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AJR-3 Affordable Housing Credit Improvement Act of 2023. (2023-2024)

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Assembly Joint Resolution No. 3

CHAPTER 132

Relative to housing.

[Filed with Secretary of State August 22, 2023.]

LEGISLATIVE COUNSEL'S DIGEST

AJR 3, Grayson. Affordable Housing Credit Improvement Act of 2023.

This measure would declare that the Legislature supports a reduction to the threshold for tax-exempt bond financing and joins the Treasurer in urging the passage of the federal Affordable Housing Credit Improvement Act of 2023.

Fiscal Committee: no

WHEREAS, Our nation and state are facing an affordable housing crisis, and we need to take a proactive approach to affordable housing financing; and

WHEREAS, A large majority of affordable housing is dependent on low-income housing tax credits coupled with tax-exempt private activity bond financing; and

WHEREAS, When the federal low-income housing tax credit was first established by the Tax Reform Act of 1986, the bond financing threshold to qualify for the full amount of 4 percent credits was 70 percent; and

WHEREAS, The amount of hard debt that a property can service monthly is determined by rent payments, which are used to pay back a property's debt over time; and

WHEREAS, Congress lowered the threshold to 50 percent through the Low-Income Housing Tax Credit Act of 1989 in recognition of the fact that the 70-percent debt level rendered most properties financially infeasible; and

WHEREAS, Today, even 50 percent of debt is far more than the majority of properties need or can support. For every \$1,000,000 in reduced debt financing, rent can be reduced by \$6,000 per month, enabling properties to serve even lower income households; and

WHEREAS, Lowering the bond financing threshold from 50 percent to 25 percent could produce or preserve as many as 1,490,000 additional affordable rental homes over the next 10 years; and

WHEREAS, The proposed threshold lowering would free up \$93 billion of private activity bond volume cap over 10 years, which would allow the building of more affordable housing; and

WHEREAS, The United States Congress is considering the federal Affordable Housing Credit Improvement Act of 2023 (Sen. No. 1557 and H.R. No. 3238, 118th Cong., 1st Sess.), which seeks to, among other things, lower the bond financing threshold from

50 percent to 25 percent; now, therefore, be it

Resolved by the Assembly and the Senate of the State of California, jointly, That the Legislature supports a reduction to the threshold for tax-exempt private activity bond financing from 50 percent to 25 percent in order to qualify for the full amount of 4 percent credits; and be it further

Resolved, That the Legislature joins the Treasurer in urging the passage of the federal Affordable Housing Credit Improvement Act of 2023; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the President and Vice President of the United States, to the Speaker of the House of Representatives, to the Majority Leader of the Senate, to each Senator and Representative from California in the Congress of the United States, and to the author for appropriate distribution.