



Councilmember Lori Droste
District 8

CONSENT CALENDAR
May 2, 2017

To: Honorable Mayor and Members of the City Council
From: Councilmember Lori Droste
Councilmember Kate Harrison
Subject: Support of AB 71: Bring California Home Act

RECOMMENDATION

Adopt a Resolution supporting Assembly Bill 71, the Bring California Home Act; and send a copy of the resolution to Assemblymember Tony Thurmond, State Senator Nancy Skinner, and Governor Jerry Brown.

BACKGROUND

There is a pronounced and urgent need for more low-income housing development in California, especially in the Bay Area. As California recovers from the foreclosure crisis of 2008, housing prices have soared, but median incomes have decreased. According to the Public Policy Institute of California, 32% of mortgaged homeowners and 47% of renters spend more than one-third of their total income on housing. Furthermore, Governor Jerry Brown's proposed 2017-2018 state budget offers no new funding for low-income housing development, and eliminates the \$400 million in subsidies that was set aside in last year's budget. Affordable housing development will potentially be further compromised by President Trump's proposed tax plan to reduce the corporate tax rate from 35% to 15%, hence decreasing the incentive for tax credit investors to invest in affordable housing projects. Overall, state and federal funding for low-income housing has plunged 79% over the last five years. As a result, nearly 1 million extremely-low-income families are in need of affordable housing in California.

Meanwhile, California's mortgage interest deduction policy allowing for tax deductions on second homes awards 35% of its benefits to homeowners making above \$200,000, and 72% to those making above \$100,000. In 2012, taxpayers with incomes above \$200,000 who claimed the deduction received an average of \$5,000 each. Allocating such subsidies comes at an expense to the average taxpayer and does not serve its original purpose of stimulating the housing market, making housing more affordable, and encouraging homeownership.

In recognition of these developments, Assemblymembers Chiu, Bonta, and Kalra have introduced the Bring California Home Act, to amend Sections 12206, 17058, 17225, and

23610.5 of the California Revenue and Taxation Code. Under current California law, there exists a housing tax credit program in which \$70.5 million total in tax credits are distributed to qualified low-income housing projects. If passed, AB 71 would increase the maximum annual housing credit amount to \$300 million, starting in 2018, including \$25 million of annual tax credits to subsidize farmworker housing projects. This would particularly benefit low-property-value, low-income housing developments in need of rehabilitation. In addition, this bill would eliminate mortgage interest deductions for second homes, a policy which disproportionately benefits upper-class homeowners, in order to pay for the new low-income tax credits.

ENVIRONMENTAL SUSTAINABILITY

None

FISCAL IMPLICATIONS

None

CONTACT

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RESOLUTION NO. ##,###-N.S.

IN SUPPORT OF ASSEMBLY BILL 71; REAFFIRMING THE CITY OF BERKELEY'S COMMITMENT TO PROMOTING EQUITABLE TAXATION POLICIES AND AFFORDABLE HOUSING DEVELOPMENT

WHEREAS, Assemblymembers Chiu, Bonta, and Kalra have introduced the Bring California Home Act, a proposal to amend Sections 12206, 17058, 17225, and 23610.5 of the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately; and

WHEREAS, the proposed bill would fund an increase in the allocation of tax credits for qualified low-income housing projects by eliminating income tax deductions for interest paid on mortgages of second homes; and

WHEREAS, the aforementioned proposal would incentivize investors to fund low-income housing projects, thus alleviating the state's shortage of affordable housing; and

WHEREAS, the affordability of basic shelter is a fundamental right that is necessary for a functioning societal order and the promotion of equity and freedom; and

WHEREAS, housing insecurity has a demonstrated negative impact on mental health and the availability and quality of educational and career opportunities; and

WHEREAS, voter-approved bonds that have funded the low-income housing tax credit program and other affordable housing projects in the past have been exhausted, therefore creating a need for alternative sources of funding; and

WHEREAS, the policy allowing for income tax deductions on second home mortgages is a regressive tax that costs the state \$300 million per year, overwhelmingly benefiting those with higher incomes and awarding negligible benefits to middle- and lower-income homeowners.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it hereby supports AB 71, the Bring California Home Act.

BE IT FURTHER RESOLVED that copies of this resolution be sent to Assemblymember Tony Thurmond, State Senator Nancy Skinner, and Governor Jerry Brown.

