SENATE COMMITTEE ON HOUSING
Senator Scott Wiener, Chair
2023 - 2024 Regular

Bill No:	SB 17	**Hearing Date:**	4/24/2023
Author:	Caballero		
Version:	4/18/2023 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Alison Hughes		

SUBJECT: Senior housing: tax credits

DIGEST: This bill requires the California Tax Credit Allocation Committee (TCAC) to amend their regulations to increase the housing type goal for senior housing developments to 20% for the use of low income housing tax credits (LIHTC).

ANALYSIS:

Existing law:

1) Allows a state tax credit for costs related to construction, rehabilitation, or acquisition of low-income housing. This credit, which mirrors a federal LIHTC, may be used by taxpayers to offset the tax under the Personal Income Tax, the Corporation Tax, and the Insurance Tax laws.

2) Requires the TCAC to annually allocate the California LIHTC based upon qualifications of the applicant and proposed project. The California LIHTC is available only to projects that receive an allocation of the federal LIHTC.

3) Limits the annual aggregate amount of the state LIHTC to $70 million, as adjusted for an increase in the California consumer price index, plus any unused LIHTC from the preceding calendar year and any LIHTC returned in the calendar year. The state LIHTC awarded may be claimed as a credit over a four-year period.

This bill:

1) Requires the California Tax Credit Allocation Committee (TCAC) to amend their regulations to increase the housing type goal for senior housing developments to 20% for the use of low income housing tax credits (LIHTC).

COMMENTS:

1) *Author's statement.* "The California Tax Credit Allocation Committee provides funds for the development of low-income housing, and has the goal to spend 15% of the State's allocation of the Low-Income Housing Tax Credit (LIHTC) for programs to increase affordable housing production specifically for older adults. However, this goal does not guarantee a set aside of LIHTC for senior housing production, and in reality, this number often serves as a ceiling resulting in fewer credits allocated for senior housing than what matches the need. In 2030, 25% of the state's population will be 60 or older, which represents an overall increase of 166%. The population over the age of 85 will have an even faster growth rate, increasing by 489% from 2010 to 2060. SB 17 will ensure the LIHTC Program allocates a share of tax credits for senior housing projects that truly reflects the current need. SB 17 will require LIHTC Program to ensure the percent of the tax credits awarded for lower-income senior housing projects is no less than California's share of low-income senior renters. It is imperative for the state to keep pace with the demand of housing needed for older adults in California."

2) *California's housing crisis.* California has the largest concentration of severely unaffordable housing markets in the nation and the statewide average home value reached a new record in June 2022 at $793,3003. To keep up with demand, the state Department of Housing and Community Development (HCD) estimates that California must plan for the development of more than 2.5 million homes over the next eight years, and no less than one million of those homes must meet the needs of lower-income households (more than 640,000 very low-income and 385,000 low-income units are needed). For decades, not enough housing was constructed to meet need, resulting in a severe undersupply of housing.

   As a result of the severe housing shortage, millions of Californians, who are disproportionately lower-income and people of color, must make hard decisions about paying for housing at the expense of food, health care, child care, and transportation—one in three households in the state don't earn enough money to meet their basic needs. A lack of affordable housing is the biggest contributor to homelessness. As housing costs continue to rise, rent becomes less affordable for lower-income households, who are forced to live beyond their means (paying more than 30% of income on housing costs) or are pushed out of their homes, leading to rapid increases in homelessness. Variation in rates of homelessness cannot be explained by variation in rates of individual factors such as poverty or mental illness, however, cities with higher rents and lower rental vacancy rates (i.e., tighter housing markets) are directly linked to higher per capita rates of homelessness.

3) *California's aging population.* According to the Public Policy Institute of California (PPIC), 15% of the state's population is 65 or older, and, by 2030, about one in five Californians will be 65. Currently, nearly half (45%) of Californians experiencing homelessness are 50 years or older, and older adult homelessness is projected to increase. A recent study from UCSF's Center for Vulnerable Populations showed that nearly half of unhoused older people experienced their first episode of homelessness after age fifty. Homelessness contributes to lower life expectancy, especially among seniors. Older adults experiencing homelessness are likely to have physical health conditions and functional health status similar to, or worse than, someone 10 to 20 years older.

   In January of 2021, the Newsom Administration released the Master Plan on Aging, which calls for an end to homelessness and a requirement to develop housing solutions to prevent and end homelessness among older adults and other at risk populations. Targeted programs play an important role to help very specific populations of adults access housing, including those who are Adult Protective Services clients and those who are eligible for SSI payments. However, no comprehensive state program exists that provides long-term housing subsidies for older and disabled adults who are on fixed incomes. Meanwhile, HCV and other federally subsidized housing programs often take years for applicants to access, since such programs accommodate only a fraction of eligible applicants.

4) *LIHTC*. The LIHTC is an indirect federal subsidy developed in 1986 to incentivize the private development of affordable rental housing for low-income households. The federal LIHTC program enables low-income housing sponsors and developers to raise project equity through the allocation of tax benefits to investors. TCAC within the State Treasurer's Office, administers the program and awards credits to qualified developers who can then sell those credits to private investors who use the credits to reduce their federal tax liability. The developer in turn invests the capital into the affordable housing project.

   Each year, the federal government allocates funding to the states for LIHTCs on the basis of a per-resident formula. In California, TCAC is the entity that reviews proposals submitted by developers and selects projects based on a variety of prescribed criteria. Only rental housing buildings, which are either undergoing rehabilitation or newly constructed, are eligible for the LIHTC programs. In addition, the qualified low-income housing projects must comply with both rent and income restrictions. The value of the 4% tax credits is less than half of the 9% tax credits and, as a result, 4% federal credits are generally used in conjunction with another funding source, like state housing bonds or local funding sources.

In 1987, the Legislature authorized a state LIHTC program to augment the federal tax credit program. State tax credits can only be awarded to projects that have also received, or are concurrently receiving, an allocation of the federal LIHTCs. The amount of state LIHTC that may be annually allocated by TCAC is statutorily limited to $70 million, adjusted for inflation (currently, around $100 million).

Generally, affordable housing developments in California cannot "pencil-out" without a low income housing tax credit, and, given the relatively limited resources available for affordable housing development, the demand for tax credits outpaces demand by 2:1.

5) *Striking a balance*. California's population is aging and the proportion of those who are older and lower income are growing. Policymakers must ensure this vulnerable population remains housed as California faces a dramatic housing shortage for all populations, including the homeless, persons with disabilities, unaccompanied youth, veterans, and domestic violence survivors, just to name a few. Unfortunately, however, there simply are not enough resources available to finance the construction of housing necessary to meet the needs of all vulnerable populations in the state.

   The CTCAC regularly adopts regulations governing the process for applying for LIHTC. In the current regulations are several housing type goals, including among others, a 15% goal for seniors. In an effort to ensure tax credits are serving older populations without edging out other vulnerable populations, this bill requires the senior housing goal to be increased to 20%.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

POSITIONS: (Communicated to the committee before noon on Wednesday, April 19, 2023.)

SUPPORT:

LeadingAge California (Sponsor)
Alzheimer's Orange County
California Commission on Aging
Centro LA Familia Advocacy Services

City of Atwater
City of Kerman
County of Madera
Eskaton
First 5 San Benito
Health Projects Center
Lesley Senior Communities
Menorah Park
Pep Housing
Placer Independent Resource Services
Retirement Housing Foundation
San Juan Bautista Rotary
Senior Coalition of Stanislaus County
Seniors Council/Area Agency on Aging of Santa Cruz and San Benito Counties
Telacu Residential Management

OPPOSITION:

None received.

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