



COUNTY OF MENDOCINO

Board of Supervisors

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July 31, 2024

The Honorable Buffy Wicks
Assembly Committee on Appropriations
1021 O Street, Suite 8220
Sacramento, CA 95814

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

Dear Assemblymember Wicks,

I am reaching out on behalf of the Mendocino Board of Supervisors to express our support for SB 1032, which will give the California Department of Housing and Community Development (HCD) the authority to forgive specific legacy loans, per HCD's discretion.

Mendocino County is committed to promoting community development and improving living conditions for low-income families. The forgiveness of legacy HCD loans could be a powerful tool for the County, allowing the reallocation of limited resources towards preserving and expanding affordable housing. This would ensure stability and opportunities for those most in need.

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.

Getting the loan was easy, but the terms allowed housing agencies to skip making principal and interest payments, which kept them stuck in a cycle of debt with no way out. The loans were designed with the assumption that housing providers would only have to pay the HCD monitoring fee in rare cases, and they could use extra cash in the future to pay off the principal and interest. However, it has become evident over the years that affordable housing units rarely generate extra cash due to rent affordability restrictions and maintenance costs. Because of these financial challenges, many housing providers have only been paying the monitoring fee, causing interest balances to grow significantly. Since this has become the norm rather than the exception, it's time to give HCD the authority to forgive these loans and provide relief to the impacted housing agencies.

Many housing agencies that would benefit from loan forgiveness are the main providers of affordable housing in their regions. Without loan forgiveness, these housing agencies will default on these loans. This increases the likelihood that a housing agency will need to close affordable housing sites that serve the most vulnerable residents of their communities, ultimately leading to more homelessness across the state.

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Housing is a vital component of economic development and the well-being of our communities. SB 1032, while not mandating HCD to forgive any specific loans, empowers them to forgive legacy loans that are most at risk. Specifically, SB 1032 will allow housing providers to preserve current affordable housing units without evicting low-income residents.

The Board of Supervisors of Mendocino County supports SB 1032 for these reasons.

Sincerely,



Maureen Mulheren, Chair
Mendocino County Board of Supervisors

CC: The Honorable Jim Wood, California State Assembly, 2nd District
The Honorable Mike McGuire, California State Senate, 2nd District
The Honorable Members, Assembly Committee on Appropriations