

# Existing Affordable Stock Is Expiring Faster Than RHNA Adds New

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## EXECUTIVE SUMMARY

California has **570,080 deed-restricted affordable homes**. Per the California Housing Partnership Preservation Database (March 2025), **47,899 of them — 8.4% of the entire stock — are at risk of converting to market rate within 10 years**. 6,800 are at "very high" risk: their affordability covenants could expire within ONE year.

Between 2000 and 2024, California already lost **18,056 affordable homes** through expirations and conversions. The state's RHNA enforcement framework treats affordable production as a one-way ratchet — it doesn't account for losses in existing stock. The actual net change in affordable supply is far worse than RHNA progress numbers suggest.

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## BY RISK CATEGORY

### At-Risk Affordable Homes

*Per California Housing Partnership Preservation Database (March 2025). "Risk" is based on when affordability restrictions end and whether the owner is a stable, mission-driven nonprofit.*

RISK LEVEL	DEFINITION	HOMES	% OF STOCK
<b>Very High</b>	Could expire in less than 1 year	6,800	1.2%
<b>High</b>	Expires in 1 to 5 years	25,344	4.4%
<b>Moderate</b>	Expires in 5 to 10 years	15,755	2.8%
<b>Total at Risk</b>	<b>Combined very high + high + moderate</b>	<b>47,899</b>	<b>8.4%</b>
Low / Protected	Extends 10+ years OR nonprofit owner	522,181	91.6%
<b>California Total</b>	All deed-restricted affordable homes	<b>570,080</b>	<b>100.0%</b>

#### WHAT'S DRIVING THE EXPIRATIONS

## Program Breakdown

PROGRAM	% AT-RISK	MECHANISM OF LOSS
<b>HUD</b> Section 8 PBRA + maturing mortgages	<b>44%</b>	Project-Based Section 8 contracts can be opted out of at renewal. Maturing federal mortgages release affordability restrictions. With Section 8 funding shortfalls, contract renewals at risk.
<b>LIHTC</b> Expiring regulatory agreements	<b>37%</b>	California requires 55-year affordability (longer than federal 30-year minimum). First-generation deals from 1987–1989 had 15-year covenants and many converted in 2002–2009. Second wave coming as 30-year deals reach the 2020s.
<b>Local agency</b> Restrictions	<b>11%</b>	Local agency regulatory agreements (often from former Redevelopment Agencies) are expiring. Without state or federal financing layers requiring longer terms, these convert most readily.

<b>USDA Rural</b> Maturing mortgages	<b>5%</b>	Rural housing program. Maturing USDA loans release affordability covenants.
<b>HCD</b> Expiring loans/grants	<b>2%</b>	California Department of Housing and Community Development financing terms expiring.
<b>CalHFA</b> Maturing loans	<b>1%</b>	California Housing Finance Agency loan maturities releasing covenants.

## GEOGRAPHIC DISTRIBUTION

# 12 Most Populous California Counties

*More than 75% of California's at-risk affordable homes are located in these 12 counties.*

COUNTY	TOTAL STOCK	AT-RISK	%
<b>Los Angeles</b>	143,202	14,746	10.3%
<b>Orange</b>	28,193	4,627	16.4%
<b>San Diego</b>	48,332	3,164	6.5%
<b>Santa Clara</b> (San Jose)	39,056	2,784	7.1%
<b>Sacramento</b>	29,781	2,378	8.0%
<b>Fresno</b>	15,974	2,085	13.1%
<b>San Bernardino</b>	14,881	1,459	9.8%
<b>Alameda</b>	30,465	1,415	4.6%
<b>Riverside</b>	24,465	1,366	5.6%
<b>Ventura</b>	10,731	1,167	10.9%

<b>Contra Costa</b>	16,654	966	5.8%
<b>Kern</b> (Bakersfield)	11,890	930	7.8%

## THE BIGGER POOL

### Unsubsidized Affordable Stock (NOAH)

The 570,080 deed-restricted homes covered above are only one part of California's affordable stock. Naturally Occurring Affordable Housing (NOAH) — unsubsidized apartments where rents are affordable to households earning 80% of area median income because of the building's age, condition, or location — is much larger and is leaking faster.

Per the California Housing Partnership's annual NOAH reports (CoStar-based methodology), California has roughly **863,000 multifamily NOAH units** — about 37% of the state's multifamily housing stock, and significantly larger than the deed-restricted inventory. Affordability has been disappearing from this stock at an accelerating rate since 2020.

### Trajectory of NOAH Affordability Loss

CHP ANNUAL REPORT	CUMULATIVE NOAH LOST (since mid-2020)	CURRENTLY AT RISK
<b>2023 Report</b>	120,474	324,257
<b>2024 Report</b>	163,000+	222,190+
<b>2025 Report</b>	189,000+	333,819
<b>Net change 2023–2025</b>	<b>~69,000</b>	—

Sources: California Housing Partnership NOAH At-Risk Reports 2023–2025. "At Risk" methodology and thresholds vary year over year as the model is refined; figures are not perfectly comparable.

### How NOAH affordability is lost

The CHP database tracks units that cross above the 80%-AMI rent threshold — not the cause. The dominant mechanism is **private-equity acquisition followed by rent increases and light renovation**. Per CHP: developers can earn 20–30% returns by acquiring Class B or Class C buildings and converting them to Class A. Demolition for redevelopment is a meaningful secondary mechanism, but is not isolated as a separate category in the CHP data.

*The demolition data gap: California has no statewide rollup of NOAH units lost specifically to demolition. SB 330 requires cities to track and one-for-one replace demolished protected units, but reporting lives in individual housing element annual reports rather than a unified database. Closing this gap is itself a policy ask.*

## Geographic concentration

Like the deed-restricted at-risk stock, NOAH losses are heavily concentrated in **Southern California, the Bay Area, and the Sacramento and Fresno regions**. 49% of lost NOAH (per the 2025 report) was located in resource-rich census tracts — compounding fair-housing concerns since these are the neighborhoods with the highest school, employment, and environmental opportunity scores.

## Why this matters for RHNA accounting

RHNA does not count NOAH at all. The framework recognizes only deed-restricted affordable production. A jurisdiction can lose thousands of NOAH units to private-equity acquisition or demolition during a cycle and show full RHNA compliance on affordable categories simultaneously. The state's housing-progress framework is structurally blind to the largest single category of affordable housing loss in California.

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### THE TRACK RECORD

## What Was Lost: 2000–2024

California already lost **18,056 affordable homes** between 2000 and 2024 due to

expiring regulatory restrictions and owner decisions to opt out, sell, or convert to market rate. 58% of these losses (10,581 homes) were owned by for-profit entities. The pattern is well established and accelerating.

### **First decade (2000–2009)**

More than 8,000 affordable homes converted to market rate. Concentrated in 2004–2006 from first-generation 1987–1989 LIHTC deals with 15-year covenants.

### **Most recent five years (2020–2024)**

2,291 affordable homes converted. 56% of recent losses came from local-restriction expirations following dissolution of Redevelopment Agencies in 2011.

### **Mission-driven preservation rate**

Per industry analysts: approximately 20% of expiring tax credit properties lose their affordability restrictions despite preservation efforts. State preservation programs are underfunded — Michigan's program was 14–20% of LIHTC allocation; California has no comparable scaled program.

*California needs to produce 1.2 million homes for ELI and Very Low Income renters over the next decade per Roadmap Home 2030. The state lost 18,056 affordable homes in the prior 24 years and has 47,899 more at risk. The math is moving in the wrong direction.*

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#### **WHY IT MATTERS**

## **Implications for the Structural Argument**

### **RHNA tracks gross production, not net change**

RHNA progress measures permits pulled by income category. It does NOT subtract for affordable units that convert to market rate within the cycle period. A city that produces 100 new affordable units while losing 100 to expiration shows "progress" on RHNA — even though net affordable supply is unchanged. The HCD APR Dashboard does not display these losses.

## San Jose's "progress" is partly fictional

San Jose permitted 3,721 affordable units (VL + Low + Mod) over 18 months. Santa Clara County has 2,784 at-risk affordable homes within 10 years. If even 30% of those convert (a conservative estimate based on historical conversion rates), Santa Clara County loses ~835 affordable homes during the same period San Jose is producing new ones. The net change is roughly half the gross production figure.

## Bakersfield's affordable production is even smaller after netting losses

Bakersfield permitted 378 affordable units over 18 months (127 VL + 251 Low + 0 Mod). Kern County has 930 at-risk affordable homes within 10 years. Pro-rata for an 18-month period: ~140 expected losses. Bakersfield's net affordable change over 18 months is closer to **238 than 378** — and getting worse as more covenants approach expiration.

## New "affordable" restrictions are increasingly time-limited

Of 197 units the City of San Jose is master-leasing at The Fay, the affordability is for 10 years before reverting to market rate. This means in 2036, those 197 units count as "lost" affordable stock. The state is creating new short-term affordability restrictions while letting older long-term restrictions expire. The system is increasingly running on shorter and shorter promises.

## The Section 8 connection

Many of the 25,931 HUD project-based Section 8 affordable units flagged at-risk depend on contract renewal. With the federal Section 8 program in funding shortfall, contract renewals at expiration are at increased risk of non-renewal — particularly at the lowest tier. The federal voucher collapse compounds the expiration problem.

***Total honest accounting:*** California needs 1.2M homes for ELI/VL renters per Roadmap Home 2030. The state is producing roughly 8,000–12,000 affordable units per year statewide while losing 1,500–2,500 per year to expirations. Net gain of perhaps 6,000–10,000 per year against a 10-year need of 1.2M. The math does not work — and that's **WITHOUT** the BAHFA / Wicks / Prop 5 / Section 8 funding collapses making it worse.

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## SOURCES

### References & Data

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