**Please submit a support letter here:** <https://calegislation.lc.ca.gov/Advocates/>**– On your letter head**

**Sample Support Letter – SB 948 (Becker)**

**HCD Pooled Transition Reserve**

**Send Copy to:** [nicole.restmeyer@sen.ca.gov](mailto:nicole.restmeyer@sen.ca.gov)

**[ADD DATE]**

The Honorable Buffy Wicks

California State Assembly

1020 N Street, Room 156

Sacramento, CA 95814

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

Dear Chair Wicks,

[**Name of Your Organization**] is proud to support SB 948 (Becker), which will reduce the cost of affordable housing through the creation of a pooled transition reserve.

According to the [Roadmap Home 2030](https://roadmaphome2030.org/app/uploads/2021/03/Roadmap-Home-Report-1.pdf), 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. It is therefore 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 that has rental assistance to set aside enough money up front to continue the assistance for one year after a contract ends in order to transition tenants to higher rents. This is known as a transition reserve. For larger developments, this can add up to $3 million in cost, which HCD generally funds from its 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,

**Your Name and Title**