



A Tradition of Stewardship
A Commitment to Service

Agenda Date: 3/16/2020

Agenda Placement: 7A

Napa County Legislative Subcommittee Board Agenda Letter

TO: Napa County Legislative Subcommittee
FROM: Mary Booher for Minh Tran - County Executive Officer
County Executive Office
REPORT BY: Molly Rattigan, Deputy County Executive Officer - 253-4112
SUBJECT: AB 2058 (Gabriel) Affordable Housing Preservation Tax Credit

RECOMMENDATION

County Executive Officer seeks discussion and possible action on AB 2058 (Gabriel) a bill that creates an Affordable Housing Preservation Tax Credit (AHPTC) to preserve existing affordable apartment properties and mobile-home parks by experienced affordable housing organizations.

EXECUTIVE SUMMARY

This bill creates an Affordable Housing Preservation Tax Credit (AHPTC) to preserve existing affordable apartment properties and mobile-home parks by experienced affordable housing organizations. The AHPTC would provide a 50% credit (up to \$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.

Staff recommends the committee forward this legislation to the Board of Supervisors with a recommended support position.

FISCAL & STRATEGIC PLAN IMPACT

Is there a Fiscal Impact? No

County Strategic Plan pillar addressed:

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION**Synopsis and Background**

Between 1997 and 2018, California lost 15,044 affordable rental homes as affordability restrictions expired. Another 34,554 affordable rental homes are at risk of converting to market-rate rentals in the next five years. In addition, many neighborhoods currently have a stock of unrestricted housing, including mobile-home parks, that historically has been naturally affordable. Recent and future rent increases, however, are gradually pricing lower-income families out of these homes.

This bill creates an Affordable Housing Preservation Tax Credit (AHPTC) to preserve existing affordable apartment properties and mobile-home parks by experienced affordable housing organizations. The AHPTC would provide a 50% credit (up to \$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 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, at the cost of approximately \$20,000 per unit. Preserving existing affordable housing also ensures that as we invest in new affordable homes, we realize a net gain in the overall supply of affordable housing.

Status

Introduced, referred to the Assembly Committee on Revenue and Taxation

Support and Opposition

CSAC: Watch

RCRC: No Position

NACo: N/A

Other: Urban Counties of California, Housing Advocates

STAFF COMMENTS

Platform: No

Implications to Napa County

Napa County will have affordable housing restrictions that expire within the next 20 years. While historically most projects have voluntarily extended affordability covenants, units that are currently affordable could convert to market rate housing.

Recommendation

Staff recommends the Legislative Subcommittee forward the legislation to the Board of Supervisors with a recommendation to support.

SUPPORTING DOCUMENTS

A . AB 2058

Recommendation: Approve

Reviewed By: Molly Rattigan