

AMENDED IN SENATE APRIL 6, 2026

**SENATE BILL**

**No. 1091**

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**Introduced by Senator Caballero**  
**(~~Coauthor: Senator Cabaldon~~)**  
**(Coauthors: Senators Arreguín, Cabaldon, and Pérez)**  
**(Coauthor: Assembly Member Haney)**

February 13, 2026

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An act to add Chapter 4.5 (commencing with Section 50580) to Part 2 of Division 31 of the Health and Safety Code, relating to housing.

LEGISLATIVE COUNSEL'S DIGEST

SB 1091, as amended, Caballero. Community Anti-Displacement and Preservation Program.

Existing law establishes the Department of Housing and Community Development in the Business, Consumer Services, and Housing Agency. Existing law, the Governor's Reorganization Plan No. 1 of 2025 (GRP), which became effective on July 5, 2025, transfers the Department of Housing and Community Development to the California Housing and Homelessness Agency, which the GRP also establishes, as of July 1, 2026. Existing law makes the department responsible for administering various housing programs throughout the state, including, among others, the Multifamily Housing Program and the California Emergency Solutions Grants Program. Existing law, upon appropriation, authorizes the department to make either or both loans and grants to rehabilitate, capitalize operating subsidy reserves for, and extend the long-term affordability of department-funded housing projects that have an affordability restriction that has expired, that have an affordability restriction with a remaining term of less than 10 years, or are otherwise at risk for conversion, as provided.

This bill would establish the Community Anti-Displacement and Preservation Program for purposes of funding the acquisition and rehabilitation of unrestricted housing—~~units~~ and attaching long-term affordability restrictions on the—~~housing—units~~, *housing*, while safeguarding against the displacement of current residents. The bill would require the department to issue a request for qualification to select a private sector entity or consortium to manage the program for a period of 5 years. The bill would require *the department to grant prescribed funds to the program manager to implement the program* and the program manager to make loans to eligible borrowers, as defined, based on underwriting guidelines approved by the department. The bill would authorize the department to issue grants or loans from program funds to local public entities upon request for purposes of allowing the local public entity to use the moneys to issue loans to eligible borrowers within its jurisdiction in accordance with the bill’s provisions and department regulations. The bill would require the department to adopt regulations for the operation of the program and would exempt the adoption of regulations by the department for these purposes from the Administrative Procedure Act.

This bill would apply specified tenant protections to projects funded by the program and would require the department to develop technical assistance and capacity building for the development and ongoing operation of projects funded pursuant to the program, as specified.

This bill would establish the Community Anti-Displacement and Preservation Fund in the State Treasury. The bill would make moneys available to the department for purposes of the program, upon appropriation by the Legislature. The bill would set forth requirements for the use of moneys in the fund.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Chapter 4.5 (commencing with Section 50580)
- 2 is added to Part 2 of Division 31 of the Health and Safety Code,
- 3 to read:

CHAPTER 4.5. COMMUNITY ANTI-DISPLACEMENT AND PRESERVATION PROGRAM

50580. (a) The Community Anti-Displacement and Preservation Program (CAPP) is hereby established for purposes of funding the acquisition and rehabilitation of unrestricted housing units and attaching long-term affordability restrictions on the housing units, housing, while safeguarding against the displacement of current residents.

(b) For purposes of this chapter, the following definitions apply:

(1) "Capitalized operating subsidy reserve" means funds that are set aside before a property is acquired pursuant to this chapter to cover the property's operating expenses over time.

~~(1)~~

(2) "Department" means the Department of Housing and Community Development.

~~(2)~~

~~(3) "Eligible borrower" means an entity whose primary mission includes the development or ownership of housing that is affordable to low-income households and that has demonstrated experience in acquiring, rehabilitating, and operating multifamily housing for the benefit of low-income households. "Eligible borrower" includes, but is not limited to, the following: an entity that is at least one of the following:~~

~~(A) An eligible nonprofit corporation that has a principal place of business in the state.~~

~~(A) A nonprofit corporation that has a principal place of business in the state and whose primary mission includes the development or ownership of housing that is affordable to low-income households and that has demonstrated experience in acquiring, rehabilitating, and operating multifamily housing for the benefit of low-income households.~~

~~(B) A community land trust, as defined in clause (ii) of subparagraph (C) of paragraph (11) of subdivision (a) of Section 402.1 of the Revenue and Taxation Code.~~

~~(B)~~

~~(C) A limited partnership in which the managing general partner is an eligible nonprofit corporation described in subparagraph (A) or a community land trust described in subparagraph (B) and that has a principal place of business in the state.~~

- 1     ~~(C)~~
- 2     (D) A limited liability company in which the managing member
- 3 is ~~an eligible~~ a nonprofit corporation *described in subparagraph*
- 4 *(A) or a community land trust described in subparagraph (B) and*
- 5 *that has a principal place of business in the state.*
- 6     ~~(D) A community land trust, as defined in clause (ii) of~~
- 7 ~~subparagraph (C) of paragraph (11) of subdivision (a) of Section~~
- 8 ~~402.1 of the Revenue and Taxation Code.~~
- 9     (E) A limited-equity housing cooperative as defined in Section
- 10 817 of the Civil Code.
- 11     (F) A local public entity.
- 12     ~~(3)~~
- 13     (4) “Local public entity” means a public entity in the state,
- 14 including a city, county, city and county, public housing authority,
- 15 regional housing finance authority, and successor agency to a
- 16 former redevelopment agency.
- 17     ~~(4)~~
- 18     (5) “Low-income households” has the same meaning as “lower
- 19 income households” in Section 50079.5.
- 20     ~~(5)~~
- 21     (6) “Rehabilitation” means rehabilitation work necessary to
- 22 meet health, safety, and quality of life needs, as determined by
- 23 standards established by the department.
- 24     ~~(6)~~
- 25     (7) “Tenant protections under state law” means the protections
- 26 provided in Chapter 2 (commencing with Section 1940) of Title
- 27 5 of Part 4 of Division 3 of the Civil Code, except for Section
- 28 1947.12 of that code, and in the California Fair Employment and
- 29 Housing Act (Part 2.8 (commencing with Section 12900) of
- 30 Division 3 of Title 2 of the Government Code).
- 31     ~~(7)~~
- 32     (8) “Unrestricted housing” means a housing development, as
- 33 defined in subdivision (i) of Section 65915 of the Government
- 34 Code, that is not currently subject to a recorded deed restriction
- 35 limiting occupancy to households at specified income levels and
- 36 rents to levels affordable at those income levels. Mixed-use
- 37 buildings are eligible if the majority of the building square footage
- 38 is used for residential purposes.
- 39     (c) The department shall adopt regulations for the operation of
- 40 the program. The adoption of regulations pursuant to this

1 subdivision is hereby exempted from the rulemaking provisions  
2 of the Administrative Procedure Act (Chapter 3.5 (commencing  
3 with Section 11340) of Part 1 of Division 3 of Title 2 of the  
4 Government Code).

5 50581. (a) (1) The Community Anti-Displacement and  
6 Preservation Fund is hereby created as a fund in the State Treasury.  
7 All money in the fund shall be available, upon appropriation by  
8 the Legislature, to the department for purposes of this chapter.

9 (2) The administrative expenses of the department shall not  
10 exceed ~~five~~ 5 percent of the moneys deposited in the fund for the  
11 purposes of this chapter.

12 (3) Up to an additional ~~five~~ 5 percent of the moneys may be  
13 expended to provide technical assistance and capacity building to  
14 eligible borrowers pursuant to Section 50586.

15 (b) The following moneys shall be paid into the fund:

16 (1) Any moneys appropriated and made available by the  
17 Legislature for purposes of the chapter.

18 (2) Any moneys that the department receives in repayment of  
19 loans made from the fund, including interest therefrom.

20 (3) Any other moneys that may be made available to the  
21 department for purposes of this chapter from any other source.

22 50582. (a) (1) The department shall issue a request for  
23 qualification to select a private sector entity or consortium to  
24 manage the program for a period of five years.

25 (2) The agreement between the department and the private sector  
26 entity may be extended in additional five-year increments.

27 (b) (1) The selected program manager shall be responsible for  
28 reviewing and approving loan applications, originating and  
29 servicing loans, and, subject to department approval, establishing  
30 terms and conditions for loan applications, and reporting to the  
31 department to demonstrate compliance with program ~~regulations~~.  
32 *regulations and summarize program impacts.*

33 (2) The private sector entity shall meet at least all of the  
34 following criteria to be eligible to be selected as a program  
35 manager:

36 (A) Be a nonprofit lender or consortium of nonprofit lenders,  
37 including community development financial institutions and credit  
38 unions, with experience making similar loans in the state.

39 (B) Have originated and serviced loans in an aggregate amount  
40 of not less than thirty million dollars (\$30,000,000) that were used

1 to develop or acquire affordable housing. At least ten million  
2 dollars (\$10,000,000) or more of the loans shall have been in the  
3 form of an acquisition loan.

4 (C) Provide geographic coverage across the state.

5 (c) In selecting a program manager, the department shall  
6 consider the following objectives:

7 (1) The provision of loans for the longest possible time, up to  
8 15 years.

9 (2) The provision of loans on the most competitive terms.

10 (3) Proposed processes and procedures to ensure timely  
11 application review and loan closing.

12 (4) The ability to work with a variety of borrowers, including,  
13 but not limited to, affordable housing developers, community  
14 development corporations, community land trusts, limited-equity  
15 housing cooperatives, and local public entities.

16 (5) The ability to work with a variety of stewardship models,  
17 including, but not limited to rental housing, affordable  
18 homeownership, and community land trusts.

19 50583. (a) ~~(1) The program~~ *The department shall grant funds*  
20 *to the program manager to implement the program, which shall*  
21 *include funds for all of the following, pursuant to this chapter:*

22 (1) *Loans or grants.*

23 (2) *Capitalized operating subsidy reserves.*

24 (3) *Administrative costs.*

25 (b) (1) *The program manager shall make loans to eligible*  
26 *borrowers based on underwriting guidelines approved by the*  
27 *department.*

28 (2) *Loans shall not exceed the cost of acquisition plus the cost*  
29 *of rehabilitation.*

30 (3) *With the approval of the department, the program manager*  
31 *may establish a maximum loan to value ratio. Based on*  
32 *underwriting guidelines approved by the department, a portion of*  
33 *the loan to be funded with non-program funds may require*  
34 *amortized payments, and a portion funded with department funds*  
35 *shall have deferred interest for the term of the loan.*

36 (4) *The department may establish priority uses of funds or*  
37 *establish set asides for specified project types, for specified types*  
38 *of borrowers, based on levels of affordability, or to ensure*  
39 *geographic equity.*

1 (5) Loans shall not be made for projects within the jurisdiction  
2 of a local public entity that has received moneys pursuant to  
3 Section 50584 to administer a loan program, unless the program  
4 manager determines there is insufficient demand for loans in  
5 nondelegated jurisdictions and the department approves the loan.  
6 For purposes of this paragraph, “nondelegated jurisdiction” means  
7 the jurisdiction of any local public entity that has not received  
8 moneys pursuant to Section 50584.

9 ~~(b)~~

10 (c) (1) (A) Properties that will remain rental housing  
11 developments following acquisition or rehabilitation with a loan  
12 made pursuant to this chapter shall be subject to a recorded  
13 regulatory agreement between the borrower and the department  
14 that requires that the unit or units, upon the first turnover of  
15 tenancy, remain affordable to, and occupied by, low-income  
16 households for a term of at least 55 years from the date of the loan  
17 closing. However, the term required by a local ordinance, a federal,  
18 state, or local grant, a federal or state tax credit, or other project  
19 financing shall instead apply if that required term is greater than  
20 55 years and the local ordinance, grant, tax credit, or other project  
21 financing requires the rental housing development’s units be  
22 affordable to and occupied by low-income households for that  
23 term.

24 (B) For projects involving properties described in subparagraph  
25 (A), the department may convert, upon the borrower’s request, the  
26 deferred portion of a loan provided to fund the project into a grant  
27 if the department determines that the project meets standards  
28 established by the department in program regulations.

29 (2) (A) Properties that will be sold to low-income households  
30 at an affordable housing cost shall be subject to a recorded deed  
31 restriction of at least 45 ~~years~~, *years* or a community land trust  
32 ground lease of 99 ~~years~~, or a recorded equity sharing agreement.  
33 *years*.

34 (B) For projects involving properties described in subparagraph  
35 (A), the department may convert, upon the borrower’s request, ~~to~~  
36 ~~convert~~ the deferred portion of the loan, or part of it, into a grant,  
37 pursuant to conditions determined by the department and as  
38 promulgated in its regulations.

39 (e)

1 (d) The department shall monitor borrower compliance with  
2 the terms of the recorded regulatory agreement or recorded deed  
3 restriction, except when the agreement or restriction is related to  
4 properties funded by a local public entity pursuant to Section  
5 50584. In those circumstances, the local public entity shall monitor  
6 borrower compliance and submit annual reports pursuant to  
7 subdivision (b) of Section 50584.

8 50584. (a) (1) The department may issue grants or loans from  
9 the program funds to local public entities upon request.

10 (2) (A) A local public entity that receives a grant or loan  
11 pursuant to this section shall use the moneys to issue loans to  
12 eligible borrowers within its jurisdiction in accordance with this  
13 chapter and department regulations.

14 (B) Notwithstanding subparagraph (A), the department, at its  
15 sole discretion, may waive program requirements under this chapter  
16 and the department’s regulations with respect to loans issued by  
17 a local public entity that receives a grant or loan under this section  
18 if the waiver would facilitate integration of state and local funds.

19 (3) The department shall select local public entities based on  
20 the local public entity’s capacity to manage program funds and  
21 adequately monitor borrower compliance within their jurisdiction.

22 (b) A local public entity that receives a grant or loan pursuant  
23 to this section shall file annual reports with the department  
24 demonstrating that the financed developments are rented *or sold*  
25 in accordance with the applicable recorded regulatory agreement  
26 or recorded deed restriction, as described in Section 50583, and  
27 properly maintained.

28 (c) Any loans issued by a local public entity pursuant to this  
29 section shall not be managed by the program manager.

30 50585. (a) Notwithstanding any other law, all tenant  
31 protections under state law, or a more protective local policy, other  
32 than rent stabilization, shall apply to tenants of projects funded  
33 pursuant to this chapter.

34 (b) Notwithstanding any other law, the department shall require,  
35 in its regulations and regulatory agreement, standards for annual  
36 rent increases, with a goal of ensuring affordability for current and  
37 future residents.

38 (c) Notwithstanding any other law, a household or member of  
39 a household that resides ~~in the property~~ *at a property purchased*  
40 *or rehabilitated with funds from the program* at the time of its

1 acquisition *by an eligible borrower* shall not be evicted, nor shall  
2 their tenancy be terminated on the ground of their income or other  
3 eligibility requirements for deed-restricted units in the property.

4 (d) Notwithstanding any other law, the department shall require,  
5 in its regulations and in each regulatory agreement, borrowers to  
6 include language that implements the protections of this section  
7 in its tenant leases. The just cause protections in Section 1946.2  
8 of the Civil Code or a more protective local policy shall also be  
9 incorporated in the lease notwithstanding any basis for exemption  
10 in statute or local ordinance.

11 50586. (a) The department shall develop technical assistance  
12 and capacity building for the development and ongoing operation  
13 of projects funded pursuant to this chapter.

14 (b) (1) The technical assistance and capacity building shall  
15 support eligible borrowers in navigating the requirements and  
16 processes to apply for a loan pursuant to this chapter.

17 (2) The technical assistance and capacity building shall support  
18 collaboration and peer-to-peer learning amongst eligible borrowers.

19 (c) The department shall contract with third-party consultants  
20 to assist with the development, implementation, and administration  
21 of the technical assistance and capacity building. The department  
22 shall contract with consultants possessing specific areas of  
23 expertise, including, but not limited to:

- 24 (1) Resident engagement and education.
- 25 (2) Property assessment and due diligence.
- 26 (3) Affordable housing operations management.
- 27 (4) Financial assistance for projects involving the acquisition  
28 and rehabilitation of property.
- 29 (5) Construction and property management.
- 30 (6) A spectrum of ownership and stewardship models, including  
31 rental housing, homeownership, community land trusts,  
32 limited-equity housing cooperatives, workforce housing  
33 cooperative trusts, and nonprofit affordable housing cooperatives.
- 34 (7) Capacity and experience in advancing racial equity.

35 (d) The department or third-party consultants shall develop  
36 technical assistance tools including, but not limited to, all of the  
37 following:

- 38 (1) Training modules.

- 1     (2) Specific financing templates and guidance, such as proformas
- 2     and worksheets, relating to the acquisition and rehabilitation of
- 3     property.
- 4     (3) Best practice guides for engaging tenants before and after
- 5     property acquisition, managing safe and accessible rehabilitation
- 6     of occupied buildings, facilitating resident ownership, and any
- 7     other topic deemed appropriate by the department.
- 8     (e) The department may integrate the technical assistance and
- 9     capacity building with technical assistance funded through other
- 10    department programs that have similar goals and eligible
- 11    borrowers.