DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 14, 2009 **BILL NUMBER:** SB 477
POSITION: Oppose unless amended **AUTHOR:** D. Florez

BILL SUMMARY: Low- and Moderate-Income Housing: Agency Powers

This bill would allow redevelopment agencies to loan or grant low and moderate income housing funds to a qualified purchaser of low-income housing tax credits. A qualified purchaser is defined as a joint powers authority with no less than 100 members. Additionally, this bill would restrict assistance provided under this bill to housing developments with preexisting commitments of redevelopment agency funds until January 1, 2011.

FISCAL SUMMARY

This bill would not have a fiscal impact on state agencies.

COMMENTS

The Department of Finance is Oppose Unless Amended to incorporate changes made by a budget trailer bill. This bill amends the same section of law as Chapter 21, 2009 4th Extraordinary Session, which was a budget trailer bill to shift $1.7 billion in redevelopment agency tax increment revenues to K-12 schools. In order to assist redevelopment agencies in making the fund shift, the trailer bill allows redevelopment agencies to temporarily suspend deposits to the low and moderate income housing fund. In order to preserve this authority, this bill needs to be amended to incorporate the changes made by the trailer bill.

Joint powers entities are not typical equity partners that purchase tax credits from housing developers because these governmental organizations cannot benefit from the federal tax credits. Therefore it is unclear why these joint powers entities would purchase tax credits, other than to temporarily fill funding gaps because of lack of equity investment from private investors. Nonetheless, Finance does not necessarily object if a redevelopment agency determines that providing financing for this purpose is a desired use of its Low- and Moderate-Income Housing Fund. It is also unclear why the bill restricts redevelopment agency financing of tax credits to very large joint powers authorities, defined as consisting of no less than 100 local agencies, instead of a broader group of eligible entities.

Existing law requires redevelopment agencies to allocate at least 20 percent of tax increment revenues for low and moderate income housing assistance, including providing financing for housing projects. Existing law also establishes the Low Income Housing Tax Credit Program within the Tax Credit Allocation Committee, which allocates federal tax credits for the development, rehabilitation and preservation of affordable rental housing projects. Generally, housing sponsors sell their tax credits to equity partners seeking credits to offset income. This allows the housing sponsor to convert the tax credits to capital funding for housing projects.

According to the author's office, this bill is necessary to address the inability of housing project sponsors to sell tax credits to equity investors because of the reduced need of banks, insurance companies and other tax credit purchasers to reduce their tax liabilities due to the downturn in the economy.

Analyst/Principal (0740) K. Amann	Date	Program Budget Manager Mark Hill	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved_______ Position Disapproved

AUTHOR	AMENDMENT DATE	BILL NUMBER
D. Florez	July 14, 2009	SB 477

Finance notes that the federal American Recovery and Reinvestment Act (ARRA) of 2009 is providing resources to assist housing sponsors that cannot attract equity investors. The ARRA will provide California with federal grants and cash in exchange for existing tax credits, totaling $1.1 billion, to replace private equity that housing sponsors would raise through the sale of tax credits. The Tax Credit Allocation Committee will use the grant and exchange funds to provide loans to housing sponsors to fill funding gaps.
.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Fund Code
		(Fiscal Impact by Fiscal Year) (Dollars in Thousands)							
9990/Var Depts	SO	No		------------------- No/Minor Fiscal Impact -------------------					0001

Suggested Amendments
SB 477 (As amended July 14, 2009)

Amendment 1

On page 2, line 3, after “(a)” strikeout “Not” and insert:

Except as provided in subdivision (k), not

On page 10, after line 21, add:

(k) (1) From July 1, 2009, to June 30, 2010, inclusive, an agency may suspend all or part of its required allocation to the Low and Moderate Income Housing Fund from taxes that are allocated to that agency pursuant to Section 33670.

(2) An agency that suspends revenue pursuant to paragraph (1) shall pay back to its low- and moderate-income housing fund the amount of revenue that was suspended in the 2009–10 fiscal year pursuant to this subdivision from July 1, 2010, to June 30, 2015, inclusive.

(3) An agency that suspends revenue pursuant to paragraph (1) and fails to repay or have repaid on its behalf the amount of revenue suspended pursuant to paragraph (2) shall, commencing July 1, 2015, be required to allocate an additional 5 percent of all taxes that are allocated to that agency pursuant to Section 33670 for low- and moderate-income housing for the remainder of the time that the agency receives allocations of tax revenue pursuant to Section 33670.

(4) An agency that fails to pay or have paid on its behalf the full amount calculated pursuant to subparagraph (J) of paragraph (2) of subdivision (a) of Section 33690, or subparagraph (J) of paragraph (2) of subdivision (a) of Section 33690.5, as the case may be, shall, commencing July 1, 2010, or July 1, 2011, as applicable, be required to allocate an additional 5 percent of all taxes that are allocated to that agency pursuant to Section 33670 for low- and moderate-income housing for the remainder of the time that the agency receives allocations of tax revenue pursuant to Section 33670.