



COUNCIL AGENDA: 6/27/17
ITEM: 2.50

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

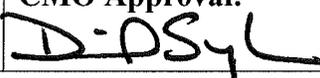
SUBJECT: SEE BELOW

DATE: June 23, 2017

**SUBJECT: AB 71 (CHIU) – BRING CALIFORNIA HOME ACT: STATE LOW-
INCOME HOUSING TAX CREDITS**

RECOMMENDATION: As recommended by the Rules and Open Government Committee on June 21, 2017, adopt a position of support for AB 71 (Chiu) Bring California Home Act: State Low-income housing tax credits, so the City's legislative representatives can advocate the City's position in support of AB 71.



CITY COUNCIL ACTION REQUEST			
Department(s): Housing	Date: 6/9/17	Coordination: City Attorney's Office City Manager's Office	Dept. Approval: /s/ Jacky Morales-Ferrand
			CMO Approval: 
SUBJECT: AB 71 (Chiu) - Bring California Home Act: State Low-Income Housing Tax Credits			
RECOMMENDED POSITION: Support			
RECOMMENDED ACTION:			
<ul style="list-style-type: none"> a. Adopt a position of support for AB 71 (Chiu) Bring California Home Act: State low-income housing tax credits. b. Recommend a one-week turnaround to the June 27, 2017 City Council meeting so the City's legislative representatives can advocate the City's position in support of AB 71. 			
BILL SYNOPSIS:			
<p>This bill provides an ongoing State funding source for affordable housing by eliminating the State mortgage interest deduction on vacation homes. This deduction results in a revenue loss to the State of approximately \$300 million annually. The subsidy saved by eliminating the deduction would instead be allocated to increase the State's Low Income Housing Tax Credit (LIHTC) program by \$300 million per year. This bill only affects the State's tax deduction; Californians could continue to claim a mortgage interest deduction for a vacation home on their federal taxes.</p> <p>The LIHTC program is the main tool used to produce restricted affordable apartments in California and throughout the Country. The vast majority of California's affordable housing developments use federal tax credits, and sometimes California State tax credits, awarded through the State Treasurer's Office. State and federal LIHTC programs operate nearly identically. A qualified development applies for and receives a LIHTC allocation, and then sells it to private equity investors. The investors use the tax credits over multiple years to reduce annual federal and/or State tax liabilities. In return, they provide staged installments of equity to pay for costs of developing restricted-affordable apartments. The LIHTCs provide critical leverage for other public and private sources of development capital. Thus, the LIHTC program has a triple positive impact: it provides developers with critically-needed capital to build affordable apartments; it provides the community with affordable housing opportunities and improved neighborhoods; and, it stimulates private investment that leverages both public subsidies and private commercial loans, thereby supporting businesses' objectives as well as public goals.</p> <p>By eliminating the vacation home mortgage interest deduction and simultaneously increasing the annual State LIHTC allocation by \$300 million, California could leverage an additional \$600 million in federal funds annually. This investment is estimated to create more than 3,000 affordable homes per year for low-income Californians and 7,000 new jobs.</p>			
IMPACTS TO CITY OF SAN JOSE:			
<p>If passed, AB 71 would provide much-needed funding to finance and build affordable homes in San José. This bill would help to fill the funding void left following the dissolution of the State's redevelopment agencies. As the State's LIHTC program is significantly over-subscribed, this bill would enable additional developments to access State credits, thereby reducing public subsidies needed for affordable housing</p>			

developments and increasing leverage of scarce local funds. LIHTC equity is an integral part of the many sources that are critically needed to increase, preserve, and improve the City's affordable housing stock to serve the City's workforce and to end homelessness.

POLICY ALIGNMENT:

This bill aligns with the Council-approved 2017 Legislative Guiding Principles to:

- **Ensure Region's Competitiveness through Strategic Economic Development**
- **Pursue or Retain Federal and State Funding for Key Efforts**
- **Create New Financing Tools for Local Government to Support Economic Development and Build Affordable Housing.**

SUPPORTERS/OPPONENTS:

Support: The Nonprofit Housing Association, California Housing Consortium, California Apartment Association, SV @ Home, Housing Trust of Silicon Valley, Metropolitan Transportation Commission, State Building and Construction Trades Council, City of Oakland, and many other jurisdictions, housing developers, and organizations support AB 71.

Opposition: The California Association of Realtors and the Howard Jarvis Taxpayers Association oppose AB 71.

STATUS OF BILL:

AB 71 was introduced on December 16, 2016, and is awaiting a floor vote in the Assembly. The bill is an urgency bill and a floor vote in the Assembly is anticipated in mid-June. The bill requires a two-thirds majority vote. September 15 is the last day for bills to pass out of both Houses for consideration by the Governor.

FOR QUESTIONS CONTACT: Jacky Morales-Ferrand, Housing Director (408) 535-3851