Affordable Housing Bill Continues State Push Towards Development

BY POOJA S. NAIR

On July 13, 2026, Governor Newsom signed a new affordable housing budget trailer bill, Assembly Bill ("AB") 179. The stated purpose of the bill is to modernize the state's affordable housing finance system and expand homeownership. The bill reorganizes the state agencies that finance affordable housing and changes the rules that govern how public financing reaches a project.

Effective July 1, 2026, California replaced the Business, Consumer Services, and Housing Agency with a new California Housing and Homelessness Agency. The bill also creates a Housing Development and Finance Committee ("HDFC") to centralize affordable housing finance decisions, and an Executive Committee within the HDFC. This Executive Committee has significant power, with limited oversight. It is made up of a panel of state officials chaired by the Secretary of the California Housing and Homelessness Agency, and includes the Director of Housing and Community Development, the Executive Director of the California Housing Finance Agency, the State Treasurer, and the State Controller as voting members, with nonvoting representatives from a county, a city, and the Department of Finance.

The Executive Committee controls the awarding of tax-exempt bonds. Once it approves a qualifying project, it transmits the application to the California Debt Limit Allocation Committee ("CDLAC"). CDLAC must reserve at least half of the 90% bond dedication for projects this committee has funded until July 1, 2029.

The bill also limits two procedural checks that apply to most state committees: the Administrative Procedure Act and the Bagley-Keene Open Meeting Act. The Executive Committee may set the rules governing its bond allocation and program awards without following the APA's standard rulemaking process. Additionally, some of their meetings will not be open to the public, including when members meet as part of the Governor's cabinet or the committee's staff meet to prepare guidelines and policy recommendations without taking final action.

The effect is that a small group of primarily state officials will have the power to decide which projects have access to the cheapest capital.

The Newsom administration describes the financing changes as One-Stop Shop reforms designed to reduce duplicative reviews across state programs. The Governor's office estimates that those reforms will reduce the cost of building an affordable unit by roughly $60,000 to $70,000.

AB 179 also pressures local governments to reduce fees that raise the cost of building. When a city or county serves as the lead applicant for a state-funded affordable housing project and keeps in place the development impact fees it would otherwise charge, the awarding agency must reduce the project's award. The rule applies to funding opportunities issued after July 1, 2027, and it uses state money as leverage to encourage local fee relief.

The bill carries one provision of particular interest to homeowners recovering from the January 2025 wildfires. AB 179 establishes a Disaster Rebuilding Assistance Program at the California Housing Finance Agency, and the budget directs $100 million to a new Disaster Rebuilding Fund to reduce financing costs for homeowners repairing or reconstructing homes after a disaster.

The larger budget package surrounding AB 179 continues the state's housing spending. It extends the Homeless Housing, Assistance, and Prevention program with $900 million for the coming fiscal year, adds $500 million for enhanced state low-income housing tax credits, and directs $200 million to the Multifamily Housing Program.

While AB 179 is a financing bill rather than a zoning bill, it continues the state's direction to push for faster development at every stage of the process, and to eliminate barriers by local governments. By concentrating financing authority in one committee and tying state awards to local fee relief, the state is giving developers a faster and cheaper route to capital while pressuring cities and counties to cut costs. •

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