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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair  
2021 - 2022 Regular Session

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**AB 1654 (Robert Rivas) - Low-income housing: insurance tax: income tax: credits: farmworker housing**

**Version:** May 2, 2022

**Policy Vote:** HOUSING 9 - 0, GOV. & F. 5  
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**Urgency:** No

**Mandate:** No

**Hearing Date:** August 1, 2022

**Consultant:** Mark McKenzie

**Bill Summary:** AB 1654 would set aside \$25 million, or 5% of the overall amount, of state low-income housing tax credits (LIHTCs) made available each year in the state budget, whichever is less, farmworker housing projects. The bill would also require the Department of Housing and Community Development (HCD) to commission a statewide study to inform a comprehensive strategy for meeting farmworker needs.

**Fiscal Impact:**

- HCD estimates one-time contract costs of approximately \$400,000 to conduct a specified statewide study of farmworker conditions, needs, and solutions, and assist in the development of a comprehensive strategy. HCD would incur an additional \$250,000 in contract every five years thereafter to update the study and strategy. (General Fund)
- HCD estimates ongoing costs of approximately \$194,000 annually for 1.0 PY of staff to hire and oversee the consultant contract, develop the report, incorporate strategies into the Statewide Housing Plan, ensure recommendations are implemented across various programs, and update the study, strategy, and report every five years. (General Fund)
- Unknown annual cost pressures to provide additional General Fund augmentations to the LIHTC program, to the extent the bill results in a significant increase in LIHTC allocations for farmworker housing projects that would otherwise be used for other affordable housing projects. As noted below, recent budget actions have provided an additional \$500 million each year to augment the program, which remains oversubscribed. Staff notes, however, that the bill provides that amounts that are not allocated for farmworker projects within three years would revert to the larger pot of credits for general allocations.
- The California Tax Credit Allocation Committee (TCAC) indicates that costs to increase the set aside for farmworker housing projects would be minor and absorbable.

**Background:** Most affordable housing constructed in the state is funded in part by federal and state LIHTCs, which are available for housing developments constructed for households that make up to 80% of the area median income. California receives an allocation of federal tax credits each year for 9% credits and 4% credits based on a per-resident formula. In 1987, the Legislature authorized the creation of a state LIHTC

program to augment the federal tax credit program. The state tax credit program has an ongoing statutory authorization of \$70 million annually. Since 2019-20, the state budget has included an additional augmentation of \$500 million in state credits that are available each year for allocation by TCAC, which is housed within the State Treasurer's Office. In 2020, the Committee awarded \$581 million in state credits to 91 projects: approximately \$87.2 million to 9% projects and \$494 million to 4% projects. In 2021, the Committee awarded \$601 million in total state credits to 95 projects: approximately \$97 million in state tax credits was awarded to 9% projects and \$505 million to 4% projects.

In 1996, the Legislature created the Farmworker Housing Assistance Tax Credit Program and set aside \$500,000 a year from the LIHTC allocation for farmworker housing projects. In an effort to streamline administration and make the farmworker program more user-friendly, this program was consolidated into the state LIHTC program as a \$500,000 farmworker set-aside in 2008. A farmworker housing project must dedicate 50% of the units for farmworkers, with the rest available to low-income persons and households, and may qualify for state credits without an allocation of federal credits. As an incentive, however, projects are eligible for a specified 30% boost in federal credits.

**Proposed Law:** AB 1654 would increase the amount of LIHTCs set aside for farmworker housing projects and require HCD to commission a study housing and develop a comprehensive strategy for meeting farmworker housing needs. Specifically, this bill would:

- Require, from 2025 through 3034 calendar years, that \$25 million or 5% of the amount of LIHTCs made available in the budget each year to be set aside for farmworker housing projects.
- Require the amount of any LIHTCs for farmworker housing that are unallocated after three years to be added back to the larger pool and allocated pursuant to existing law.
- Require, for the 3035 calendar year and annually thereafter, that the amount set aside for farmworker projects be determined by the Legislature, upon consideration of the specified comprehensive strategy developed by HCD.
- Require HCD to commission a study of farmworker housing conditions, needs, and solutions by July 1, 2023 to inform a comprehensive strategy for meeting the housing needs of the state's farmworkers.
- Require the study to include an analysis and recommendations on specified factors related to the supply of housing affordable and accessible to farmworkers and their families, including unmet needs, existing housing conditions, statewide and regional agricultural employment trends, barriers to farmworker housing production, best practices to increase input from farmworkers and their employers, and recommendations to address farmworker housing supply gaps.
- Authorize the contractor hired to conduct the study to subcontract with other qualified entities as necessary to obtain required data.
- Require HCD to develop a comprehensive strategy by January 1, 2026 to substantially improve policy, funding, and implementation of farmworker housing production to adequately address the problems identified in the study, including

amendments to the Statewide Housing Plan. The plan must be updated and revised every five years thereafter.

- Require HCD to submit the comprehensive strategy to the Legislature by January 1, 2027, and each January 1 following an update and revision to the strategy.

**Related Legislation:** AB 571 (Garcia), Chap. 372/2017, modified the farmworker housing assistance component of the LIHTC program to increase credit percentages, and provide specified flexibility to increase potential demand.

SB 1247 (Lowenthal), Chap. 521/2008, merged a stand-alone farmworker housing tax credit program with the LIHTC program and established a \$500,000 set aside for specified farmworker housing projects.

**Staff Comments:** TCAC notes that demand for farmworker credits have remained low in recent years, awarding credits to a single project in 2015, two projects in 2017, and to one project in 2018 (which went unused), leaving approximately \$5 million in unused credits in the program as of last year. However, approximately \$4.6 was awarded to a project in 2022, using nearly all of the amount that was remaining in the state farmworker LIHTC set-aside. This bill would increase the amount of LIHTs set aside for farmworker projects from the annual allocations provided in the budget augmentations by the lesser amount of \$25 million or 5% of the amount provided each year (currently \$25 million). The bill would also require HCD to commission a study and develop a strategy to address farmworker housing needs. To the extent the bill results in a significant increase in LIHTC allocations for farmworker housing projects that would otherwise be used for other affordable housing projects, the bill creates cost pressures to provide increased budget allocations to address that demand. Staff notes, however, that the bill requires any credit amounts that remain unused after three years would revert to the general LIHTC pot of credits available for other low-income housing projects, if an increase in demand for farmworker LIHTC allocations does not materialize.

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