

THIRD READING

Bill No: AB 2270
Author: Arambula (D)
Amended: 6/18/26 in Senate
Vote: 27- Urgency

SENATE HOUSING COMMITTEE: 9-1, 6/16/26

AYES: Arreguín, Cabaldon, Caballero, Cortese, Durazo, Gonzalez, Grayson,
Ochoa Bogh, Padilla

NOES: Seyarto

SENATE APPROPRIATIONS COMMITTEE: 6-1, 8/13/26

AYES: Cervantes, Cabaldon, Dahle, Grayson, Richardson, Wahab

NOES: Seyarto

ASSEMBLY FLOOR: 64-6, 5/27/26 - See last page for vote

SUBJECT: Low-income housing tax credit: farmworker housing

SOURCE: LA Cooperativa Campesina De California

DIGEST: This bill requires the California Tax Credit Allocation Committee (CTCAC) to consider amending the low-income housing tax credit (LIHTC) regulatory scoring system to treat farmworker housing as large family projects, and to consider using the same point allocation as rural set-aside projects when assigning points to farmworker housing based on proximity of amenities to an eligible farmworker housing project. This bill also prohibits low-income housing tax credits from financing units that comply with the H-2A program.

ANALYSIS:

Existing law:

- 1) Specifies, under the tax on the gross premiums of insurers, the personal income tax (PIT) Law, and the corporate tax (CT) Law, that a state LIHTC that is

calculated in partial conformity with the federal LIHTC and may only be claimed over a period of four years.

- 2) Allocates \$70 million on an ongoing basis to the CTCAC for the purposes of administering the LIHTC and adjusts this amount for inflation beginning in the 2002 calendar year, plus any unused amounts for the preceding calendar year and any amount returned in the calendar year.
- 3) Allocates an augmentation to the LIHTC of \$500 million, as specified, beginning in the 2020 calendar year, and annually thereafter only if an appropriation is made in the Budget Act. Among other provisions, CTCAC is required to develop a scoring system that maximizes the efficient use of public subsidy and benefit created through private activity bonds and LIHTC programs as part of an allocation methodology that emphasizes increased production and cost containment. The factors to consider in making this determination of efficient use include, but are not limited to, the following:
 - a) The number and size of units developed including local incentives provided to increase density;
 - b) The proximity to amenities, jobs, and public transportation;
 - c) The location of the development; and,
 - d) The delivery of housing affordable to very low- and extremely low-income households by the development.
- 4) For the 2024 through 2034 calendar years, the lesser of 5% of the \$500 million augmentation or \$25 million must be set aside for allocation to "farmworker housing" projects, as defined.
- 5) Requires that at least 20% of the LIHTC subject to the federal ceiling be allocated to rural areas, as defined.
- 6) Defines "farmworker housing" as housing in which at least 50% of the units are occupied by farmworkers and their households.
- 7) Requires CTCAC to consider amending the LIHTC regulations to establish a scoring system that grants farmworker housing projects maximum points under

the housing needs category, and an initial five points in the category for site amenities beyond those required as additional thresholds.

- 8) Requires the Department of Housing and Community Development (HCD) to commission a statewide study of farmworker conditions, needs, and solutions to inform a comprehensive strategy for meeting the housing needs of the state's farmworkers by December 1, 2023 and to develop the comprehensive strategy for implementation no later than January 1, 2026. The comprehensive strategy must be submitted to the Legislature no later than January 1, 2027.
- 9) Prohibits specified state housing funds from being utilized for constructing housing for H-2A workers.

This bill:

- 1) Requires CTCAC to consider amending the LIHTC regulatory scoring system to treat farmworker housing as large family projects, and to consider using the same point allocation as rural set-aside projects when assigning points to farmworker housing based on proximity of amenities to an eligible farmworker housing project.
- 2) Prohibits state low-income housing tax credits from financing units that comply with the H-2A program.

Background

LIHTC. State and federal law allow a LIHTC to qualified taxpayers for incurring certain costs related to the construction, rehabilitation, or acquisition of low-income rental housing. In practice, low-income rental housing developers design projects and apply to the CTCAC for credits. If the CTCAC authorizes credits, the CTCAC enters a regulatory agreement with the housing developer that stipulates income and rent restrictions. The CTCAC then reserves the credit amount for that application. Subsequently, the developer forms a partnership with investors that exchange equity financing for the credits, and the investors may then claim the credit over the authorized period. Rather than expecting the investment in a LIHTC project to produce income, investors rely on the credit to realize a return in the form of reducing their tax liabilities. The equity raised from this exchange lowers the financing costs for developers such that they can feasibly charge lower rents, thereby potentially expanding the supply of affordable rental housing.

There are two types of the LIHTC, the 9% credit and the 4% credit, which are awarded to projects that are non-federally subsidized or federally subsidized, respectively. The 9% credit is subject to a federally prescribed annual ceiling based on the population of a state; whereas, the 4% credit must have 50% of the project financed by federally tax-exempt bonds.

The State Treasurer's Office is required to adopt regulations to implement the statutory provisions of the LIHTC. These regulations stipulate application requirements, eligibility requirements, set-asides and apportionments that provide how much of the LIHTC is awarded to what type of housing, and a scoring system to weigh which applicants receive a LIHTC, among other considerations.

Some of these requirements must be fulfilled, regardless of applicant, while some help determine which projects receive awards within certain categories. These requirements ensure that the LIHTC complies with existing law that directs the CTCAC to award credits to promote the development and construction of sufficient, quality, affordable housing in California with the limited federal and state dollars available.

Comments

Author's statement. "Farmworkers are an essential part of California's economy. Their work makes our state's agricultural sector a \$49 billion dollar industry, which generates at least \$100 billion dollars in related economic activity.¹ With their hard work, they help to feed not only our state and our nation, but the world. Even though farmworkers are so integral to the state's economy, they are often forced to live in aging or substandard housing, and the state must do something to provide these workers with the dignity and respect. AB 2270 is a modest proposal to further this purpose by ensuring a source of funding for incentivizing the construction of adequate farmworker housing."

Farmworker Tax Credit Set-Aside. 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. If the set-aside is unused, it rolls over to the next year. In an effort to streamline administration and make the farmworker program more user-friendly, SB 1247 (Lowenthal, Chapter 521, Statutes of 2008), eliminated the Farmworker Housing Assistance Tax Credit Program as a separate program and consolidated it into the state LIHTC program as a set-aside. SB 1247 also allowed the CTCAC to allocate state credits for

projects that did not receive a federal credit if the project was occupied only by farmworkers and their households.

In 2017, AB 571 (Garcia, Chapter 372), made several changes to the farmworker housing tax credit set-aside to make projects more competitive. Changes included allowing projects to offer 50% of the units to non-farmworker households if they meet the income requirements. In addition, AB 571 (Garcia) increased the amount of credits that farmworker tax credit projects can receive by allowing farmworker housing projects to qualify for a 30% boost in federal credits.

In 2022, AB 1654 (R. Rivas, Chapter 638), required that \$25 million or 5% of the amount available in the state budget each year for the LIHTC, whichever is less, be set aside for projects that provide farmworker housing, for the next ten years. Any LIHTC that are unallocated from the farmworker housing set-aside after three years revert into the larger pool and are allocated through the LIHTC program.

In the following year, the Legislature again acted to augment the LIHTC to provide additional consideration to farmworker housing. AB 1439 (E. Garcia, Chapter 369, Statutes of 2023), required CTCAC to consider granting farmworker housing maximum points under the housing needs category and an initial five points for site amenities beyond those required as additional thresholds.

Rural projects. CTCAC's regulations stipulate that 20% of the LIHTC be set-aside for certain rural projects. Within that set aside, certain scoring criteria must be considered when awarding credits. Among these criteria are the proximity to certain amenities. While all projects applying for LIHTC are subject to the scoring criteria for being proximate to certain amenities, rural projects are awarded the same consideration as non-rural projects if they are located further away from those amenities. This consideration accounts for the often greater distances between locations in rural settings.

Recent and future consideration for farmworker housing projects. In response to AB 1439, CTCAC amended its regulations in December of 2025, to give farmworker housing projects an automatic five points for site amenities. LIHTC regulations allow a project applicant to receive up to 15 points for site amenities. Farmworker developments would need to score an additional 10 points to be competitive for tax credits. Developments can get additional points through a combination of the following: providing high speed internet, providing transit passes, being within ½ mile of a bus stop, within ¾ mile of a public park or

community center, one mile of a public library, 1½ miles of a grocery store, ½ mile of a public school, 1 mile of a school, or 1 mile of a pharmacy.

CTCAC has not yet had a round of funding to see what impact this change will have on farmworker housing project applicants.

This bill requires CTCAC to consider making amendments to its regulations to create a housing type specifically for farmworker housing. This will allow the Committee to take all scoring options into consideration without directing a specific change. In addition, CTCAC could consider whether to use the same point allocation for rural set-asides projects for farmworker projects.

H-2A Visa Program. The H-2A Visa program is a federal program that allows U.S. employers or U.S. agents who meet specific regulatory requirements to bring foreign nationals to the United States to fill temporary agricultural jobs. Petitioners requesting to utilize this program must demonstrate that there are not enough U.S. workers who are able, willing, qualified, and available to do the temporary work. They must also show that employing H-2A workers will not adversely affect the wages and working conditions of similarly employed U.S. workers. Employers must provide clean and safe housing to H-2A workers at no charge to the employee. Employees are responsible for their food costs, but employers must provide a place for workers to prepare their meals. An employer must arrange for a worker's transportation from the originating country to the place of employment or reimburse the worker for transportation costs.

The H-2A program is not uncontroversial. Farmers convey that the additional cost of providing housing and transportation, without the ability to offset those costs through lower wages, limit their use of the program. However, they cite its practical necessity in the face of a diminishing labor supply and the inability of Congress to pass immigration reform that meets the well-documented needs of the nation's food producers. Opponents point to the fact that H-2A visa ties the worker to the employer. They cite power imbalance as enabling substantial abuses, including lack of access to legal resources, wage theft, poor housing, denial of medical benefits for on-the-job injuries, and withholding of documents.

AB 1783 (Rivas, Chapter 866, Statutes of 2019) prohibited state housing funds from being utilized for constructing housing for H-2A workers, including the following programs: Community Service Block Grants, Building Homes and Jobs Trust Fund, Joe Serna, Jr. Farmworker Housing Grant Program, and other programs for migratory workers, but does not include any allocation of federal or

state low-income housing tax credits. Consistent with other state housing funding, this bill prohibits low-income housing tax credits from financing units that comply with the H-2A program. These amendments are consistent with state policy that precludes providing state housing funds to an employer who employs an H-2A worker.

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

According to the Senate Appropriations Committee:

- TCAC estimates that it would incur one-time costs in the range of \$750,000 to \$2.5 million (General Fund) to commission a study to analyze farmworker demographics, wages, and existing housing needs, identify barriers and opportunities for housing development in the LIHTC program, and produce recommendations for a farmworker housing type and appropriate site amenities. Actual costs would depend upon the scope, methodology, and depth of fieldwork related to the study.
- TCAC estimates ongoing costs of approximately \$150,000 annually for 1.0 PY of staff to oversee consultants responsible for developing the study, and to incorporate recommendations into LIHTC program regulations. Staff notes that these staffing resources should not be required beyond the timeframe to complete the study and make necessary regulatory changes. (Tax Credit Allocation Fee Account)
- Unknown, significant annual General Fund cost pressures, potentially in the tens of millions annually, to provide additional LIHTC funding in the annual Budget Act, to the extent that granting additional scoring benefits to farmworker housing projects results in the allocation of additional LIHTCs to those projects and displaces allocations to other eligible affordable housing projects. Staff notes that the demand for LIHTCs has consistently exceeded the availability of credits for years.

SUPPORT: (Verified 8/13/26)

LA Cooperativa Campesina De California (source)
California Human Development
California Primary Care Association
Center for Employment and Training
Central Valley Opportunity Center (CVOC)
First Day Foundation
Los Amigos De LA Comunidad, INC.

Proteus INC.
Unidosus

OPPOSITION: (Verified 8/13/26)

None received

ASSEMBLY FLOOR: 64-6, 5/27/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Flora, Fong, Garcia, Gipson, Mark González, Hadwick, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NOES: DeMaio, Dixon, Ellis, Jeff Gonzalez, Sanchez, Wallis

NO VOTE RECORDED: Castillo, Chen, Davies, Gabriel, Gallagher, Hoover, Johnson, Lackey, Celeste Rodriguez, Ta

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