REPORT OF THE
CHIEF LEGISLATIVE ANALYST

DATE: May 6, 2016

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations, and
         Neighborhoods Committee

FROM: Sharon M. Tso   Council File No. 15-0002-S169
         Chief Legislative Analyst   Assignment No: 16-04-0355

SUBJECT: Resolution (Harris-Dawson/Cedillo) to SUPPORT AB 2817 (Chiu).

CLA RECOMMENDATION: Adopt Resolution (Harris-Dawson/Cedillo) to include in the City's 2015-2016 State Legislative Program SUPPORT for AB 2817 (Chiu), which increases the California Low Income Housing Tax Credit allocation by an additional $300 million and provides additional flexibility to the program.

SUMMARY
Resolution (Harris-Dawson/Cedillo), introduced on April 22, 2016, discusses the City's serious housing affordability crisis and concludes that the private housing market is not meeting demand for housing, either in the development of for-sale or rental units. The Resolution identifies AB 2817, which would increase the California Low Income Housing Tax Credit allocation by an additional $300 million and provide additional flexibility to the program, as one solution to the problem. This additional source of funding would leverage millions of dollars in financing for affordable housing developments and support development in the City. As a result, the Resolution calls for the City to support the bill.

BACKGROUND
In 1986, Congress enacted the federal Low Income Housing Tax Credit (LIHTC) Program to provide the private market with an incentive to invest in affordable housing. The LIHTC Program offers two types of federal credits, 4% and 9% credits. Developers sell these credits to investors and use this capital to finance affordable housing developments. In 1987, the State legislature authorized the State low income housing tax credit to augment the federal credit program. The California Tax Credit Allocation Committee (TCAC) administers both the federal and State programs. Applicants for State credits are competitively scored and points are awarded for a range of items, including cost efficiencies, leveraging of funds, affordability, developer experience, energy efficiencies, and amenities. Projects receiving tax credits are subject to rent and income restrictions; long-term affordability compliance is ensured as regulatory agreements are recorded against the property.

The current allocation of State tax credits is approximately $103 million each year. AB 2817 would increase the State LIHTC allocation by an additional $300 million which would allow the State to leverage an additional $200 million in federal 4% LIHTC and at least $400 million in federal tax-exempt bond authority annually. This new allocation would help fill the loss of redevelopment and the exhaustion of State voter-approved bonds, which were once primary sources of funding for affordable housing. In addition, the bill proposes to increase the amount of State tax credits awarded to a project that is also receiving 4% federal tax credits. This change would more than triple the amount of equity

that an investor purchasing a State tax credit would receive which would bring the return on 4% credits in line with 9% credits and result in greater affordability for the project. Tax credit financing is a major component of the funding of affordable housing projects and is often used with the City's Affordable Housing Trust Fund to further leverage the development of affordable units.

Support for AB 2817 would be consistent with past support for new federal and State sources of funding to address the affordable housing shortfall. Last year, the City supported AB 35, which had similar provisions to AB 2817. AB 35 was passed by the Legislature and vetoed by the Governor. In his veto message, the Governor noted that given budget uncertainties, a tax credit increase of this type was not sustainable.

DEPARTMENTS NOTIFIED
     Los Angeles Housing Department

BILL STATUS
03/30/16   Passed Committee on H. & C.D.
03/17/16   Amended.
03/14/16   Referred to Coms. on H. & C.D. and REV. & TAX.
02/19/16   Introduced.

Clay McCarter
Analyst

Attachment: 1. Resolution (Harris-Dawson/Cedillo).

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the City of Los Angeles is experiencing a serious housing affordability crisis, with a surging demand for affordable housing; and

WHEREAS, the private housing market is not meeting this demand neither in the development of for-sale nor rental units; and

WHEREAS, with the elimination of redevelopment agencies and the exhaustion of State housing bonds, there is currently no State-wide permanent source of funding for affordable housing; and

WHEREAS, the Low Income Housing Tax Credit is a federal and State tax credit program used by developers to finance the production of affordable housing; and
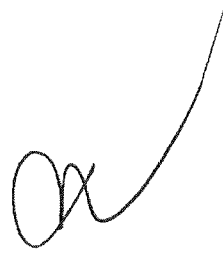
WHEREAS, AB 2817, introduced by Assembly Member Chiu, would increase the California Low Income Housing Tax Credit allocation by an additional $300 million and provide additional flexibility to the program; and

WHEREAS, this increase would leverage millions of dollars in additional financing for affordable housing developments whose demand has never been higher; and

WHEREAS, AB 2817 provides much needed resources to aid in the development of affordable housing and will support the construction of additional affordable units in the City of Los Angeles;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2015-2016 State Legislative Program SUPPORT for AB 2817 (Chiu), which increases the California Low Income Housing Tax Credit allocation by an additional $300 million and provides additional flexibility to the program.

PRESENTED BY: _____
MARQUEECE HARRIS-DAWSON
Councilmember, 8th District

SECONDED BY: _____

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