February 25, 2022

Assemblymember Sharon Quirk-Silva
California State Assembly
State Capitol, Room 6012
Sacramento CA, 94249

Re: AB 1288 (Quirk-Silva): Low-Income House Tax Credits - Support

Dear Assemblymember Quirk-Silva:

On behalf of San Diego Housing Federation, I am pleased to offer our strong support for AB 1288 and want to thank you for your leadership. AB 1288 would maximize the number of new affordable homes that can be produced with state Low-Income Housing Tax Credits by allowing the Tax Credit Allocation committee to leverage these credits with a 4% or 9% federal Low-Income Housing Tax Credits. Founded in 1990, the San Diego Housing Federation (SDHF) serves as the collective voice of those who support, build and finance affordable homes in the San Diego region.

Almost all new affordable rental housing is financed with federal Low-Income Housing Tax Credits (LIHTC). Seeing as federal credits come in two forms broken up as the 4% and 9% credits, the 9% credits are currently limited and allocated by the Tax Credit Allocation Committee (TCAC). A developer would be eligible for the 4% credits if they were to finance at least 50% of the development’s cost with tax-exempt bonds. While the 4% credits themselves are unlimited, the tax-exempt bonds are limited and only allocated by the California Debt Limit Allocation Committee (CDLAC).

In order to increase production of affordable homes, California increases these federal credits with $100 million in state credits annually and an additional $500 million for the last two years and proposed in the 2021/22 budget. When first approved in 2019, the Legislature paired the $500 million in additional state credits with tax-exempt bonds and 4% federal tax credits because these resources were undersubscribed at the time. Since then, the tax-exempt bonds and 4% credits have become highly oversubscribed and will remain so for the foreseeable future.

Given California’s inability to increase the federal limit on tax-exempt bonds, this connection 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% 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.

AB 1288 would grant TCAC the authority to move these credits to the unconstrained 9% federal tax credit program, allowing the state to increase the overall production of new affordable homes. Each January, 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.

For these reasons, AB 1288 would further the San Diego Housing Federation’s goal to maximize the production of new affordable housing in the region and we are grateful for your leadership on this matter.

Best Regards,

Stephen Russell
President & CEO