



NOSSAMAN LLP | Memorandum

TO: The Honorable Chris Ward, Chair
Assembly Housing and Community Development Committee

FROM: Nossaman LLP on behalf of the Monterey County Board of Supervisors

DATE: June 4, 2024

RE: **SB 1032 (Padilla) Housing finance: portfolio restructuring: loan forgiveness – SUPPORT**

The County of Monterey is pleased to support Senate Bill (SB) 1032 by Senator Stephen Padilla. This measure 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.

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

Sincerely,

Ashley Walker
Nossaman LLP

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May 17, 2024
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