



County of Monterey

Board of Supervisors

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May 13, 2024

Honorable Steve Padilla
California State Senate
1021 O Street, 6640
Sacramento, CA 95814

Re: SB 1032 (Padilla) Local government: Proposition 218: remedies – SUPPORT

Dear Senator Padilla,

The County of Monterey is proud to support your measure Senate Bill (SB) 1032, which will give the Housing and Community Development Department (HCD) the authority to forgive specific legacy loans, per HCD's discretion.

HCD administers a number of loan programs authorized by the Legislature in the 1980's and 1990's that were created to preserve existing affordable housing across the state. These programs offered loans to public housing providers (housing agencies) with terms that attempted to strike a balance between providing impactful funding and ensuring the rents charged by the housing agencies on these properties would remain affordable. All of these programs are closed and no longer offer loans.

While it was easy to obtain the loan, terms that allowed housing agencies to forgo making any payments on the loan effectively trapped these housing agencies in an endless debt cycle with no exit path. The loans were set up with the premise that the housing agencies would only pay against the loan interest. The notion being that housing entities could use excess future cash flows to pay down the principal. In reality, these affordable housing units seldom experience excess cash flows due to the rent affordability restrictions required by the loan program and the cost of maintaining the units. Given the reality of how these loans currently function, it is time to provide HCD the authority to forgive these as means to provide relief to the impacted housing agencies.

In a high number of cases, housing agencies that would benefit from loan forgiveness serve as the main affordable housing providers in their regions. Without loan forgiveness, these housing agencies will default on these loans, effectively increasing the possibility that a housing agency will need to close affordable housing sites which serve the most vulnerable residents of their communities, which will ultimately lead to more homelessness across the state.

Housing is an important element of economic development and essential for the health and wellbeing of our communities. SB 1032 would not require HCD to forgive any specific loans, but instead will give them the authority to choose to forgive certain legacy loans that are most at risk, per their discretion. Specifically, SB 1032 will allow housing providers to preserve current affordable housing units without the need to evict low-income residents out of their homes.



For these reasons, the County of Monterey supports SB 1032. Should you have any questions, please feel free to contact Monterey County's Public Policy Advisor, Ashley Walker of Nossaman LLP at 916-442-8888.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Church", written in a cursive style.

Glenn Church, Chair
Board of Supervisors

cc: The Honorable Anna Caballero, 14th Senate District
The Honorable John Laird, 17th Senate District
The Honorable Robert Rivas, 29th Assembly District
The Honorable Dawn Addis, 30th Assembly District
California State Association of Counties (CSAC)
Rural County Representatives of California (RCRC)