-50406.3

[2] Health & Safety Code § 51101

[3] Health & Safety Code § 50675.6

are struggling, now compounded by skyrocketing insurance rates that were not accounted for in their original financing plan. These properties are at risk of foreclosing, eliminating vital existing affordable housing from the state's supply. It is imperative to support the fiscal integrity of existing housing, to ensure that the affordable housing California has remains affordable to its lowest-income residents.

HCD funds deed-restricted affordable housing through soft loans, or below-market-rate interest loans with extended repayment periods and other flexibilities. Once a property that has received public financing has enough net income, they pay minimal loan payments to HCD. HCD also charges a percentage of the loan for monitoring developments. This bill would allow flexibility for these requirements to mitigate the risk of existing properties foreclosing.

This Bill

This bill simply gives the authority to:

- Allow deed-restricted properties that have a HCD loan that have net income to use that income to help struggling properties that are owned by the same sponsor and have a HCD loan.
- Allow HCD to waive required loan payments and monitoring fee payments.

By allowing this flexibility, HCD can authorize ways to preserve the fiscal integrity of affordable housing properties as they see fit, protecting affordable housing and low-income renters.

Sponsors:

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