

Thank you, Assemblywoman Avila Farias, for your leadership on this issue, and thank you to the Chair and Members of the Committee for the opportunity to testify today.

My name is Jenna Abbott, and I am the Executive Director of the California Council for Affordable Housing. We are a statewide trade association representing the full affordable housing ecosystem in California, including financial institutions, attorneys, tax credit syndicators, nonprofit and for-profit developers, and long-term property managers. Because of this broad membership, we bring a comprehensive perspective on how state policies, including fee structures, impact the production and preservation of affordable housing.

I am here today to express CCAH's strong support for Assemblymember Avila Farias's request for an audit of the Department of Housing and Community Development's monitoring fees.

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HCD plays a central role in advancing affordable housing across California. Two of its most important programs are:

- The Multifamily Housing Program (MHP)
- The Affordable Housing and Sustainable Communities (AHSC) program

Since 2000, these programs have provided low-interest, long-term deferred-payment loans that make it possible to build, rehabilitate, and preserve affordable rental housing for lower-income Californians.

Since their inception, HCD has charged an annual monitoring fee equal to 0.42% of the original loan amount. While monitoring is necessary and widely supported by our industry, this fee structure has not evolved alongside the programs themselves.

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When these programs were created, loan amounts were relatively modest. Today, they are significantly larger. We recently heard about a loan of over 42 million dollars that would carry an annual monitoring fee of \$146,700. As loan sizes have increased to reflect rising development costs, monitoring fees, which are tied directly to loan amounts, have grown dramatically as well.

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To further the impact, I'd like to share with you the following real examples of loans that currently exist and the monitoring fees that are attached to them. I gathered these last week directly from 3 different CCAH members:

- A 91 unit AHSC Loan: \$19 million
  - Annual monitoring fee: \$81,900
  - Cost per unit: \$900 per year
- A 70 unit permanent Supportive Housing Project: \$9.13 million loan
  - Annual monitoring fee: \$38,362

- Cost per unit: \$548 per year
- A 85 unit extremely Low-Income Housing Project: \$7.3 million loan
  - Annual monitoring fee: \$30,713
  - Cost per unit: \$361 per year

These examples demonstrate that fees are increasingly driven by loan size rather than the actual cost of oversight. The current formula has remained unchanged for more than two decades.

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Oversized, loan-based fees have meaningful negative impacts. They:

- Limit the ability to leverage private financing
- Exacerbate already challenging funding gaps
- Jeopardize the financial feasibility of projects
- Add pressure in an environment of rising construction costs and high interest rates

These constraints ultimately reduce the number of affordable homes that can be built.

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The proposed audit would provide an objective, data-driven evaluation of whether the current fee structure accurately reflects the true cost of program oversight and would also allow for comparison with other state housing finance entities such as:

- The California Tax Credit Allocation Committee (CTCAC)
- The California Housing Finance Agency (CalHFA)

These entities use different, often more calibrated, approaches to fee setting.

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An audit is a practical, targeted step that can:

- Improve efficiency within HCD
- Strengthen the affordable housing pipeline
- Ensure public resources are used as effectively as possible

Finally, a transparent review would help ensure that HCD's fee policies are fair, equitable and grounded in actual administrative costs. If reforms are warranted, they could improve project feasibility, reduce unnecessary financial burdens and increase affordable housing production statewide

Thank you for your time and your continued commitment to addressing California's housing crisis. I am happy to answer any questions.

Jenna Abbott

Executive Director, California Council for Affordable Housing