

AB 2140 (Joint Authors: Hernández, Alejo & E. Garcia): State Treasurer's Office Farmworker Housing Assistance Tax Credit Program

SUMMARY

AB 2140 makes improvements to the existing State Treasurer's Office (STO) Farmworker Housing Assistance Tax Credit Program to better facilitate the use of this financing tool.

EXISTING LAW

The California Tax Credit Allocation Committee (CTAC) administers two low-income housing tax credit programs – a federal program and a state program.

Congress enacted the federal Low-Income Housing Tax Credit Program in 1986 and the program became permanent seven years later. Two types of federal tax credits are available and are generally referred to as the nine percent and four percent credits.

The nine percent federal credit is highly competitive and is oversubscribed, but the four percent credits are unlimited.

In 1987, the California Legislature authorized a State Low Income Housing Tax Credit Program to augment the federal tax credit program.

The state tax credit program largely mirrors the federal program with important exceptions. For example, the state program has eleven geographic distribution areas and public policies encouraging smart growth principles, energy efficiencies and competitive scoring points for special populations.

The Legislature also established the Farmworker Housing Assistance Tax Credit Program which has an annual set-aside of state low-income housing tax credits for farmworker housing developments.

This program is annually allocated only \$500,000, which accrues and is carried forward into future years if not awarded to farmworker housing projects.

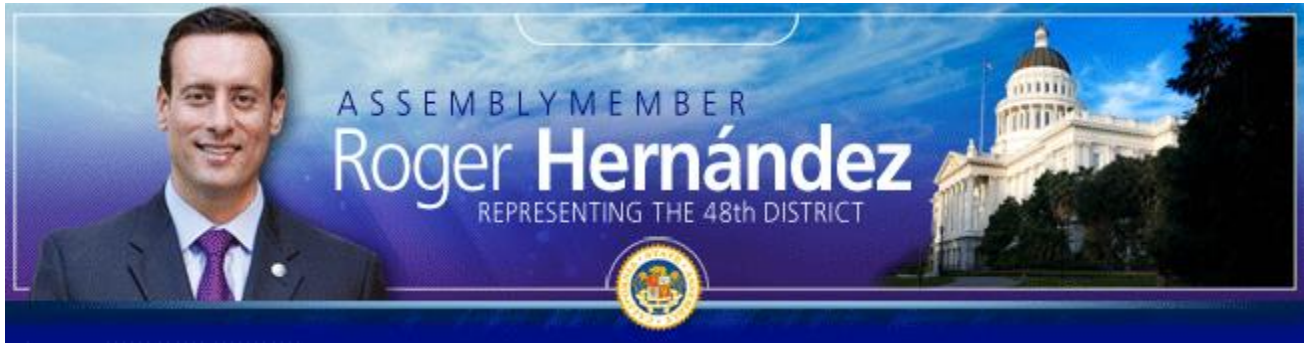
RATIONALE

In 1996, the Legislature created the Farmworker Housing Assistance Tax Credit Program to ensure the investment of tax credits, specifically in farmworker housing projects.

Over the years, legislative changes have been made to improve the broader STO housing tax credit program, however, the Farmworker Housing Tax Credit Program has not benefitted from some of those policy changes.

In fact, given the fiscal and policy constraints of the existing Farmworker Housing Assistance Tax Credit Program, no projects since 2008 had been awarded tax credits until last year.

Currently, California does not utilize its entire private activity tax-exempt bond authority and accordingly does not access the 4% low-income housing tax credits to the fullest extent possible.



In addition, the 9% tax credit program is highly oversubscribed resulting in worthy farmworker housing projects going unfunded.

There is a need to bring parity to the Farmworker Housing Assistance Tax Credit Program, both from a fiscal and policy perspective, to better achieve the legislative goals of using tax credits as a financing tool to create farmworker housing.

AB 2140 makes the following changes to the Farmworker Housing Assistance Tax Credit Program:

1. Changes the occupancy requirement from 100% to 50 % to conform to other existing state tax credit program rules,
2. Allows a farmworker housing tax credit project to receive the 130% boost consistent with other existing state tax credit program rules, and
3. Increases the value of the farmworker state tax credit to better utilize the State's private activity bond authority and the 4% federal tax credit, thus enhancing its viability as a financial instrument for developing farmworker housing.

The underinvestment in farmworker housing has created hardships for this labor force and their families; this bill seeks to bolster the legislative intent behind the Farmworker Housing Assistance Tax Credit Program and improve the efficacy and flexibility of this financial resource for developers of farmworker housing.

PREVIOUS LEGISLATION

SB 1247, 2008
SB 38, 1996

SUPPORT

None

OPPOSITION

None

CONTACT INFORMATION

Erica Martinez
916 319-2048
Erica.Martinez@asm.ca.gov