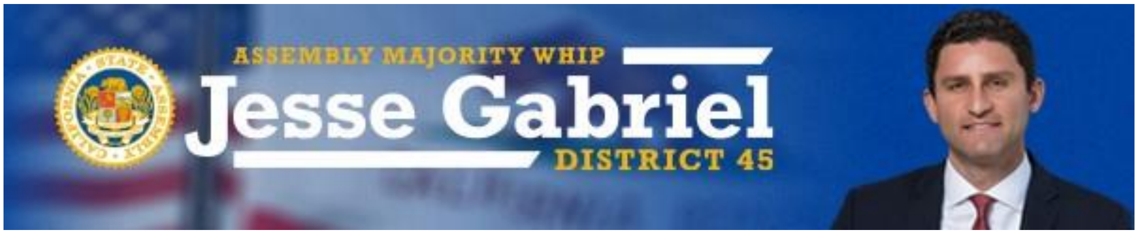

AB 1911 – AFFORDABLE HOUSING PRESERVATION TAX CREDIT

SUMMARY

This bill would create a new Affordable Housing Preservation Tax Credit to support the preservation of tens of thousands of units of affordable housing that are at risk of converting to market rate or of displacing low-income tenants.

BACKGROUND

According to the California Housing Partnership, more than 1.2 million California households are in need of affordable housing. While it is important to increase the supply of affordable rental homes, we must also prioritize preserving the affordable housing that currently exists so that our need does not grow greater.

Between 1997 and 2020, California lost 18.043 affordable rental homes as affordability restrictions expired. Another 30,102 affordable rental homes are at risk of converting to market-rate rentals in the next ten years. Los Angeles County alone could lose over 10,171 income-restricted units to the market.

In addition, tenants in tens of thousands of unrestricted rental homes at the lower end of the private market face displacement as gentrification raises rents in many communities.

In the midst of our current crisis, California cannot allow tens of thousands of affordable units to disappear. A targeted tax credit that encourages property owners to sell to affordable housing developers committed to long-term affordability would help thousands of lower income households to remain in their homes and avoid displacement.

THIS BILL

This bill creates an Affordable Housing Preservation Tax Credit (AHPTC) to preserve existing affordable apartment properties and mobile-home parks. The AHPTC would provide a 50% credit (up to $20,000 per unit and $1 million per transaction) against the state and federal capital gains otherwise owed by the seller of an existing building or park if they sell to a nonprofit entity who will operate the property as affordable housing for low-income households for 55 years.

Qualified purchasers would first obtain an over-the-counter AHPTC reservation from the state's Tax Credit Allocation Committee (TCAC) that could then be used to negotiate a competitive deal with a seller of a qualified property. The seller would receive half of the credit at the close of escrow and the other half after documenting its actual capital gains tax payments. Because the offering of the AHPTC would likely induce more owners to pay capital gains, the net cost to the State should be significantly lower.

A $500 million initial allocation of credits would lead to the preservation of roughly 25,000 affordable units. This smart front-end investment by the state will help keep tens of thousands of vulnerable Californians housed, all at a small fraction of the cost that otherwise would be required to build new units from scratch.

SUPPORT

- California Housing Partnership (Sponsor)
- California Coalition for Rural Housing (Sponsor)
- Non-Profit Housing Association of Northern California (Sponsor)

ADDITIONAL INFORMATION

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