ASSEMBLY BILL 35

LOW INCOME HOUSING TAX CREDIT

ASSEMBLYMEMBER DAVID CHIU AND ASSEMBLY SPEAKER TONI ATKINS

SUMMARY

Assembly Bill 35 (Chiu & Atkins) would increase California's Low Income Housing Tax Credit by $300 million for the construction and rehabilitation of affordable housing units across the state. It will achieve this not only by increasing the amount of California credit, but also by increasing the state credit percentage so that it can more effectively leverage federal tax-exempt bond financing and 4% credits. This state investment and policy change would leverage an estimated additional $200 million in federal 4% tax credits and at least $400 million in federal tax-exempt bond authority.

THE ISSUE

California is undergoing a major housing affordability crisis with a shortfall of over 1 million affordable homes. According to a 2014 report by the California Housing Partnership Corporation, median rents in California have increased by over 20 percent while the median income has dropped by 8 percent.

State and Federal divestment in affordable housing has exacerbated this problem. With the elimination of California's redevelopment agencies and the exhaustion of state housing bonds, California has reduced its funding for the development and preservation of affordable homes by 79 percent -- from approximately $1.7 billion a year to nearly nothing. There is currently no permanent source of funding to compensate for this loss.

The housing crisis has contributed to a growing homeless population, increased pressure on local public safety nets, an unstable development and construction marketplace and the outward migration of thousands long-time California residents.

BACKGROUND

The Low Income Housing Tax Credit (LIHTC) Program was enacted by Congress in 1986 to provide the private market with an incentive to invest in more affordable housing through two types of federal Credits 9% and 4%. The California Tax Credit Allocation Committee (CTCAC) awards these credits to developers of qualified projects and developers sell these credits to investors to raise capital for their projects, reducing the debt that the developer would otherwise have to borrow. As a result, property owners are able to offer lower, more affordable rents.

Recognizing the extremely high cost of developing housing in California, the state legislature authorized a state low income housing tax credit program to leverage the federal credit program. Existing law limits the total amount of the state credit that CTCAC may allocate to $70 million per year, indexed for inflation. The Low Income Housing Tax Credit program is the only major source of funding available for the development of affordable rental housing in the state. However, both the 9% federal credit and state credit are oversubscribed – leaving many high quality developments without a secure source of funding and unable to proceed.

Unlike the 9% federal credit, there is no per capita limit on how many 4% federal credits a state access, but the 4% credit requires additional state resources to make development viable. The existing structure of the state credit has prevented developers from fully leveraging the 4% federal credit, which when leveraged in conjunction with federal tax-exempt bond financing, is a potentially unlimited resource.

AB 35

As a part of Speaker Toni Atkin's 2015 Affordable Housing Legislative Package, AB 35 would increase the aggregate housing state credit dollar amount that may be allocated among low-income housing projects by $300,000,000 and increase the credit percentage so that it can more effectively leverage federal tax-exempt bond financing and 4% credits.

SUPPORT

- California Housing Partnership (Co-Sponsor)
- California Housing Consortium (Co-Sponsor)
- Non-Profit Housing Association of Northern CA (Co-Sponsor)
- California Treasurer John Chiang
- San Francisco Mayor Edwin M. Lee
- Los Angeles Mayor Eric Garcetti
- Oakland Mayor Libby Schaaf
- San Diego Mayor Kevin L. Faulconer

**Partial list*

For more information, contact:
Samantha Roxas, Legislative Aide, Office of Assistant Speaker pro Tempore David Chiu
Samantha.roxas@asm.ca.gov | (916)319-2017