Date

The Honorable Jesse Gabriel

1021 O Street, Suite 5220

Sacramento, CA. 95814

**RE: AB 1053 - Support**

Dear Assemblyman Gabriel:

[**Name of Your Organization**] is pleased to support AB 1053, your bill 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 or even millions of dollars to the cost of each affordable rental housing development.

AB 1053 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 allows HCD to set a minimum percentage of each draw that must come from the private lender’s funds.

By reducing the costs of each development, AB 1053 will stretch precious state resources to create more affordable homes for California’s low-income families. Thank you for your authorship of this important bill.

Sincerely,

Your name and title