

This item is being brought directly to the Commission for consideration as the Joint MTC ABAG Legislation Committee did not meet.

**Metropolitan Transportation Commission and Association of Bay Area Governments
Joint MTC ABAG Legislation Committee**

May 12, 2023

Agenda Item 2b

Assembly Bill 1053 (Gabriel): Multifamily Housing Program Construction Loans

Subject:

Allows developers who receive a state Multifamily Housing Program award to access the financing before a development's construction phase instead of taking out a more expensive private loan for construction.

Background and Bill Provisions:

Under current law, the state Department of Housing and Community Development (HCD) can provide development financing through its Multifamily Housing Program either before a project begins construction ("construction financing") or after construction is finished ("permanent financing"). HCD has chosen to offer only permanent financing, in part to reduce the risk of losing state funds if a project should fail before development is complete. Based on our review, this is extremely rare.

Developments using HCD funding as permanent financing must take out a private loan to pay for construction. Typically, these private loans have higher interest rates than HCD's permanent financing. According to the California Housing Partnership Corporation, making HCD's financing available before construction could save up to \$1 million on a typical \$11 million Multifamily Housing Program loan.

Assembly Bill (AB) 1053 allows developers to choose to take their Multifamily Housing Program loan as construction financing, as permanent financing, or a combination of both.

Recommendation:

Support / ABAG Executive Board Approval

Support / MTC Commission Approval

Discussion:

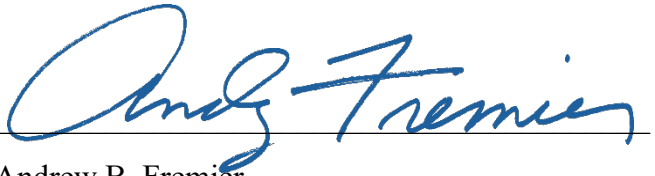
AB 1053's approach is a largely risk-free way to significantly reduce development costs and stretch state funding to produce more affordable homes. For this reason, staff recommends a support position.

Known Positions:

See attachment.

Attachments:

- Attachment A: Known Positions



Andrew B. Fremier