Date

The Honorable Sharon Quirk-Silva

1021 O Street, Suite 4210

Sacramento, CA. 95814

**RE: AB 346 - Support**

Dear Assemblywoman Quirk-Silva:

[**Name of Your Organization**] is pleased to support AB 346, your bill to increase the effectiveness of the state low-income housing tax credits.

We greatly applaud state’s commitment over the last few years to augment the amount of state low-income housing tax credits by $500 million annually. When first approved in 2019, the Legislature paired the $500 million in additional state credits with tax-exempt bonds and 4% federal low-income housing tax credits because these resources were undersubscribed at the time. The intent was to utilize federal resources that California was leaving on the table.

Since then, however, the tax-exempt bonds have become highly oversubscribed. Given the state’s inability to increase the federal limit on tax-exempt bonds, this linkage of state credits with tax-exempt bonds now results in greater unmet bond demand and uncertainty for all bond applicants. Each state credit development receiving a bond allocation simply displaces another applicant seeking bonds. While the 9% low-income housing tax credit program is also oversubscribed, adding additional resources expands the program and the number of developments that receive an award because there is no constraining factor.

In this environment, the state can maximize the production of affordable homes by redirecting the additional state credits to the 9% tax credit program in years when tax-exempt bonds are oversubscribed. AB 346 grants the Tax Credit Allocation Committee (TCAC) the authority, but does not require them, to do so. In years when tax-exempt bonds will be oversubscribed, the TCAC members would determine how best to allocate that year’s additional $500 million in state credits, except for credits set aside for the California Housing Finance Agency’s Mixed Income Program, across the 9% and 4% federal credit programs in any combination.

The bill increases the efficiency of the low-income housing tax credit program in three other ways as well. First, it clarifies that investors who buy the credits may begin claiming them in the year the development is occupied, increasing the price investors will pay for the credits and thereby reducing the amount of credits each development needs. This is consistent with the rules for federal tax credits. Second, it grants TCAC the authority to set deadlines for construction starts to account for market conditions and disasters. The current statutory 180-day requirement has proven to be too inflexible for rapidly changing conditions. Third, it facilitates alignment by subjecting the California Debt Limit Allocation Committee, whose resources must be used in conjunction with TCAC’s, to TCAC’s standards for adopting and amendment program regulations.

Thank you for authoring this important measure.

Sincerely,

Your name and title