

May 3, 2022

Senator Josh Becker  
1021 O Street, Suite 7250  
Sacramento, CA 94293

**Re: SB 948 (Becker) - Support**

Dear Senator Becker,

MidPen Housing is proud to support SB 948, your bill to reduce the cost of affordable housing through the creation of a pooled transition reserve.

MidPen Housing is one of the nation's leading nonprofit developers, owners and managers of high-quality, affordable housing and onsite resident services. Since MidPen was founded in 1970, we have developed over 100 communities and 8,000 homes for low-income families, seniors and those with supportive housing needs throughout Northern California.

According to the [Roadmap Home 2030](#), California needs to build 1.2 million new affordable homes, 120,000 per year, to meet the needs of low-income families over the next ten years. Yet California has never produced more than 20,000 new affordable rental homes in any year, primarily due to a lack of resources. Therefore, it is critical to minimize the cost of development so that scarce resources can support additional homes.

One significant contributor to development costs is expensive and largely unnecessary development-specific "transition reserves." The Department of Housing and Community Development (HCD) currently requires each development with rental assistance to set aside enough money up front to continue the assistance for one year after a contract ends to transition tenants to higher rents. This is known as a transition reserve. This can add up to \$3 million in cost for more significant developments, which HCD generally funds from scarce resources. However, the risk of rental assistance contracts not being renewed is extremely remote. A 2020 report commissioned by HCD cites the non-renewal rate for the primary rental assistance program as 0.0023%. In essence, HCD requires each development with rental assistance to fully self-insure for an event that is extremely unlikely to happen.

SB 948 eliminates HCD-required development-specific transition reserves and authorizes HCD to create a pooled transition reserve to mitigate the impacts on tenants in the unlikely event of a loss of rental assistance at a particular development. This is akin to how insurance works. Each development would pay a relatively small amount into the reserve, which would then have enough resources to cover the small number of claims for rental assistance contracts that are not renewed. The pooled transition reserve will save millions of dollars that HCD than can invest into additional affordable homes. Thank you for authoring this important measure.

Sincerely,



Matthew O. Franklin  
President & CEO, MidPen Housing Corporation



**MidPen**  
HOUSING

Building Communities. Changing Lives.

cc:

Senator Mike McGuire  
Senator Bill Dodd  
Senator Jim Nielsen  
Senator Steve Glazer  
Senator Nancy Skinner  
Senator Bob Wieckowski  
Senator Scott Wiener  
Senator Anna Caballero  
Senator Josh Becker  
Senator Dave Cortese  
Senator John Laird  
Assemblymember Marc Levine  
Assemblymember Jim Frazier  
Assemblymember Rebecca Bauer-Kahan  
Assemblymember Mia Bonta  
Assemblymember Phil Ting  
Assemblymember Bill Quirk  
Assemblymember Kevin Mullin  
Assemblymember Marc Berman  
Assemblymember Alex Lee  
Assemblymember Ash Kalra  
Assemblymember Mark Stone  
Assemblymember Robert Rivas  
Nevada V. Merriman, Director of Policy, MidPen Housing