



services and are experiencing homelessness, chronic homelessness, or at risk of chronic homelessness.

- 2) Requires all housing developments that seek HCD funding comply with HCD's Uniform Multifamily Regulations (UMR). The UMRs require an operating reserve for the purpose of defraying potential operating shortfalls arising from unforeseen circumstances, beyond the rent-up period.

**This bill:**

- 1) Allows HCD to offer capitalized operating reserves to supportive housing units in MHP.
- 2) Adds "supportive housing" to the list of definitions that apply to program activities in MHP.

**COMMENTS:**

- 1) *Author's statement.* "Capitalized Operating Subsidy Reserves (COSRs) are fundamental in guaranteeing that critically needed affordable housing development projects for homeless housing can be built. By requiring HCD to offer these COSRs through the Multifamily Housing Program, we can guarantee that more special needs units with life-changing supportive services are built and change the lives of our extremely low income neighbors for decades to come."
- 2) *The Need for Operating Subsidies in Supportive Housing.* Supportive services help extremely low-income (ELI) individuals (i.e., those earning less than 30% of the area median income) who suffer from homelessness stay stably housed. These supportive services can include intensive case management, medical and mental health care, substance abuse treatment, and employment services. These services are necessary for people formerly experiencing homelessness to retain housing, improve their physical and mental health, and live and work in their community. These services increase the operating costs for these types of developments. Because the rents are so low and the operating costs are higher, these developments often need a significant subsidy to pencil out.
- 3) *Capitalized Operating Subsidy Reserve (COSR).* COSRs provide an upfront subsidy to cover deficits in annual operating revenues for housing developments, primarily used for permanent supportive housing for ELI individuals. If a COSR is appropriated, the account is with HCD and HCD

approves disbursements as needed. Banks need to see that developers have these operating costs set aside before financing is approved.

- 4) *Case Study.* A 48-unit housing development in southern California offers permanent supportive housing, where half of the units are for individuals and families who are homeless or near homeless with a prioritization for veterans and their families. Some of the supportive services that residents have access to include case workers, adult education, mental wellness, and career building. Part of the funding for this development is through NPLH, which gave the housing development a COSR of \$4,875,000. Unfortunately, NPLH is running out of funds.

As the state transitions future permanent supportive housing developments for those experiencing homelessness to MHP, these developments must continue to get the funding needed to allow developers to build them. This bill would allow for a permanent supportive housing development, like the one mentioned above, to guarantee they have enough operating reserves to continue supportive services long-term.

#### **RELATED LEGISLATION:**

**SB 948 (Becker, Chapter 667, Statutes of 2022)** — replaced individual project transition reserves in HCD affordable housing programs to a pooled reserve model to free up significant financial resources that can be utilized to create more housing.

**AB 434 (Daly, Chapter 192, Statutes of 2020)** — aligned six rental housing programs with MHP, to enable HCD to implement a single application and scoring system for making coordinated awards under all seven programs.

**SB 3 (Beall, Chapter 365, Statutes of 2017)** — enacted the Veterans and Affordable Housing Bond Act of 2018 and authorized the issuance of \$4 billion in general obligation bonds for housing programs, including: MHP, IIG, Transit Oriented Development Rental Housing Program, Joe Serna, Jr. Farmworker Housing Grant Fund, Local Housing Trust Fund Matching Grant Program, CalHome Program, Self-Help Housing Fund, and CalVet Home Loan Program.

**FISCAL EFFECT:** Appropriation: No    Fiscal Com.: Yes    Local: No

**POSITIONS: (Communicated to the committee before noon on Wednesday, April 12, 2023.)**

**SUPPORT:**

California Housing Partnership (Sponsor)  
All Home  
California Apartment Association  
California Housing Consortium  
Community Corporation of Santa Monica  
Community Housing Improvement Program (CHIP)  
Community Housingworks  
Corporation for Supportive Housing  
Council of Infill Builders  
Danco Communities  
Destination: Home  
EAH Housing  
East Bay Asian Local Development Corporation  
East Bay YIMBY  
Grow the Richmond  
Housing Authority of The City of Santa Barbara  
Housing California  
How to ADU  
Merritt Community Capital Corporation  
Mountain View YIMBY  
Napa-Solano for Everyone  
Non-Profit Housing Association of Northern California (NPH)  
Northern Neighbors  
Peninsula for Everyone  
People for Housing - Orange County  
Progress Noe Valley  
Resources for Community Development  
San Diego Housing Federation  
San Francisco Housing Accelerator Fund  
San Francisco YIMBY  
San Joaquin Valley Housing Collaborative  
San Luis Obispo YIMBY  
Santa Cruz YIMBY  
Santa Rosa YIMBY  
Self-Help Enterprises  
South Bay YIMBY  
Southside Forward

Ventura County YIMBY  
Wakeland Housing and Development Corporation  
YIMBY Action  
YIMBY Democrats of San Diego County

**OPPOSITION:**

1 Individual

**-- END --**