Date

The Honorable Gavin Newsom

State Capitol, First Floor

Sacramento, CA 95814

**RE: AB 1423 (Daly) - Support**

Dear Governor Newsom:

[**Name of Your Organization**] is proud to support AB 1423 to reduce the cost of developing affordable housing by funding state loans during construction.

The Department of Housing and Community Development (HCD) makes rental housing affordable by providing financing in the form of 55-year deferred loans. HCD funds these loans after construction is complete when the development converts to permanent financing. To pay bills during the construction period, the developer obtains and pays interest on a construction loan from a private bank. This loan is larger than it would otherwise be if HCD funds were available during the construction period. The additional interest on a larger construction loan adds hundreds of thousands of dollars, roughly 5% of the HCD loan amount, to the cost of each affordable rental housing development.

AB 1423 significantly reduces construction period interest expenses by allowing developers to receive HCD loan funds during the construction period. There would still be a private construction loan, albeit significantly smaller, and the private construction lender would continue to monitor construction progress and approve draws so as not to increase HCD workload. To ensure that the State can rely on the private construction lender’s due diligence, the bill requires the private lender to have skin in the game by funding a percentage of each draw specified by HCD until HCD’s funds are fully disbursed.

By reducing the costs of each development, AB 1423 will stretch precious state resources to create more affordable homes for California’s low-income families. We respectfully request your signature on this important measure to reduce the cost of developing affordable rental housing.

Sincerely,

Your name and title