

Metropolitan Transportation Commission and Association of Bay Area Governments
Joint MTC ABAG Legislation Committee

March 14, 2025

Agenda Item 3d

Assembly Bill 736 (Wicks) and Senate Bill 417 (Cabaldon):

Affordable Housing Bond Act of 2026

Subject:

Places a \$10 billion general obligation (GO) bond measure on the June 2026 statewide ballot for a variety of housing production and preservation programs.

Background:

Assembly Bill (AB) 736 (Wicks) and Senate Bill (SB) 417 (Cabaldon) are nearly identical bills that place a \$10 billion GO bond on the June 2026 statewide ballot to fund the state's core rental and ownership programs, described below. The proposed distribution is largely consistent across the bills, with the exception of the \$450 million that comprises the last two bullets:

- \$5.25 billion to build apartments affordable to households earning 80 percent or less of the area median income (AMI) through the Multifamily Housing Program. At least 10 percent of the apartments must be reserved for households earning 30 percent AMI or less.
- \$1.75 billion for supportive housing for people living with disabilities, through the Multifamily Housing Program.
- \$1 billion for first-time homebuyer assistance and for-sale home production through CalHome and the California Housing Finance Agency.
- \$800 million to the Portfolio Reinvestment Program to rehabilitate or preserve the affordability of currently deed-restricted apartments.
- \$500 million for a new state program to acquire market-rate apartments and attach long-term affordability restrictions, to be established in separate legislation.
- \$250 million for apartments and for-sale homes for agricultural workers via the Joe Serna Farmworker Housing Grant Program
- \$250 million to build housing and related infrastructure for Native American tribes via a new program (AB 736) or the Tribal Housing Grant Program (SB 417).

- \$200 million to the Energy Efficiency Low-Income Weatherization Program (AB 736) or for wildfire prevention and displacement assistance and to accelerate apartment construction in rental markets affected by wildfires (SB 417).

Historically, GO bonds have been the state's primary funding source for the production and preservation of deed-restricted apartments and single-family homes. Voters last approved a comprehensive state housing bond in 2018 (the \$4 billion Proposition 1). Those funds have been fully allocated. Additionally, voters last year approved a \$6.4 billion mental health bond measure, of which \$2 billion is dedicated to supportive housing for veterans and other people living with disabilities. Lawmakers have also appropriated General Fund revenue for housing production in recent years. However, the state's projected deficit makes significant additional General Fund commitments to housing unlikely in the near future.

Recommendation:

Support and seek amendment / ABAG Executive Board Approval

Support and seek amendment / Commission Approval

Discussion:

Meeting the Bay Area's housing needs after decades of underbuilding will take a coordinated and sustained effort by all levels of governments. The latest Regional Housing Needs Determination estimates the region needs 180,334 new homes affordable to lower income households by 2031 to address unmet needs and future population growth. Last year, MTC and ABAG supported a similar \$10 billion state affordable housing bond proposal led by Assembly Appropriations Chair Wicks (AB 1657). Though the measure gained significant momentum, the legislature ultimately prioritized other bond proposals. With the state's current budget deficit and an uncertain economic outlook, a housing bond provides an important opportunity for the state to contribute to meeting Californians' housing needs without significantly affecting near term state budgets.

If passed by voters in June 2026, AB 736 or SB 417 would infuse as much as \$2 billion annually over five years into housing production and preservation. Bay Area developers and jurisdictions have performed well in past funding rounds for the programs included in the bond. The Bay Area Housing Finance Authority (BAHFA) may also be eligible to apply for funding to continue its

Housing Preservation Pilot program, which converts existing apartments into affordable homes with long-term deed restrictions and protects residents from rising rents and displacement. (Eligibility would be determined in a concurrent or follow-up bill establishing the new program.)

A state housing bond is also a potential source of funding for a new BAHFA lending program modeled on the New York City Housing Development Corporation (HDC) that would both reduce developers' borrowing costs and, within a couple of years, fully cover BAHFA's operating budget. HDC issues housing revenue bonds and loans the proceeds at competitive rates to affordable housing developers. The loans generate enough revenue – in the form of fees and interest rate spread – to fully fund HDC's operations and offer additional housing subsidies (\$3.4 billion since 2003). BAHFA staff and consultants are analyzing how much collateral would be required for BAHFA to begin lending through this HDC model; the state bond could serve as the source of that collateral. Staff requests approval to begin discussions with Assemblymember Wicks and Senator Cabaldon about amending the bills to provide for this option.

Known Positions:

Support

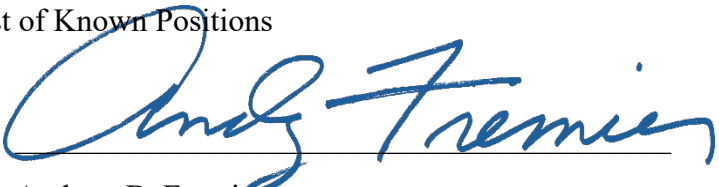
See attached

Oppose

None known

Attachments:

- Attachment A: AB 736 / SB 417 List of Known Positions



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