



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 3b

Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105
TEL 415.778.6700
WEB www.mtc.ca.gov

Memorandum

TO: Legislation Committee

DATE: March 3, 2017

FR: Executive Director

W. I. 1131

RE: AB 71 (Chiu): Bringing California Home Act

Background

Assembly Bill 71 (Chiu) is the funding portion of an Assembly package intended to address the state's affordable housing crisis. The bill is jointly authored by Assembly Members David Chiu, Rob Bonta and Ash Kalra and co-authored by Assembly Members Kevin Mullin, Phil Ting and Kevin McCarty. AB 71 would establish an ongoing funding source for affordable housing by eliminating the state mortgage interest deduction on second homes. The bill would direct an estimated \$300 million in annual General Fund savings to the state low-income housing tax credit (LIHTC) program.

Recommendation: Support

Discussion

AB 71 would increase state funding for California's LIHTC program – the state's complement to the federal LIHTC. The tax credit program is one of the only major sources of funding in the state available for affordable housing preservation and construction, making it competitive and oversubscribed. AB 71 would increase the LIHTC program by \$300 million annually, which is expected to leverage hundreds of millions of additional dollars in federal tax credits and federal tax-exempt bond authority.

MTC supported a similar bill in 2015, AB 35 (Chiu), which would have also expanded tax credits for affordable housing. The Governor ultimately vetoed AB 35, citing the need for a balanced budget. In response, AB 71 creates general fund savings through eliminating the state mortgage interest deduction on second homes and allocates the savings to supplement the state LIHTC program. AB 71 is expected to fund an additional 3,000 affordable homes for low-income households and farmworkers each year. Consistent with our 2017 Advocacy Program's support for new revenue sources for affordable housing, staff recommends a support position on AB 71.

Known Positions

Support

California Housing Consortium (co-sponsor)
Housing California (co-sponsor)
California Housing Partnership (co-sponsor)

Oppose

None


 Steve Heminger

SH: ggd

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