

AMENDED IN ASSEMBLY MAY 18, 2017

AMENDED IN ASSEMBLY MARCH 2, 2017

CALIFORNIA LEGISLATURE—2017–18 REGULAR SESSION

ASSEMBLY BILL

No. 71

**Introduced by Assembly Members Chiu, Bonta, and Kalra
(Coauthors: Assembly Members McCarty, Mullin, and Ting)**

December 16, 2016

An act 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.

LEGISLATIVE COUNSEL'S DIGEST

AB 71, as amended, Chiu. Income taxes: credits: low-income housing: farmworker housing.

(1) Existing law establishes a low-income housing tax credit program pursuant to which the California Tax Credit Allocation Committee provides procedures and requirements for the allocation, in modified conformity with federal law, of state insurance, personal income, and corporation tax credit amounts to qualified low-income housing projects that have been allocated, or qualify for, a federal low-income housing tax credit, and farmworker housing. Existing law limits the total annual amount of the state low-income housing credit for which a federal low-income housing credit is required to the sum of \$70,000,000, as increased by any percentage increase in the Consumer Price Index for the preceding calendar year, any unused credit for the preceding calendar years, and the amount of housing credit ceiling returned in the calendar year. Existing law additionally allows a state credit, which is not dependent on receiving a federal low-income housing credit, of \$500,000

per calendar year for projects to provide farmworker housing. For purposes of determining the credit amount, existing law defines the term “applicable percentage” depending on, among other things, whether the qualified low-income building is a new building that is not federally subsidized, a new building that is federally subsidized, or is an existing building that is “at risk of conversion.” Except for specified special needs applications for projects within a difficult development area (DDA) or qualified census tract (QCT), existing law authorizes all credit ceiling applications to request state credits provided that the applicant is not requesting a 130% basis adjustment for purposes of calculating the federal credit award amount.

This bill, under the law governing the taxation of insurers, the Personal Income Tax Law, and the Corporation Tax Law, for calendar years beginning in 2018, would increase the aggregate housing credit dollar amount that may be allocated among low-income housing projects to ~~to~~ *by an additional* \$300,000,000, as specified, and would allocate to farmworker housing projects \$25,000,000 per year of that amount. ~~The bill would delete that special needs exception and authorization to request state credits provided the applicant is not requesting a 130% basis adjustment for purposes of the federal credit amount.~~ The bill, under those laws, would modify the definition of applicable percentage relating to qualified low-income buildings to depend on whether the building is a new or existing building ~~not located in a DDA or QCT and federally subsidized, a new or existing building located in a DDA or QCT and federally subsidized,~~ or a building that is, among other things, at least 15 years old, serving households of very low income or extremely low income, and will complete substantial rehabilitation, as specified.

(2) The Personal Income Tax Law allows various deductions in computing the income that is subject to the taxes imposed by that law, including allowing a deduction for a limited amount of interest paid or accrued on mortgages for a taxpayer’s 2nd residence, in modified conformity with federal income tax laws.

This bill would disallow that deduction.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. This act shall be known and may be cited as the
2 Bring California Home Act.

3 SEC. 2. Section 12206 of the Revenue and Taxation Code is
4 amended to read:

5 12206. (a) (1) There shall be allowed as a credit against the
6 “tax,” as described by Section 12201, a state low-income housing
7 tax credit in an amount equal to the amount determined in
8 subdivision (c), computed in accordance with Section 42 of the
9 Internal Revenue Code, relating to low-income housing credit,
10 except as otherwise provided in this section.

11 (2) “Taxpayer,” for purposes of this section, means the sole
12 owner in the case of a “C” corporation, the partners in the case of
13 a partnership, members in the case of a limited liability company,
14 and the shareholders in the case of an “S” corporation.

15 (3) “Housing sponsor,” for purposes of this section, means the
16 sole owner in the case of a “C” corporation, the partnership in the
17 case of a partnership, the limited liability company in the case of
18 a limited liability company, and the “S” corporation in the case of
19 an “S” corporation.

20 (4) “Extremely low income households” has the same meaning
21 as in Section 50053 of the Health and Safety Code.

22 (5) “Very low income households” has the same meaning as in
23 Section 50053 of the Health and Safety Code.

24 (b) (1) The amount of the credit allocated to any housing
25 sponsor shall be authorized by the California Tax Credit Allocation
26 Committee, or any successor thereof, based on a project’s need
27 for the credit for economic feasibility in accordance with the
28 requirements of this section.

29 (A) Except for projects to provide farmworker housing, as
30 defined in subdivision (h) of Section 50199.7 of the Health and
31 Safety Code, that are allocated credits solely under the set-aside
32 described in subdivision (c) of Section 50199.20 of the Health and
33 Safety Code, the low-income housing project shall be located in
34 California and shall meet either of the following requirements:

35 (i) The project’s housing sponsor has been allocated by the
36 California Tax Credit Allocation Committee a credit for federal
37 income tax purposes under Section 42 of the Internal Revenue
38 Code, relating to low-income housing credit.

1 (ii) It qualifies for a credit under Section 42(h)(4)(B) of the
2 Internal Revenue Code, relating to special rule where 50 percent
3 or more of building is financed with tax-exempt bonds subject to
4 volume cap.

5 (B) The California Tax Credit Allocation Committee shall not
6 require fees for the credit under this section in addition to those
7 fees required for applications for the tax credit pursuant to Section
8 42 of the Internal Revenue Code, relating to low-income housing
9 credit. The committee may require a fee if the application for the
10 credit under this section is submitted in a calendar year after the
11 year the application is submitted for the federal tax credit.

12 (C) (i) For a project that receives a preliminary reservation of
13 the state low-income housing tax credit, allowed pursuant to
14 subdivision (a), on or after January 1, 2009, and before January 1,
15 2020, the credit shall be allocated to the partners of a partnership
16 owning the project in accordance with the partnership agreement,
17 regardless of how the federal low-income housing tax credit with
18 respect to the project is allocated to the partners, or whether the
19 allocation of the credit under the terms of the agreement has
20 substantial economic effect, within the meaning of Section 704(b)
21 of the Internal Revenue Code, relating to determination of
22 distributive share.

23 (ii) This subparagraph shall not apply to a project that receives
24 a preliminary reservation of state low-income housing tax credits
25 under the set-aside described in subdivision (c) of Section 50199.20
26 of the Health and Safety Code unless the project also receives a
27 preliminary reservation of federal low-income housing tax credits.

28 (2) (A) The California Tax Credit Allocation Committee shall
29 certify to the housing sponsor the amount of tax credit under this
30 section allocated to the housing sponsor for each credit period.

31 (B) In the case of a partnership or an “S” corporation, the
32 housing sponsor shall provide a copy of the California Tax Credit
33 Allocation Committee certification to the taxpayer.

34 (C) The taxpayer shall attach a copy of the certification to any
35 return upon which a tax credit is claimed under this section.

36 (D) In the case of a failure to attach a copy of the certification
37 for the year to the return in which a tax credit is claimed under this
38 section, no credit under this section shall be allowed for that year
39 until a copy of that certification is provided.

1 (E) All elections made by the taxpayer pursuant to Section 42
2 of the Internal Revenue Code, relating to low-income housing
3 credit, shall apply to this section.

4 (F) (i) *Except as described in clause (ii), for buildings located*
5 *in designated difficult development areas (DDAs) or qualified*
6 *census tracts (QCTs), as defined in Section 42(d)(5)(B) of the*
7 *Internal Revenue Code, relating to increase in credit for buildings*
8 *in high-cost areas, credits may be allocated under this section in*
9 *the amounts prescribed in subdivision (c), provided that the amount*
10 *of credit allocated under Section 42 of the Internal Revenue Code,*
11 *relating to low-income housing credit, is computed on 100 percent*
12 *of the qualified basis of the building.*

13 (ii) *Notwithstanding clause (i), the California Tax Credit*
14 *Allocation Committee may allocate the credit for buildings located*
15 *in DDAs or QCTs that are restricted to having 50 percent of the*
16 *building's occupants be special needs households, as defined in*
17 *the California Code of Regulations by the California Tax Credit*
18 *Allocation Committee, even if the taxpayer receives federal credits*
19 *pursuant to Section 42(d)(5)(B) of the Internal Revenue Code,*
20 *relating to increase in credit for buildings in high-cost areas,*
21 *provided that the credit allowed under this section shall not exceed*
22 *30 percent of the eligible basis of the building.*

23 ~~(F)~~

24 (G) (i) The California Tax Credit Allocation Committee may
25 allocate a credit under this section in exchange for a credit allocated
26 pursuant to Section 42(d)(5)(B) of the Internal Revenue Code,
27 relating to increase in credit for buildings in high-cost areas, in
28 amounts up to 30 percent of the eligible basis of a building if the
29 credits allowed under Section 42 of the Internal Revenue Code,
30 relating to low-income housing credit, are reduced by an equivalent
31 amount.

32 (ii) An equivalent amount shall be determined by the California
33 Tax Credit Allocation Committee based upon the relative amount
34 required to produce an equivalent state tax credit to the taxpayer.

35 (c) Section 42(b) of the Internal Revenue Code, relating to
36 applicable percentage: 70 percent present value credit for certain
37 new buildings; 30 percent present value credit for certain other
38 buildings, shall be modified as follows:

39 (1) In the case of any qualified low-income building that is a
40 new building, as defined in Section ~~42~~ 42(i)(4) of the Internal

1 Revenue Code, relating to ~~low-income housing credit~~, *new*
2 *building*, and the regulations promulgated thereunder, and not
3 federally subsidized, the term “applicable percentage” means the
4 following:

5 (A) For each of the first three years, the percentage prescribed
6 by the Secretary of the Treasury for new buildings that are not
7 federally subsidized for the taxable year, determined in accordance
8 with the requirements of Section 42(b)(1) of the Internal Revenue
9 Code, relating to determination of applicable percentage.

10 (B) For the fourth year, the difference between 30 percent and
11 the sum of the applicable percentages for the first three years.

12 (2) In the case of any qualified low-income building that (A) is
13 a new building, as defined in Section ~~42~~ *42(i)(4)* of the Internal
14 Revenue Code, relating to ~~low-income housing credit~~, *new*
15 *building*, and the regulations promulgated ~~thereunder~~, *thereunder*
16 *and* (B) ~~not located in designated difficult development areas~~
17 ~~(DDAs) or qualified census tracts (QCTs), as defined in Section~~
18 ~~42(d)(5)(B) of the Internal Revenue Code, relating to increase in~~
19 ~~credit for buildings in high cost areas, and (C) is federally~~
20 subsidized, the term “applicable percentage” means for the first
21 three years, 15 percent of the qualified basis of the building, and
22 for the fourth year, 5 percent of the qualified basis of the building.

23 (3) In the case of any qualified low-income building that is (A)
24 an existing building, as defined in Section ~~42~~ *42(i)(5)* of the
25 Internal Revenue Code, relating to ~~low-income housing credit~~,
26 *existing building*, and the regulations promulgated ~~thereunder~~,
27 *thereunder and* (B) ~~not located in designated difficult development~~
28 ~~areas (DDAs) or qualified census tracts (QCTs), as defined in~~
29 ~~Section 42(d)(5)(B) of the Internal Revenue Code, relating to~~
30 ~~increase in credit for buildings in high cost areas, and (C) is~~
31 federally subsidized, the term ~~applicable percentage~~ “*applicable*
32 *percentage*” means the following:

33 (i) For each of the first three years, the percentage prescribed
34 by the Secretary of the Treasury for new buildings that are federally
35 subsidized for the taxable year.

36 (ii) For the fourth year, the difference between 13 percent and
37 the sum of the applicable percentages for the first three years.

38 (4) ~~In the case of any qualified low-income building that is (A)~~
39 ~~a new or an existing building, (B) located in designated difficult~~
40 ~~development areas (DDAs) or qualified census tracts (QCTs) as~~

1 ~~defined in Section 42(d)(5)(B) of the Internal Revenue Code,~~
2 ~~relating to increase in credit for buildings in high cost areas, of the~~
3 ~~Internal Revenue Code, and (C) federally subsidized, the California~~
4 ~~Tax Credit Allocation Committee shall reduce the amount of~~
5 ~~California credit to be allocated under paragraphs (2) and (3) by~~
6 ~~taking into account the increased federal credit received due to the~~
7 ~~basis boost provided under Section 42(d)(5)(B) of the Internal~~
8 ~~Revenue Code, relating to increase in credit for buildings in high~~
9 ~~cost areas:~~

10 (5)

11 (4) In the case of any qualified low-income building that meets
12 all of the requirements of subparagraphs (A) through (D), inclusive,
13 the term “applicable percentage” means 30 percent for each of the
14 first three years and 5 percent for the fourth year. A qualified
15 low-income building receiving an allocation under this paragraph
16 is ineligible to also receive an allocation under paragraph (3).

17 (A) The qualified low-income building is at least 15 years old.

18 (B) The qualified low-income building is serving households
19 of very low income or extremely low income such that the average
20 maximum household income as restricted, pursuant to an existing
21 regulatory agreement with a federal, state, county, local, or other
22 governmental agency, is not more than 45 percent of the area
23 median gross income, as determined under Section 42 of the
24 Internal Revenue Code, relating to low-income housing credit,
25 adjusted by household size, and a tax credit regulatory agreement
26 is entered into for a period of not less than 55 years restricting the
27 average targeted household income to no more than 45 percent of
28 the area median income.

29 (C) The qualified low-income building would have insufficient
30 credits under paragraphs (2) and (3) to complete substantial
31 rehabilitation due to a low appraised value.

32 (D) The qualified low-income building will complete the
33 substantial rehabilitation in connection with the credit allocation
34 herein.

35 (d) The term “qualified low-income housing project” as defined
36 in Section 42(c)(2) of the Internal Revenue Code, relating to
37 qualified low-income building, is modified by adding the following
38 requirements:

1 (1) The taxpayer shall be entitled to receive a cash distribution
2 from the operations of the project, after funding required reserves,
3 that, at the election of the taxpayer, is equal to:

4 (A) An amount not to exceed 8 percent of the lesser of:

5 (i) The owner equity that shall include the amount of the capital
6 contributions actually paid to the housing sponsor and shall not
7 include any amounts until they are paid on an investor note.

8 (ii) Twenty percent of the adjusted basis of the building as of
9 the close of the first taxable year of the credit period.

10 (B) The amount of the cashflow from those units in the building
11 that are not low-income units. For purposes of computing cashflow
12 under this subparagraph, operating costs shall be allocated to the
13 low-income units using the “floor space fraction,” as defined in
14 Section 42 of the Internal Revenue Code, relating to low-income
15 housing credit.

16 (C) Any amount allowed to be distributed under subparagraph
17 (A) that is not available for distribution during the first five years
18 of the compliance period may be accumulated and distributed any
19 time during the first 15 years of the compliance period but not
20 thereafter.

21 (2) The limitation on return shall apply in the aggregate to the
22 partners if the housing sponsor is a partnership and in the aggregate
23 to the shareholders if the housing sponsor is an “S” corporation.

24 (3) The housing sponsor shall apply any cash available for
25 distribution in excess of the amount eligible to be distributed under
26 paragraph (1) to reduce the rent on rent-restricted units or to
27 increase the number of rent-restricted units subject to the tests of
28 Section 42(g)(1) of the Internal Revenue Code, relating to in
29 general.

30 (e) The provisions of Section 42(f) of the Internal Revenue
31 Code, relating to definition and special rules relating to credit
32 period, shall be modified as follows:

33 (1) The term “credit period” as defined in Section 42(f)(1) of
34 the Internal Revenue Code, relating to credit period defined, is
35 modified by substituting “four taxable years” for “10 taxable
36 years.”

37 (2) The special rule for the first taxable year of the credit period
38 under Section 42(f)(2) of the Internal Revenue Code, relating to
39 special rule for 1st year of credit period, shall not apply to the tax
40 credit under this section.

1 (3) Section 42(f)(3) of the Internal Revenue Code, relating to
2 determination of applicable percentage with respect to increases
3 in qualified basis after 1st year of credit period, is modified to
4 read:

5 If, as of the close of any taxable year in the compliance period,
6 after the first year of the credit period, the qualified basis of any
7 building exceeds the qualified basis of that building as of the close
8 of the first year of the credit period, the housing sponsor, to the
9 extent of its tax credit allocation, shall be eligible for a credit on
10 the excess in an amount equal to the applicable percentage
11 determined pursuant to subdivision (c) for the four-year period
12 beginning with the taxable year in which the increase in qualified
13 basis occurs.

14 (f) The provisions of Section 42(h) of the Internal Revenue
15 Code, relating to limitation on aggregate credit allowable with
16 respect to projects located in a state, shall be modified as follows:

17 (1) Section 42(h)(2) of the Internal Revenue Code, relating to
18 allocated credit amount to apply to all taxable years ending during
19 or after credit allocation year, Code shall not be applicable and
20 instead the following provisions shall be applicable:

21 The total amount for the four-year credit period of the housing
22 credit dollars allocated in a calendar year to any building shall
23 reduce the aggregate housing credit dollar amount of the California
24 Tax Credit Allocation Committee for the calendar year in which
25 the allocation is made.

26 (2) Paragraphs (3), (4), (5), ~~(6)(E)(F)(H)~~, 6(E)(i)(I), (6)(F),
27 (6)(G), (6)(I), (7), and (8) of Section 42(h) of the Internal Revenue
28 Code, relating to limitation on aggregate credit allowable with
29 respect to projects located in a state, shall not be applicable.

30 (g) The aggregate housing credit dollar amount that may be
31 allocated annually by the California Tax Credit Allocation
32 Committee pursuant to this section, Section 17058, and Section
33 23610.5 shall be an amount equal to the sum of all the following:

34 (1) (A) Seventy million dollars (\$70,000,000) for the 2001
35 calendar year, and, for the 2002 calendar year and each calendar
36 year thereafter, seventy million dollars (\$70,000,000) increased
37 by the percentage, if any, by which the Consumer Price Index for
38 the preceding calendar year exceeds the Consumer Price Index for
39 the 2001 calendar year. For the purposes of this paragraph, the
40 term "Consumer Price Index" means the last Consumer Price Index

1 for All Urban Consumers published by the federal Department of
2 Labor.

3 (B) Three hundred million dollars (\$300,000,000) for the 2018
4 calendar year, and, for the 2019 calendar year and each calendar
5 year thereafter, three hundred million dollars (\$300,000,000)
6 increased by the percentage, if any, by which the Consumer Price
7 Index for the preceding calendar year exceeds the Consumer Price
8 Index for the 2018 calendar year. For the purposes of this
9 paragraph, the term “Consumer Price Index” means the last
10 Consumer Price Index for All Urban Consumers published by the
11 federal Department of Labor. A housing sponsor receiving an
12 allocation under paragraph (1) of subdivision (c) shall not be
13 eligible for receipt of the housing credit allocated from the
14 increased amount under this subparagraph. A housing sponsor
15 receiving an allocation under paragraph (1) of subdivision (c) shall
16 remain eligible for receipt of the housing credit allocated from the
17 credit ceiling amount under subparagraph (A).

18 (2) The unused housing credit ceiling, if any, for the preceding
19 calendar years.

20 (3) The amount of housing credit ceiling returned in the calendar
21 year. For purposes of this paragraph, the amount of housing credit
22 dollar amount returned in the calendar year equals the housing
23 credit dollar amount previously allocated to any project that does
24 not become a qualified low-income housing project within the
25 period required by this section or to any project with respect to
26 which an allocation is canceled by mutual consent of the California
27 Tax Credit Allocation Committee and the allocation recipient.

28 (4) (A) Of the amount allocated pursuant to subparagraph (B)
29 of paragraph (1), twenty-five million dollars (\$25,000,000) per
30 calendar year for projects to provide farmworker housing, as
31 defined in subdivision (h) of Section 50199.7 of the Health and
32 Safety Code.

33 (B) The amount of any unallocated or returned credits pursuant
34 to this paragraph per calendar year shall be added to the aggregate
35 amount of credits allocated pursuant to subparagraph (B) of
36 paragraph (1).

37 (5) The amount of any unallocated or returned credits under
38 former Sections 17053.14, 23608.2, and 23608.3, as those sections
39 read prior to January 1, 2009, until fully exhausted for projects to

1 provide farmworker housing, as defined in subdivision (h) of
2 Section 50199.7 of the Health and Safety Code.

3 (h) The term “compliance period” as defined in Section 42(i)(1)
4 of the Internal Revenue Code, relating to compliance period, is
5 modified to mean, with respect to any building, the period of 30
6 consecutive taxable years beginning with the first taxable year of
7 the credit period with respect thereto.

8 (i) (1) Section 42(j) of the Internal Revenue Code, relating to
9 recapture of credit, shall not be applicable and the provisions in
10 paragraph (2) shall be substituted in its place.

11 (2) The requirements of this section shall be set forth in a
12 regulatory agreement between the California Tax Credit Allocation
13 Committee and the housing sponsor, and the regulatory agreement
14 shall be subordinated, when required, to any lien or encumbrance
15 of any banks or other institutional lenders to the project. The
16 regulatory agreement entered into pursuant to subdivision (f) of
17 Section 50199.14 of the Health and Safety Code, shall apply,
18 provided that the agreement includes all of the following
19 provisions:

20 (A) A term not less than the compliance period.

21 (B) A requirement that the agreement be recorded in the official
22 records of the county in which the qualified low-income housing
23 project is located.

24 (C) A provision stating which state and local agencies can
25 enforce the regulatory agreement in the event the housing sponsor
26 fails to satisfy any of the requirements of this section.

27 (D) A provision that the regulatory agreement shall be deemed
28 a contract enforceable by tenants as third-party beneficiaries thereto
29 and that allows individuals, whether prospective, present, or former
30 occupants of the building, who meet the income limitation
31 applicable to the building, the right to enforce the regulatory
32 agreement in any state court.

33 (E) A provision incorporating the requirements of Section 42
34 of the Internal Revenue Code, relating to low-income housing
35 credit, as modified by this section.

36 (F) A requirement that the housing sponsor notify the California
37 Tax Credit Allocation Committee or its designee and the local
38 agency that can enforce the regulatory agreement if there is a
39 determination by the Internal Revenue Service that the project is

1 not in compliance with Section 42(g) of the Internal Revenue Code,
2 relating to qualified low-income housing project.

3 (G) A requirement that the housing sponsor, as security for the
4 performance of the housing sponsor's obligations under the
5 regulatory agreement, assign the housing sponsor's interest in rents
6 that it receives from the project, provided that until there is a
7 default under the regulatory agreement, the housing sponsor is
8 entitled to collect and retain the rents.

9 (H) ~~The~~ *A provision that the* remedies available in the event of
10 a default under the regulatory agreement that is not cured within
11 a reasonable cure period, include, but are not limited to, allowing
12 any of the parties designated to enforce the regulatory agreement
13 to collect all rents with respect to the project; taking possession of
14 the project and operating the project in accordance with the
15 regulatory agreement until the enforcer determines the housing
16 sponsor is in a position to operate the project in accordance with
17 the regulatory agreement; applying to any court for specific
18 performance; securing the appointment of a receiver to operate
19 the project; or any other relief as may be appropriate.

20 (j) (1) The committee shall allocate the housing credit on a
21 regular basis consisting of two or more periods in each calendar
22 year during which applications may be filed and considered. The
23 committee shall establish application filing deadlines, the maximum
24 percentage of federal and state low-income housing tax credit
25 ceiling that may be allocated by the committee in that period, and
26 the approximate date on which allocations shall be made. If the
27 enactment of federal or state law, the adoption of rules or
28 regulations, or other similar events prevent the use of two allocation
29 periods, the committee may reduce the number of periods and
30 adjust the filing deadlines, maximum percentage of credit allocated,
31 and allocation dates.

32 (2) The committee shall adopt a qualified allocation plan, as
33 provided in Section 42(m)(1) of the Internal Revenue Code, relating
34 to plans for allocation of credit among projects. In adopting this
35 plan, the committee shall comply with the provisions of Sections
36 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue Code,
37 relating to qualified allocation plan and relating to certain selection
38 criteria must be used, respectively.

39 (3) Notwithstanding Section 42(m) of the Internal Revenue
40 Code, relating to responsibilities of housing credit agencies, the

1 California Tax Credit Allocation Committee shall allocate housing
2 credits in accordance with the qualified allocation plan and
3 regulations, which shall include the following provisions:

4 (A) All housing sponsors, as defined by paragraph (3) of
5 subdivision (a), shall demonstrate at the time the application is
6 filed with the committee that the project meets the following
7 threshold requirements:

8 (i) The housing sponsor shall demonstrate there is a need and
9 demand for low-income housing in the community or region for
10 which it is proposed.

11 (ii) The project's proposed financing, including tax credit
12 proceeds, shall be sufficient to complete the project and that the
13 proposed operating income shall be adequate to operate the project
14 for the extended use period.

15 (iii) The project shall have enforceable financing commitments,
16 either construction or permanent financing, for at least 50 percent
17 of the total estimated financing of the project.

18 (iv) The housing sponsor shall have and maintain control of the
19 site for the project.

20 (v) The housing sponsor shall demonstrate that the project
21 complies with all applicable local land use and zoning ordinances.

22 (vi) The housing sponsor shall demonstrate that the project
23 development team has the experience and the financial capacity
24 to ensure project completion and operation for the extended use
25 period.

26 (vii) The housing sponsor shall demonstrate the amount of tax
27 credit that is necessary for the financial feasibility of the project
28 and its viability as a qualified low-income housing project
29 throughout the extended use period, taking into account operating
30 expenses, a supportable debt service, reserves, funds set aside for
31 rental subsidies and required equity, and a development fee that
32 does not exceed a specified percentage of the eligible basis of the
33 project prior to inclusion of the development fee in the eligible
34 basis, as determined by the committee.

35 (B) The committee shall give a preference to those projects
36 satisfying all of the threshold requirements of subparagraph (A)
37 if both of the following apply:

38 (i) The project serves the lowest income tenants at rents
39 affordable to those tenants.

- 1 (ii) The project is obligated to serve qualified tenants for the
2 longest period.
- 3 (C) In addition to the provisions of subparagraphs (A) and (B),
4 the committee shall use the following criteria in allocating housing
5 credits:
- 6 (i) Projects serving large families in which a substantial number,
7 as defined by the committee, of all residential units are low-income
8 units with three or more bedrooms.
- 9 (ii) Projects providing single-room occupancy units serving
10 very low income tenants.
- 11 (iii) (I) Existing projects that are “at risk of conversion.”
12 (II) For purposes of this section, the term “at risk of conversion,”
13 with respect to an existing property means a property that satisfies
14 all of the following criteria:
- 15 (ia) The property is a multifamily rental housing development
16 in which at least 50 percent of the units receive governmental
17 assistance pursuant to any of the following:
- 18 (Ia) New construction, substantial rehabilitation, moderate
19 rehabilitation, property disposition, and loan management set-aside
20 programs, or any other program providing project-based assistance
21 pursuant to Section 8 of the United States Housing Act of 1937,
22 Section 1437f of Title 42 of the United States Code, as amended.
- 23 (Ib) The Below-Market-Interest-Rate Program pursuant to
24 Section 221(d)(3) of the National Housing Act, Sections
25 1715l(d)(3) and (5) of Title 12 of the United States Code.
- 26 (Ic) Section 236 of the National Housing Act, Section 1715z-1
27 of Title 12 of the United States Code.
- 28 (Id) Programs for rent supplement assistance pursuant to Section
29 48 101 of the Housing and Urban Development Act of 1965,
30 Section 1701s of Title 12 of the United States Code, as amended.
- 31 (Ie) Programs pursuant to Section 515 of the Housing Act of
32 1949, Section 1485 of Title 42 of the United States Code, as
33 amended.
- 34 (If) The low-income housing credit program set forth in Section
35 42 of the Internal Revenue Code, relating to low-income housing
36 credits.
- 37 (ib) The restrictions on rent and income levels will terminate
38 or the federal insured mortgage on the property is eligible for
39 prepayment any time within five years before or after the date of
40 application to the California Tax Credit Allocation Committee.

1 (ic) The entity acquiring the property enters into a regulatory
2 agreement that requires the property to be operated in accordance
3 with the requirements of this section for a period equal to the
4 greater of 55 years or the life of the property.

5 (id) The property satisfies the requirements of Section 42(e) of
6 the Internal Revenue Code, regarding rehabilitation expenditures,
7 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
8 apply.

9 (iv) Projects for which a public agency provides direct or indirect
10 long-term financial support for at least 15 percent of the total
11 project development costs or projects for which the owner's equity
12 constitutes at least 30 percent of the total project development
13 costs.

14 (v) Projects that provide tenant amenities not generally available
15 to residents of low-income housing projects.

16 (4) For purposes of allocating credits pursuant to this section,
17 the committee shall not give preference to any project by virtue
18 of the date of submission of its application except to break a tie
19 when two or more of the projects have an equal rating.

20 (k) Section 42(l) of the Internal Revenue Code, relating to
21 certifications and other reports to secretary, shall be modified as
22 follows:

23 The term "secretary" shall be replaced by the term "Franchise
24 Tax Board."

25 (l) In the case where the credit allowed under this section
26 exceeds the "tax," the excess may be carried over to reduce the
27 "tax" in the following year, and succeeding years if necessary,
28 until the credit has been exhausted.

29 (m) The provisions of Section 11407(a) of Public Law 101-508,
30 relating to the effective date of the extension of the low-income
31 housing credit, shall apply to calendar years after 1993.

32 (n) The provisions of Section 11407(c) of Public Law 101-508,
33 relating to election to accelerate credit, shall not apply.

34 (o) (1) For a project that receives a preliminary reservation
35 under this section beginning on or after January 1, 2016, and before
36 January 1, 2020, a taxpayer may make an irrevocable election in
37 its application to the California Tax Credit Allocation Committee
38 to sell all or any portion of any credit allowed under this section
39 to one or more unrelated parties for each taxable year in which the
40 credit is allowed subject to both of the following conditions:

1 (A) The credit is sold for consideration that is not less than 80
2 percent of the amount of the credit.

3 (B) The unrelated party or parties purchasing any or all of the
4 credit pursuant to this subdivision is a taxpayer allowed the credit
5 under this section for the taxable year of the purchase or any prior
6 taxable year or is a taxpayer allowed the federal credit under
7 Section 42 of the Internal Revenue Code, relating to low-income
8 housing credit, for the taxable year of the purchase or any prior
9 taxable year in connection with any project located in this state.
10 For purposes of this subparagraph, “taxpayer allowed the credit
11 under this section” means a taxpayer that is allowed the credit
12 under this section without regard to the purchase of a credit
13 pursuant to this subdivision.

14 (2) (A) The taxpayer that originally received the credit shall
15 report to the California Tax Credit Allocation Committee within
16 10 days of the sale of the credit, in the form and manner specified
17 by the California Tax Credit Allocation Committee, all required
18 information regarding the purchase and sale of the credit, including
19 the social security or other taxpayer identification number of the
20 unrelated party or parties to whom the credit has been sold, the
21 face amount of the credit sold, and the amount of consideration
22 received by the taxpayer for the sale of the credit.

23 (B) The California Tax Credit Allocation Committee shall
24 provide an annual listing to the Franchise Tax Board, in a form
25 and manner agreed upon by the California Tax Credit Allocation
26 Committee and the Franchise Tax Board, of the taxpayers that
27 have sold or purchased a credit pursuant to this subdivision.

28 (3) (A) A credit may be sold pursuant to this subdivision to
29 more than one unrelated party.

30 (B) (i) Except as provided in clause (ii), a credit shall not be
31 resold by the unrelated party to another taxpayer or other party.

32 (ii) All or any portion of any credit allowed under this section
33 may be resold once by an original purchaser to one or more
34 unrelated parties, subject to all of the requirements of this
35 subdivision.

36 (4) Notwithstanding any other law, the taxpayer that originally
37 received the credit that is sold pursuant to paragraph (1) shall
38 remain solely liable for all obligations and liabilities imposed on
39 the taxpayer by this section with respect to the credit, none of
40 which shall apply to a party to whom the credit has been sold or

1 subsequently transferred. Parties that purchase credits pursuant to
2 paragraph (1) shall be entitled to utilize the purchased credits in
3 the same manner in which the taxpayer that originally received
4 the credit could utilize them.

5 (5) A taxpayer shall not sell a credit allowed by this section if
6 the taxpayer was allowed the credit on any tax return of the
7 taxpayer.

8 (6) Notwithstanding paragraph (1), the taxpayer, with the
9 approval of the Executive Director of the California Tax Credit
10 Allocation Committee, may rescind the election to sell all or any
11 portion of the credit allowed under this section if the consideration
12 for the credit falls below 80 percent of the amount of the credit
13 after the California Tax Credit Allocation Committee reservation.

14 (p) The California Tax Credit Allocation Committee may
15 prescribe rules, guidelines, or procedures necessary or appropriate
16 to carry out the purposes of this section, including any guidelines
17 regarding the allocation of the credit allowed under this section.
18 Chapter 3.5 (commencing with Section 11340) of Part 1 of Division
19 3 of Title 2 of the Government Code shall not apply to any rule,
20 guideline, or procedure prescribed by the California Tax Credit
21 Allocation Committee pursuant to this section.

22 (q) This section shall remain in effect for as long as Section 42
23 of the Internal Revenue Code, relating to low-income housing
24 credit, remains in effect.

25 SEC. 3. Section 17058 of the Revenue and Taxation Code is
26 amended to read:

27 17058. (a) (1) There shall be allowed as a credit against the
28 “net tax,” defined in Section 17039, a state low-income housing
29 tax credit in an amount equal to the amount determined in
30 subdivision (c), computed in accordance with Section 42 of the
31 Internal Revenue Code, relating to low-income housing credit,
32 except as otherwise provided in this section.

33 (2) “Taxpayer,” for purposes of this section, means the sole
34 owner in the case of an individual, the partners in the case of a
35 partnership, and the shareholders in the case of an “S” corporation.

36 (3) “Housing sponsor,” for purposes of this section, means the
37 sole owner in the case of an individual, the partnership in the case
38 of a partnership, and the “S” corporation in the case of an “S”
39 corporation.

1 (4) “Extremely low income households” has the same meaning
2 as in Section 50053 of the Health and Safety Code.

3 (5) “Very low income households” has the same meaning as in
4 Section 50053 of the Health and Safety Code.

5 (b) (1) The amount of the credit allocated to any housing
6 sponsor shall be authorized by the California Tax Credit Allocation
7 Committee, or any successor thereof, based on a project’s need
8 for the credit for economic feasibility in accordance with the
9 requirements of this section.

10 (A) The low-income housing project shall be located in
11 California and shall meet either of the following requirements:

12 (i) Except for projects to provide farmworker housing, as defined
13 in subdivision (h) of Section 50199.7 of the Health and Safety
14 Code, that are allocated credits solely under the set-aside described
15 in subdivision (c) of Section 50199.20 of the Health and Safety
16 Code, the project’s housing sponsor has been allocated by the
17 California Tax Credit Allocation Committee a credit for federal
18 income tax purposes under Section 42 of the Internal Revenue
19 Code, relating to low-income housing credit.

20 (ii) It qualifies for a credit under Section 42(h)(4)(B) of the
21 Internal Revenue Code, relating to special rule where 50 percent
22 or more of building is financed with tax-exempt bonds subject to
23 volume cap.

24 (B) The California Tax Credit Allocation Committee shall not
25 require fees for the credit under this section in addition to those
26 fees required for applications for the tax credit pursuant to Section
27 42 of the Internal Revenue Code, relating to low-income housing
28 credit. The committee may require a fee if the application for the
29 credit under this section is submitted in a calendar year after the
30 year the application is submitted for the federal tax credit.

31 (C) (i) For a project that receives a preliminary reservation of
32 the state low-income housing tax credit, allowed pursuant to
33 subdivision (a), on or after January 1, 2009, and before January 1,
34 2020, the credit shall be allocated to the partners of a partnership
35 owning the project in accordance with the partnership agreement,
36 regardless of how the federal low-income housing tax credit with
37 respect to the project is allocated to the partners, or whether the
38 allocation of the credit under the terms of the agreement has
39 substantial economic effect, within the meaning of Section 704(b)

1 of the Internal Revenue Code, relating to determination of
2 distributive share.

3 (ii) To the extent the allocation of the credit to a partner under
4 this section lacks substantial economic effect, any loss or deduction
5 otherwise allowable under this part that is attributable to the sale
6 or other disposition of that partner's partnership interest made prior
7 to the expiration of the federal credit shall not be allowed in the
8 taxable year in which the sale or other disposition occurs, but shall
9 instead be deferred until and treated as if it occurred in the first
10 taxable year immediately following the taxable year in which the
11 federal credit period expires for the project described in clause (i).

12 (iii) This subparagraph shall not apply to a project that receives
13 a preliminary reservation of state low-income housing tax credits
14 under the set-aside described in subdivision (c) of Section 50199.20
15 of the Health and Safety Code unless the project also receives a
16 preliminary reservation of federal low-income housing tax credits.

17 (2) (A) The California Tax Credit Allocation Committee shall
18 certify to the housing sponsor the amount of tax credit under this
19 section allocated to the housing sponsor for each credit period.

20 (B) In the case of a partnership, or an "S" corporation, the
21 housing sponsor shall provide a copy of the California Tax Credit
22 Allocation Committee certification to the taxpayer.

23 (C) The taxpayer shall, upon request, provide a copy of the
24 certification to the Franchise Tax Board.

25 (D) All elections made by the taxpayer pursuant to Section 42
26 of the Internal Revenue Code, relating to low-income housing
27 credit, shall apply to this section.

28 (E) (i) *Except as described in clause (ii), for buildings located*
29 *in designated difficult development areas (DDAs) or qualified*
30 *census tracts (QCTs), as defined in Section 42(d)(5)(B) of the*
31 *Internal Revenue Code, relating to increase in credit for buildings*
32 *in high-cost areas, credits may be allocated under this section in*
33 *the amounts prescribed in subdivision (c), provided that the amount*
34 *of credit allocated under Section 42 of the Internal Revenue Code,*
35 *relating to low-income housing credit, is computed on 100 percent*
36 *of the qualified basis of the building.*

37 (ii) *Notwithstanding clause (i), the California Tax Credit*
38 *Allocation Committee may allocate the credit for buildings located*
39 *in DDAs or QCTs that are restricted to having 50 percent of the*
40 *building's occupants be special needs households, as defined in*

1 *the California Code of Regulations by the California Tax Credit*
 2 *Allocation Committee, even if the taxpayer receives federal credits*
 3 *pursuant to Section 42(d)(5)(B) of the Internal Revenue Code,*
 4 *relating to increase in credit for buildings in high-cost areas,*
 5 *provided that the credit allowed under this section shall not exceed*
 6 *30 percent of the eligible basis of the building.*

7 ~~(E)~~

8 (F) (i) The California Tax Credit Allocation Committee may
 9 allocate a credit under this section in exchange for a credit allocated
 10 pursuant to Section 42(d)(5)(B) of the Internal Revenue Code,
 11 relating to increase in credit for buildings in high-cost areas, in
 12 amounts up to 30 percent of the eligible basis of a building if the
 13 credits allowed under Section 42 of the Internal Revenue Code,
 14 relating to low-income housing credit, are reduced by an equivalent
 15 amount.

16 (ii) An equivalent amount shall be determined by the California
 17 Tax Credit Allocation Committee based upon the relative amount
 18 required to produce an equivalent state tax credit to the taxpayer.

19 (c) Section 42(b) of the Internal Revenue Code, relating to
 20 applicable percentage: 70 percent present value credit for certain
 21 new buildings; 30 percent present value credit for certain other
 22 buildings, shall be modified as follows:

23 (1) In the case of any qualified low-income building that is a
 24 new building, as defined in Section ~~42~~ 42(i)(4) of the Internal
 25 Revenue Code, relating to ~~low-income housing credit, new~~
 26 *building*, and the regulations promulgated thereunder, and not
 27 federally subsidized, the term “applicable percentage” means the
 28 following:

29 (A) For each of the first three years, the percentage prescribed
 30 by the Secretary of the Treasury for new buildings that are not
 31 federally subsidized for the taxable year, determined in accordance
 32 with the requirements of Section 42(b)(1) of the Internal Revenue
 33 Code, relating to determination of applicable percentage.

34 (B) For the fourth year, the difference between 30 percent and
 35 the sum of the applicable percentages for the first three years.

36 (2) In the case of any qualified low-income building that (A) is
 37 a new building, as defined in Section ~~42~~ 42(i)(4) of the Internal
 38 Revenue Code, relating to ~~low-income housing credit, new~~
 39 *building*, and the regulations promulgated ~~thereunder, thereunder~~
 40 *and* (B) ~~not located in designated difficult development areas~~

1 ~~(DDAs) or qualified census tracts (QCTs), as defined in Section~~
2 ~~42(d)(5)(B) of the Internal Revenue Code, relating to increase in~~
3 ~~credit for buildings in high cost areas, and (C) is federally~~
4 ~~subsidized, the term “applicable percentage” means for the first~~
5 ~~three years, 15 percent of the qualified basis of the building, and~~
6 ~~for the fourth year, 5 percent of the qualified basis of the building.~~

7 (3) In the case of any qualified low-income building that is (A)
8 an existing building, as defined in Section ~~42~~ *42(i)(5)* of the
9 Internal Revenue Code, relating to ~~low-income housing credit,~~
10 ~~existing building,~~ and the regulations promulgated ~~thereunder,~~
11 ~~thereunder and (B) not located in designated difficult development~~
12 ~~areas (DDAs) or qualified census tracts (QCTs), as defined in~~
13 ~~Section 42(d)(5)(B) of the Internal Revenue Code, relating to an~~
14 ~~increase in credit for buildings in high cost areas, and (C) is~~
15 ~~federally subsidized, the term applicable percentage “applicable~~
16 ~~percentage” means the following:~~

17 (i) For each of the first three years, the percentage prescribed
18 by the Secretary of the Treasury for new buildings that are federally
19 subsidized for the taxable year.

20 (ii) For the fourth year, the difference between 13 percent and
21 the sum of the applicable percentages for the first three years.

22 ~~(4) In the case of any qualified low-income building that is (A)~~
23 ~~a new or an existing building, (B) located in designated difficult~~
24 ~~development areas (DDAs) or qualified census tracts (QCTs) as~~
25 ~~defined in Section 42(d)(5)(B) of the Internal Revenue Code,~~
26 ~~relating to increase in credit for buildings in high cost areas, and~~
27 ~~(C) federally subsidized, the California Tax Credit Allocation~~
28 ~~Committee shall reduce the amount of California credit to be~~
29 ~~allocated under paragraphs (2) and (3) by taking into account the~~
30 ~~increased federal credit received due to the basis boost provided~~
31 ~~under Section 42(d)(5)(B) of the Internal Revenue Code, relating~~
32 ~~to increase in credit for buildings in high cost areas:~~

33 (5)

34 (4) In the case of any qualified low-income building that meets
35 all of the requirements of subparagraphs (A) through (D), inclusive,
36 the term “applicable percentage” means 30 percent for each of the
37 first three years and 5 percent for the fourth year. A qualified
38 low-income building receiving an allocation under this paragraph
39 is ineligible to also receive an allocation under paragraph (3).

40 (A) The qualified low-income building is at least 15 years old.

1 (B) The qualified low-income building is serving households
2 of very low-income or extremely low-income such that the average
3 maximum household income as restricted, pursuant to an existing
4 regulatory agreement with a federal, state, county, local, or other
5 governmental agency, is not more than 45 percent of the area
6 median gross income, as determined under Section 42 of the
7 Internal Revenue Code, relating to low-income housing credit,
8 adjusted by household size, and a tax credit regulatory agreement
9 is entered into for a period of not less than 55 years restricting the
10 average targeted household income to no more than 45 percent of
11 the area median income.

12 (C) The qualified low-income building would have insufficient
13 credits under paragraphs (2) and (3) to complete substantial
14 rehabilitation due to a low appraised value.

15 (D) The qualified low-income building will complete the
16 substantial rehabilitation in connection with the credit allocation
17 herein.

18 (d) The term “qualified low-income housing project” as defined
19 in Section 42(c)(2) of the Internal Revenue Code, relating to
20 qualified low-income building, is modified by adding the following
21 requirements:

22 (1) The taxpayer shall be entitled to receive a cash distribution
23 from the operations of the project, after funding required reserves,
24 that, at the election of the taxpayer, is equal to:

25 (A) An amount not to exceed 8 percent of the lesser of:

26 (i) The owner equity that shall include the amount of the capital
27 contributions actually paid to the housing sponsor and shall not
28 include any amounts until they are paid on an investor note.

29 (ii) Twenty percent of the adjusted basis of the building as of
30 the close of the first taxable year of the credit period.

31 (B) The amount of the cashflow from those units in the building
32 that are not low-income units. For purposes of computing cashflow
33 under this subparagraph, operating costs shall be allocated to the
34 low-income units using the “floor space fraction,” as defined in
35 Section 42 of the Internal Revenue Code, relating to low-income
36 housing credit.

37 (C) Any amount allowed to be distributed under subparagraph
38 (A) that is not available for distribution during the first five years
39 of the compliance period may be accumulated and distributed any

1 time during the first 15 years of the compliance period but not
2 thereafter.

3 (2) The limitation on return shall apply in the aggregate to the
4 partners if the housing sponsor is a partnership and in the aggregate
5 to the shareholders if the housing sponsor is an “S” corporation.

6 (3) The housing sponsor shall apply any cash available for
7 distribution in excess of the amount eligible to be distributed under
8 paragraph (1) to reduce the rent on rent-restricted units or to
9 increase the number of rent-restricted units subject to the tests of
10 Section 42(g)(1) of the Internal Revenue Code, relating to in
11 general.

12 (e) The provisions of Section 42(f) of the Internal Revenue
13 Code, relating to definition and special rules relating to credit
14 period, shall be modified as follows:

15 (1) The term “credit period” as defined in Section 42(f)(1) of
16 the Internal Revenue Code, relating to credit period defined, is
17 modified by substituting “four taxable years” for “10 taxable
18 years.”

19 (2) The special rule for the first taxable year of the credit period
20 under Section 42(f)(2) of the Internal Revenue Code, relating to
21 special rules for 1st year of credit period, shall not apply to the tax
22 credit under this section.

23 (3) Section 42(f)(3) of the Internal Revenue Code, relating to
24 determination of applicable percentage with respect to increases
25 in qualified basis after 1st year of credit period, is modified to
26 read:

27 If, as of the close of any taxable year in the compliance period,
28 after the first year of the credit period, the qualified basis of any
29 building exceeds the qualified basis of that building as of the close
30 of the first year of the credit period, the housing sponsor, to the
31 extent of its tax credit allocation, shall be eligible for a credit on
32 the excess in an amount equal to the applicable percentage
33 determined pursuant to subdivision (c) for the four-year period
34 beginning with the taxable year in which the increase in qualified
35 basis occurs.

36 (f) The provisions of Section 42(h) of the Internal Revenue
37 Code, relating to limitation on aggregate credit allowable with
38 respect to projects located in a state, shall be modified as follows:

39 (1) Section 42(h)(2) of the Internal Revenue Code, relating to
40 allocated credit amount to apply to all taxable years ending during

1 or after credit allocation year, shall not be applicable and instead
2 the following provisions shall be applicable.

3 The total amount for the four-year credit period of the housing
4 credit dollars allocated in a calendar year to any building shall
5 reduce the aggregate housing credit dollar amount of the California
6 Tax Credit Allocation Committee for the calendar year in which
7 the allocation is made.

8 (2) Paragraphs (3), (4), (5), ~~(6)(E)(F)(H)~~, (6)(E)(i)(I), (6)(F),
9 (6)(G), (6)(I), (7), and (8) of Section 42(h) of the Internal Revenue
10 Code, relating to limitation on aggregate credit allowable with
11 respect to projects located in a state, do not apply to this section.

12 (g) The aggregate housing credit dollar amount that may be
13 allocated annually by the California Tax Credit Allocation
14 Committee pursuant to this section, Section 12206, and Section
15 23610.5 shall be an amount equal to the sum of all the following:

16 (1) (A) Seventy million dollars (\$70,000,000) for the 2001
17 calendar year, and, for the 2002 calendar year and each calendar
18 year thereafter, seventy million dollars (\$70,000,000) increased
19 by the percentage, if any, by which the Consumer Price Index for
20 the preceding calendar year exceeds the Consumer Price Index for
21 the 2001 calendar year. For the purposes of this paragraph, the
22 term “Consumer Price Index” means the last Consumer Price Index
23 for All Urban Consumers published by the federal Department of
24 Labor.

25 (B) Three hundred million dollars (\$300,000,000) for the 2018
26 calendar year, and, for the 2019 calendar year and each calendar
27 year thereafter, three hundred million dollars (\$300,000,000)
28 increased by the percentage, if any, by which the Consumer Price
29 Index for the preceding calendar year exceeds the Consumer Price
30 Index for the 2018 calendar year. For the purposes of this
31 paragraph, the term “Consumer Price Index” means the last
32 Consumer Price Index for All Urban Consumers published by the
33 federal Department of Labor. A housing sponsor receiving an
34 allocation under paragraph (1) of subdivision (c) shall not be
35 eligible for receipt of the housing credit allocated from the
36 increased amount under this subparagraph. A housing sponsor
37 receiving an allocation under paragraph (1) of subdivision (c) shall
38 remain eligible for receipt of the housing credit allocated from the
39 credit ceiling amount under subparagraph (A).

1 (2) The unused housing credit ceiling, if any, for the preceding
2 calendar years.

3 (3) The amount of housing credit ceiling returned in the calendar
4 year. For purposes of this paragraph, the amount of housing credit
5 dollar amount returned in the calendar year equals the housing
6 credit dollar amount previously allocated to any project that does
7 not become a qualified low-income housing project within the
8 period required by this section or to any project with respect to
9 which an allocation is canceled by mutual consent of the California
10 Tax Credit Allocation Committee and the allocation recipient.

11 (4) (A) Of the amount allocated pursuant to subparagraph (B)
12 of paragraph (1), twenty-five million dollars (\$25,000,000) per
13 calendar year for projects to provide farmworker housing, as
14 defined in subdivision (h) of Section 50199.7 of the Health and
15 Safety Code.

16 (B) The amount of any unallocated or returned credits pursuant
17 to this paragraph per calendar year shall be added to the aggregate
18 amount of credits allocated pursuant to subparagraph (B) of
19 paragraph (1).

20 (5) The amount of any unallocated or returned credits under
21 former Sections 17053.14, 23608.2, and 23608.3, as those sections
22 read prior to January 1, 2009, until fully exhausted for projects to
23 provide farmworker housing, as defined in subdivision (h) of
24 Section 50199.7 of the Health and Safety Code.

25 (h) The term “compliance period” as defined in Section 42(i)(1)
26 of the Internal Revenue Code, relating to compliance period, is
27 modified to mean, with respect to any building, the period of 30
28 consecutive taxable years beginning with the first taxable year of
29 the credit period with respect thereto.

30 (i) Section 42(j) of the Internal Revenue Code, relating to
31 recapture of credit, shall not be applicable and the following
32 requirements of this section shall be set forth in a regulatory
33 agreement between the California Tax Credit Allocation Committee
34 and the housing sponsor, and the regulatory agreement shall be
35 subordinated, when required, to any lien or encumbrance of any
36 banks or other institutional lenders to the project. The regulatory
37 agreement entered into pursuant to subdivision (f) of Section
38 50199.14 of the Health and Safety Code shall apply, provided that
39 the agreement includes all of the following provisions:

40 (1) A term not less than the compliance period.

1 (2) A requirement that the agreement be recorded in the official
2 records of the county in which the qualified low-income housing
3 project is located.

4 (3) A provision stating which state and local agencies can
5 enforce the regulatory agreement in the event the housing sponsor
6 fails to satisfy any of the requirements of this section.

7 (4) A provision that the regulatory agreement shall be deemed
8 a contract enforceable by tenants as third-party beneficiaries thereto
9 and that allows individuals, whether prospective, present, or former
10 occupants of the building, who meet the income limitation
11 applicable to the building, the right to enforce the regulatory
12 agreement in any state court.

13 (5) A provision incorporating the requirements of Section 42
14 of the Internal Revenue Code, relating to low-income housing
15 credit, as modified by this section.

16 (6) A requirement that the housing sponsor notify the California
17 Tax Credit Allocation Committee or its designee if there is a
18 determination by the Internal Revenue Service that the project is
19 not in compliance with Section 42(g) of the Internal Revenue Code,
20 relating to qualified low-income housing project.

21 (7) A requirement that the housing sponsor, as security for the
22 performance of the housing sponsor's obligations under the
23 regulatory agreement, assign the housing sponsor's interest in rents
24 that it receives from the project, provided that until there is a
25 default under the regulatory agreement, the housing sponsor is
26 entitled to collect and retain the rents.

27 (8) ~~The~~ *A provision that the* remedies available in the event of
28 a default under the regulatory agreement that is not cured within
29 a reasonable cure period, include, but are not limited to, allowing
30 any of the parties designated to enforce the regulatory agreement
31 to collect all rents with respect to the project; taking possession of
32 the project and operating the project in accordance with the
33 regulatory agreement until the enforcer determines the housing
34 sponsor is in a position to operate the project in accordance with
35 the regulatory agreement; applying to any court for specific
36 performance; securing the appointment of a receiver to operate
37 the project; or any other relief as may be appropriate.

38 (j) (1) The committee shall allocate the housing credit on a
39 regular basis consisting of two or more periods in each calendar
40 year during which applications may be filed and considered. The

1 committee shall establish application filing deadlines, the maximum
2 percentage of federal and state low-income housing tax credit
3 ceiling that may be allocated by the committee in that period, and
4 the approximate date on which allocations shall be made. If the
5 enactment of federal or state law, the adoption of rules or
6 regulations, or other similar events prevent the use of two allocation
7 periods, the committee may reduce the number of periods and
8 adjust the filing deadlines, maximum percentage of credit allocated,
9 and allocation dates.

10 (2) The committee shall adopt a qualified allocation plan, as
11 provided in Section 42(m)(1) of the Internal Revenue Code, relating
12 to plans for allocation of credit among projects. In adopting this
13 plan, the committee shall comply with the provisions of Sections
14 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue Code,
15 relating to qualified allocation plan and relating to certain selection
16 criteria must be used, respectively.

17 (3) Notwithstanding Section 42(m) of the Internal Revenue
18 Code, relating to responsibilities of housing credit agencies, the
19 California Tax Credit Allocation Committee shall allocate housing
20 credits in accordance with the qualified allocation plan and
21 regulations, which shall include the following provisions:

22 (A) All housing sponsors, as defined by paragraph (3) of
23 subdivision (a), shall demonstrate at the time the application is
24 filed with the committee that the project meets the following
25 threshold requirements:

26 (i) The housing sponsor shall demonstrate there is a need and
27 demand for low-income housing in the community or region for
28 which it is proposed.

29 (ii) The project's proposed financing, including tax credit
30 proceeds, shall be sufficient to complete the project and that the
31 proposed operating income shall be adequate to operate the project
32 for the extended use period.

33 (iii) The project shall have enforceable financing commitments,
34 either construction or permanent financing, for at least 50 percent
35 of the total estimated financing of the project.

36 (iv) The housing sponsor shall have and maintain control of the
37 site for the project.

38 (v) The housing sponsor shall demonstrate that the project
39 complies with all applicable local land use and zoning ordinances.

1 (vi) The housing sponsor shall demonstrate that the project
2 development team has the experience and the financial capacity
3 to ensure project completion and operation for the extended use
4 period.

5 (vii) The housing sponsor shall demonstrate the amount of tax
6 credit that is necessary for the financial feasibility of the project
7 and its viability as a qualified low-income housing project
8 throughout the extended use period, taking into account operating
9 expenses, a supportable debt service, reserves, funds set aside for
10 rental subsidies and required equity, and a development fee that
11 does not exceed a specified percentage of the eligible basis of the
12 project prior to inclusion of the development fee in the eligible
13 basis, as determined by the committee.

14 (B) The committee shall give a preference to those projects
15 satisfying all of the threshold requirements of subparagraph (A)
16 if both of the following apply:

17 (i) The project serves the lowest income tenants at rents
18 affordable to those tenants.

19 (ii) The project is obligated to serve qualified tenants for the
20 longest period.

21 (C) In addition to the provisions of subparagraphs (A) and (B),
22 the committee shall use the following criteria in allocating housing
23 credits:

24 (i) Projects serving large families in which a substantial number,
25 as defined by the committee, of all residential units are low-income
26 units with three or more bedrooms.

27 (ii) Projects providing single-room occupancy units serving
28 very low income tenants.

29 (iii) (I) Existing projects that are “at risk of conversion.”

30 (II) For purposes of this section, the term “at risk of conversion,”
31 with respect to an existing property means a property that satisfies
32 all of the following criteria:

33 (ia) The property is a multifamily rental housing development
34 in which at least 50 percent of the units receive governmental
35 assistance pursuant to any of the following:

36 (Ia) New construction, substantial rehabilitation, moderate
37 rehabilitation, property disposition, and loan management set-aside
38 programs, or any other program providing project-based assistance
39 pursuant to Section 8 of the United States Housing Act of 1937,
40 Section 1437f of Title 42 of the United States Code, as amended.

1 (Ib) The Below-Market-Interest-Rate Program pursuant to
2 Section 221(d)(3) of the National Housing Act, Sections
3 1715l(d)(3) and (5) of Title 12 of the United States Code.

4 (Ic) Section 236 of the National Housing Act, Section 1715z-1
5 of Title 12 of the United States Code.

6 (Id) Programs for rent supplement assistance pursuant to Section
7 48 101 of the Housing and Urban Development Act of 1965,
8 Section 1701s of Title 12 of the United States Code, as amended.

9 (Ie) Programs pursuant to Section 515 of the Housing Act of
10 1949, Section 1485 of Title 42 of the United States Code, as
11 amended.

12 (If) The low-income housing credit program set forth in Section
13 42 of the Internal Revenue Code.

14 (ib) The restrictions on rent and income levels will terminate
15 or the federal insured mortgage on the property is eligible for
16 prepayment any time within five years before or after the date of
17 application to the California Tax Credit Allocation Committee.

18 (ic) The entity acquiring the property enters into a regulatory
19 agreement that requires the property to be operated in accordance
20 with the requirements of this section for a period equal to the
21 greater of 55 years or the life of the property.

22 (id) The property satisfies the requirements of Section 42(e) of
23 the Internal Revenue Code, regarding rehabilitation expenditures
24 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
25 apply.

26 (iv) Projects for which a public agency provides direct or indirect
27 long-term financial support for at least 15 percent of the total
28 project development costs or projects for which the owner's equity
29 constitutes at least 30 percent of the total project development
30 costs.

31 (v) Projects that provide tenant amenities not generally available
32 to residents of low-income housing projects.

33 (4) For purposes of allocating credits pursuant to this section,
34 the committee shall not give preference to any project by virtue
35 of the date of submission of its application.

36 (k) Section 42(l) of the Internal Revenue Code, relating to
37 certifications and other reports to secretary, shall be modified as
38 follows:

39 The term "secretary" shall be replaced by the term "Franchise
40 Tax Board."

1 (l) In the case where the credit allowed under this section
2 exceeds the net tax, the excess may be carried over to reduce the
3 net tax in the following year, and succeeding taxable years, if
4 necessary, until the credit has been exhausted.

5 (m) A project that received an allocation of a 1989 federal
6 housing credit dollar amount shall be eligible to receive an
7 allocation of a 1990 state housing credit dollar amount, subject to
8 all of the following conditions:

9 (1) The project was not placed in service prior to 1990.

10 (2) To the extent the amendments made to this section by the
11 Statutes of 1990 conflict with any provisions existing in this section
12 prior to those amendments, the prior provisions of law shall prevail.

13 (3) Notwithstanding paragraph (2), a project applying for an
14 allocation under this subdivision shall be subject to the
15 requirements of paragraph (3) of subdivision (j).

16 (n) The credit period with respect to an allocation of credit in
17 1989 by the California Tax Credit Allocation Committee of which
18 any amount is attributable to unallocated credit from 1987 or 1988
19 shall not begin until after December 31, 1989.

20 (o) The provisions of Section 11407(a) of Public Law 101-508,
21 relating to the effective date of the extension of the low-income
22 housing credit, shall apply to calendar years after 1989.

23 (p) The provisions of Section 11407(c) of Public Law 101-508,
24 relating to election to accelerate credit, shall not apply.

25 (q) (1) For a project that receives a preliminary reservation
26 under this section beginning on or after January 1, 2016, and before
27 January 1, 2020, a taxpayer may make an irrevocable election in
28 its application to the California Tax Credit Allocation Committee
29 to sell all or any portion of any credit allowed under this section
30 to one or more unrelated parties for each taxable year in which the
31 credit is allowed subject to both of the following conditions:

32 (A) The credit is sold for consideration that is not less than 80
33 percent of the amount of the credit.

34 (B) The unrelated party or parties purchasing any or all of the
35 credit pursuant to this subdivision is a taxpayer allowed the credit
36 under this section for the taxable year of the purchase or any prior
37 taxable year or is a taxpayer allowed the federal credit under
38 Section 42 of the Internal Revenue Code, relating to low-income
39 housing credit, for the taxable year of the purchase or any prior
40 taxable year in connection with any project located in this state.

1 For purposes of this subparagraph, “taxpayer allowed the credit
2 under this section” means a taxpayer that is allowed the credit
3 under this section without regard to the purchase of a credit
4 pursuant to this subdivision.

5 (2) (A) The taxpayer that originally received the credit shall
6 report to the California Tax Credit Allocation Committee within
7 10 days of the sale of the credit, in the form and manner specified
8 by the California Tax Credit Allocation Committee, all required
9 information regarding the purchase and sale of the credit, including
10 the social security or other taxpayer identification number of the
11 unrelated party or parties to whom the credit has been sold, the
12 face amount of the credit sold, and the amount of consideration
13 received by the taxpayer for the sale of the credit.

14 (B) The California Tax Credit Allocation Committee shall
15 provide an annual listing to the Franchise Tax Board, in a form
16 and manner agreed upon by the California Tax Credit Allocation
17 Committee and the Franchise Tax Board, of the taxpayers that
18 have sold or purchased a credit pursuant to this subdivision.

19 (3) (A) A credit may be sold pursuant to this subdivision to
20 more than one unrelated party.

21 (B) (i) Except as provided in clause (ii), a credit shall not be
22 resold by the unrelated party to another taxpayer or other party.

23 (ii) All or any portion of any credit allowed under this section
24 may be resold once by an original purchaser to one or more
25 unrelated parties, subject to all of the requirements of this
26 subdivision.

27 (4) Notwithstanding any other law, the taxpayer that originally
28 received the credit that is sold pursuant to paragraph (1) shall
29 remain solely liable for all obligations and liabilities imposed on
30 the taxpayer by this section with respect to the credit, none of
31 which shall apply to a party to whom the credit has been sold or
32 subsequently transferred. Parties that purchase credits pursuant to
33 paragraph (1) shall be entitled to utilize the purchased credits in
34 the same manner in which the taxpayer that originally received
35 the credit could utilize them.

36 (5) A taxpayer shall not sell a credit allowed by this section if
37 the taxpayer was allowed the credit on any tax return of the
38 taxpayer.

39 (6) Notwithstanding paragraph (1), the taxpayer, with the
40 approval of the Executive Director of the California Tax Credit

1 Allocation Committee, may rescind the election to sell all or any
2 portion of the credit allowed under this section if the consideration
3 for the credit falls below 80 percent of the amount of the credit
4 after the California Tax Credit Allocation Committee reservation.

5 (r) The California Tax Credit Allocation Committee may
6 prescribe rules, guidelines, or procedures necessary or appropriate
7 to carry out the purposes of this section, including any guidelines
8 regarding the allocation of the credit allowed under this section.
9 Chapter 3.5 (commencing with Section 11340) of Part 1 of Division
10 3 of Title 2 of the Government Code shall not apply to any rule,
11 guideline, or procedure prescribed by the California Tax Credit
12 Allocation Committee pursuant to this section.

13 (s) Any unused credit may continue to be carried forward, as
14 provided in subdivision (l), until the credit has been exhausted.

15 (t) This section shall remain in effect on and after December 1,
16 1990, for as long as Section 42 of the Internal Revenue Code,
17 relating to low-income housing credit, remains in effect.

18 (u) The amendments to this section made by Chapter 1222 of
19 the Statutes of 1993 shall apply only to taxable years beginning
20 on or after January 1, 1994.

21 SEC. 4. Section 17225 of the Revenue and Taxation Code is
22 amended to read:

23 17225. (a) Section 163(h)(3)(E) of the Internal Revenue Code,
24 relating to mortgage insurance premiums treated as interest, shall
25 not apply.

26 (b) Sections 163(h)(4)(A)(i)(II) and 163(h)(4)(A)(ii)(II) of the
27 Internal Revenue Code shall not apply.

28 SEC. 5. Section 23610.5 of the Revenue and Taxation Code
29 is amended to read:

30 23610.5. (a) (1) There shall be allowed as a credit against the
31 “tax,” defined by Section 23036, a state low-income housing tax
32 credit in an amount equal to the amount determined in subdivision
33 (c), computed in accordance with Section 42 of the Internal
34 Revenue Code, relating to low-income housing credit, except as
35 otherwise provided in this section.

36 (2) “Taxpayer,” for purposes of this section, means the sole
37 owner in the case of a “C” corporation, the partners in the case of
38 a partnership, and the shareholders in the case of an “S”
39 corporation.

1 (3) “Housing sponsor,” for purposes of this section, means the
2 sole owner in the case of a “C” corporation, the partnership in the
3 case of a partnership, and the “S” corporation in the case of an “S”
4 corporation.

5 (4) “Extremely low income households” has the same meaning
6 as in Section 50053 of the Health and Safety Code.

7 (5) “Very low income households” has the same meaning as in
8 Section 50053 of the Health and Safety Code.

9 (b) (1) The amount of the credit allocated to any housing
10 sponsor shall be authorized by the California Tax Credit Allocation
11 Committee, or any successor thereof, based on a project’s need
12 for the credit for economic feasibility in accordance with the
13 requirements of this section.

14 (A) The low-income housing project shall be located in
15 California and shall meet either of the following requirements:

16 (i) Except for projects to provide farmworker housing, as defined
17 in subdivision (h) of Section 50199.7 of the Health and Safety
18 Code, that are allocated credits solely under the set-aside described
19 in subdivision (c) of Section 50199.20 of the Health and Safety
20 Code, the project’s housing sponsor has been allocated by the
21 California Tax Credit Allocation Committee a credit for federal
22 income tax purposes under Section 42 of the Internal Revenue
23 Code, relating to low-income housing credit.

24 (ii) It qualifies for a credit under Section 42(h)(4)(B) of the
25 Internal Revenue Code, relating to special rule where 50 percent
26 or more of building is financed with tax-exempt bonds subject to
27 volume cap.

28 (B) The California Tax Credit Allocation Committee shall not
29 require fees for the credit under this section in addition to those
30 fees required for applications for the tax credit pursuant to Section
31 42 of the Internal Revenue Code, relating to low-income housing
32 credit. The committee may require a fee if the application for the
33 credit under this section is submitted in a calendar year after the
34 year the application is submitted for the federal tax credit.

35 (C) (i) For a project that receives a preliminary reservation of
36 the state low-income housing tax credit, allowed pursuant to
37 subdivision (a), on or after January 1, 2009, and before January 1,
38 2020, the credit shall be allocated to the partners of a partnership
39 owning the project in accordance with the partnership agreement,
40 regardless of how the federal low-income housing tax credit with

1 respect to the project is allocated to the partners, or whether the
2 allocation of the credit under the terms of the agreement has
3 substantial economic effect, within the meaning of Section 704(b)
4 of the Internal Revenue Code, relating to determination of
5 distributive share.

6 (ii) To the extent the allocation of the credit to a partner under
7 this section lacks substantial economic effect, any loss or deduction
8 otherwise allowable under this part that is attributable to the sale
9 or other disposition of that partner's partnership interest made prior
10 to the expiration of the federal credit shall not be allowed in the
11 taxable year in which the sale or other disposition occurs, but shall
12 instead be deferred until and treated as if it occurred in the first
13 taxable year immediately following the taxable year in which the
14 federal credit period expires for the project described in clause (i).

15 (iii) This subparagraph shall not apply to a project that receives
16 a preliminary reservation of state low-income housing tax credits
17 under the set-aside described in subdivision (c) of Section 50199.20
18 of the Health and Safety Code unless the project also receives a
19 preliminary reservation of federal low-income housing tax credits.

20 (2) (A) The California Tax Credit Allocation Committee shall
21 certify to the housing sponsor the amount of tax credit under this
22 section allocated to the housing sponsor for each credit period.

23 (B) In the case of a partnership, or an "S" corporation, the
24 housing sponsor shall provide a copy of the California Tax Credit
25 Allocation Committee certification to the taxpayer.

26 (C) The taxpayer shall, upon request, provide a copy of the
27 certification to the Franchise Tax Board.

28 (D) All elections made by the taxpayer pursuant to Section 42
29 of the Internal Revenue Code, relating to low-income housing
30 credit, shall apply to this section.

31 (E) (i) *Except as described in clause (ii), for buildings located*
32 *in designated difficult development areas (DDAs) or qualified*
33 *census tracts (QCTs), as defined in Section 42(d)(5)(B) of the*
34 *Internal Revenue Code, relating to increase in credit for buildings*
35 *in high-cost areas, credits may be allocated under this section in*
36 *the amounts prescribed in subdivision (c), provided that the amount*
37 *of credit allocated under Section 42 of the Internal Revenue Code,*
38 *relating to low-income housing credit, is computed on 100 percent*
39 *of the qualified basis of the building.*

1 (ii) Notwithstanding clause (i), the California Tax Credit
2 Allocation Committee may allocate the credit for buildings located
3 in DDAs or QCTs that are restricted to having 50 percent of the
4 building's occupants be special needs households, as defined in
5 the California Code of Regulations by the California Tax Credit
6 Allocation Committee, even if the taxpayer receives federal credits
7 pursuant to Section 42(d)(5)(B) of the Internal Revenue Code,
8 relating to increase in credit for buildings in high-cost areas,
9 provided that the credit allowed under this section shall not exceed
10 30 percent of the eligible basis of the building.

11 ~~(E)~~

12 (F) (i) The California Tax Credit Allocation Committee may
13 allocate a credit under this section in exchange for a credit allocated
14 pursuant to Section 42(d)(5)(B) of the Internal Revenue Code,
15 relating to increase in credit for buildings in high-cost areas, in
16 amounts up to 30 percent of the eligible basis of a building if the
17 credits allowed under Section 42 of the Internal Revenue Code,
18 relating to low-income housing credit, are reduced by an equivalent
19 amount.

20 (ii) An equivalent amount shall be determined by the California
21 Tax Credit Allocation Committee based upon the relative amount
22 required to produce an equivalent state tax credit to the taxpayer.

23 (c) Section 42(b) of the Internal Revenue Code, relating to
24 applicable percentage: 70 percent present value credit for certain
25 new buildings; 30 percent present value credit for certain other
26 buildings, shall be modified as follows:

27 (1) In the case of any qualified low-income building that is a
28 new building, as defined in Section ~~42~~ 42(i)(4) of the Internal
29 Revenue Code, relating to ~~low-income housing credit~~, *new*
30 *building*, and the regulations promulgated thereunder, and not
31 federally subsidized, the term "applicable percentage" means the
32 following:

33 (A) For each of the first three years, the percentage prescribed
34 by the Secretary of the Treasury for new buildings that are not
35 federally subsidized for the taxable year, determined in accordance
36 with the requirements of Section 42(b)(1) of the Internal Revenue
37 Code, relating to determination of applicable percentage.

38 (B) For the fourth year, the difference between 30 percent and
39 the sum of the applicable percentages for the first three years.

1 (2) In the case of any qualified low-income building that (A) is
2 a new building, as defined in Section ~~42~~ 42(i)(4) of the Internal
3 Revenue Code, relating to ~~low-income housing credit, new~~
4 ~~building~~, and the regulations promulgated ~~thereunder, thereunder~~
5 ~~and~~ (B) ~~not located in designated difficult development areas~~
6 ~~(DDAs) or qualified census tracts (QCTs), as defined in Section~~
7 ~~42(d)(5)(B) of the Internal Revenue Code, relating to increase in~~
8 ~~credit for buildings in high cost areas, and (C) is federally~~
9 subsidized, the term “applicable percentage” means for the first
10 three years, 15 percent of the qualified basis of the building, and
11 for the fourth year, 5 percent of the qualified basis of the building.

12 (3) In the case of any qualified low-income building that is (A)
13 an existing building, as defined in Section ~~42~~ 42(i)(4) of the
14 Internal Revenue Code, relating to ~~low-income housing credit,~~
15 ~~existing building~~, and the regulations promulgated ~~thereunder,~~
16 ~~thereunder and~~ (B) ~~not located in designated difficult development~~
17 ~~areas (DDAs) or qualified census tracts (QCTs), as defined in~~
18 ~~Section 42(d)(5)(B) of the Internal Revenue Code, relating to~~
19 ~~increase in credit for buildings in high cost areas, and (C) is~~
20 federally subsidized, the term ~~applicable percentage~~ “*applicable*
21 *percentage*” means the following:

22 (i) For each of the first three years, the percentage prescribed
23 by the Secretary of the Treasury for new buildings that are federally
24 subsidized for the taxable year.

25 (ii) For the fourth year, the difference between 13 percent and
26 the sum of the applicable percentages for the first three years.

27 ~~(4) In the case of any qualified low-income building that is (A)~~
28 ~~a new or an existing building, (B) located in designated difficult~~
29 ~~development areas (DDAs) or qualified census tracts (QCTs) as~~
30 ~~defined in Section 42(d)(5)(B) of the Internal Revenue Code,~~
31 ~~relating to increase in credit for buildings in high cost areas, and~~
32 ~~(C) federally subsidized, the California Tax Credit Allocation~~
33 ~~Committee shall reduce the amount of California credit to be~~
34 ~~allocated under paragraphs (2) and (3) by taking into account the~~
35 ~~increased federal credit received due to the basis boost provided~~
36 ~~under Section 42(d)(5)(B) of the Internal Revenue Code, relating~~
37 ~~to increase in credit for buildings in high cost areas.~~

38 (5)

39 (4) In the case of any qualified low-income building that meets
40 all of the requirements of subparagraphs (A) through (D), inclusive,

1 the term “applicable percentage” means 30 percent for each of the
2 first three years and 5 percent for the fourth year. A qualified
3 low-income building receiving an allocation under this paragraph
4 is ineligible to also receive an allocation under paragraph (3).

5 (A) The qualified low-income building is at least 15 years old.

6 (B) The qualified low-income building is serving households
7 of very low income or extremely low income such that the average
8 maximum household income as restricted, pursuant to an existing
9 regulatory agreement with a federal, state, county, local, or other
10 governmental agency, is not more than 45 percent of the area
11 median gross income, as determined under Section 42 of the
12 Internal Revenue Code, relating to low-income housing credit,
13 adjusted by household size, and a tax credit regulatory agreement
14 is entered into for a period of not less than 55 years restricting the
15 average targeted household income to no more than 45 percent of
16 the area median income.

17 (C) The qualified low-income building would have insufficient
18 credits under paragraphs (2) and (3) to complete substantial
19 rehabilitation due to a low appraised value.

20 (D) The qualified low-income building will complete the
21 substantial rehabilitation in connection with the credit allocation
22 herein.

23 (d) The term “qualified low-income housing project” as defined
24 in Section 42(c)(2) of the Internal Revenue Code, relating to
25 qualified low-income building, is modified by adding the following
26 requirements:

27 (1) The taxpayer shall be entitled to receive a cash distribution
28 from the operations of the project, after funding required reserves,
29 that, at the election of the taxpayer, is equal to:

30 (A) An amount not to exceed 8 percent of the lesser of:

31 (i) The owner equity that shall include the amount of the capital
32 contributions actually paid to the housing sponsor and shall not
33 include any amounts until they are paid on an investor note.

34 (ii) Twenty percent of the adjusted basis of the building as of
35 the close of the first taxable year of the credit period.

36 (B) The amount of the cashflow from those units in the building
37 that are not low-income units. For purposes of computing cashflow
38 under this subparagraph, operating costs shall be allocated to the
39 low-income units using the “floor space fraction,” as defined in

1 Section 42 of the Internal Revenue Code, relating to low-income
2 housing credit.

3 (C) Any amount allowed to be distributed under subparagraph
4 (A) that is not available for distribution during the first five years
5 of the compliance period may be accumulated and distributed any
6 time during the first 15 years of the compliance period but not
7 thereafter.

8 (2) The limitation on return shall apply in the aggregate to the
9 partners if the housing sponsor is a partnership and in the aggregate
10 to the shareholders if the housing sponsor is an “S” corporation.

11 (3) The housing sponsor shall apply any cash available for
12 distribution in excess of the amount eligible to be distributed under
13 paragraph (1) to reduce the rent on rent-restricted units or to
14 increase the number of rent-restricted units subject to the tests of
15 Section 42(g)(1) of the Internal Revenue Code, relating to in
16 general.

17 (e) The provisions of Section 42(f) of the Internal Revenue
18 Code, relating to definition and special rules relating to credit
19 period, shall be modified as follows:

20 (1) The term “credit period” as defined in Section 42(f)(1) of
21 the Internal Revenue Code, relating to credit period defined, is
22 modified by substituting “four taxable years” for “10 taxable
23 years.”

24 (2) The special rule for the first taxable year of the credit period
25 under Section 42(f)(2) of the Internal Revenue Code, relating to
26 special rule for 1st year of credit period, shall not apply to the tax
27 credit under this section.

28 (3) Section 42(f)(3) of the Internal Revenue Code, relating to
29 determination of applicable percentage with respect to increases
30 in qualified basis after 1st year of credit period, is modified to
31 read:

32 If, as of the close of any taxable year in the compliance period,
33 after the first year of the credit period, the qualified basis of any
34 building exceeds the qualified basis of that building as of the close
35 of the first year of the credit period, the housing sponsor, to the
36 extent of its tax credit allocation, shall be eligible for a credit on
37 the excess in an amount equal to the applicable percentage
38 determined pursuant to subdivision (c) for the four-year period
39 beginning with the later of the taxable years in which the increase
40 in qualified basis occurs.

1 (f) The provisions of Section 42(h) of the Internal Revenue
2 Code, relating to limitation on aggregate credit allowable with
3 respect to projects located in a state, shall be modified as follows:

4 (1) Section 42(h)(2) of the Internal Revenue Code, relating to
5 allocated credit amount to apply to all taxable years ending during
6 or after credit allocation year, shall not be applicable and instead
7 the following provisions shall be applicable:

8 The total amount for the four-year credit period of the housing
9 credit dollars allocated in a calendar year to any building shall
10 reduce the aggregate housing credit dollar amount of the California
11 Tax Credit Allocation Committee for the calendar year in which
12 the allocation is made.

13 (2) Paragraphs (3), (4), (5), ~~(6)(E)(F)(H)~~, (6)(E)(i)(I), (6)(F),
14 (6)(G), (6)(I), (7), and (8) of Section 42(h) of the Internal Revenue
15 Code, relating to limitation on aggregate credit allowable with
16 respect to projects located in a state, shall not be applicable.

17 (g) The aggregate housing credit dollar amount that may be
18 allocated annually by the California Tax Credit Allocation
19 Committee pursuant to this section, Section 12206, and Section
20 17058 shall be an amount equal to the sum of all the following:

21 (1) (A) Seventy million dollars (\$70,000,000) for the 2001
22 calendar year, and, for the 2002 calendar year and each calendar
23 year thereafter, seventy million dollars (\$70,000,000) increased
24 by the percentage, if any, by which the Consumer Price Index for
25 the preceding calendar year exceeds the Consumer Price Index for
26 the 2001 calendar year. For the purposes of this paragraph, the
27 term “Consumer Price Index” means the last Consumer Price Index
28 for All Urban Consumers published by the federal Department of
29 Labor.

30 (B) Three hundred million dollars (\$300,000,000) for the 2018
31 calendar year, and, for the 2019 calendar year and each calendar
32 year thereafter, three hundred million dollars (\$300,000,000)
33 increased by the percentage, if any, by which the Consumer Price
34 Index for the preceding calendar year exceeds the Consumer Price
35 Index for the 2018 calendar year. For the purposes of this
36 paragraph, the term “Consumer Price Index” means the last
37 Consumer Price Index for All Urban Consumers published by the
38 federal Department of Labor. A housing sponsor receiving an
39 allocation under paragraph (1) of subdivision (c) shall not be
40 eligible for receipt of the housing credit allocated from the

1 increased amount under this subparagraph. A housing sponsor
2 receiving an allocation under paragraph (1) of subdivision (c) shall
3 remain eligible for receipt of the housing credit allocated from the
4 credit ceiling amount under subparagraph (A).

5 (2) The unused housing credit ceiling, if any, for the preceding
6 calendar years.

7 (3) The amount of housing credit ceiling returned in the calendar
8 year. For purposes of this paragraph, the amount of housing credit
9 dollar amount returned in the calendar year equals the housing
10 credit dollar amount previously allocated to any project that does
11 not become a qualified low-income housing project within the
12 period required by this section or to any project with respect to
13 which an allocation is canceled by mutual consent of the California
14 Tax Credit Allocation Committee and the allocation recipient.

15 (4) (A) Of the amount allocated pursuant to subparagraph (B)
16 of paragraph (1), twenty-five million dollars (\$25,000,000) per
17 calendar year for projects to provide farmworker housing, as
18 defined in subdivision (h) of Section 50199.7 of the Health and
19 Safety Code.

20 (B) The amount of any unallocated or returned credits pursuant
21 to this paragraph per calendar year shall be added to the aggregate
22 amount of credits allocated pursuant to subparagraph (B) of
23 paragraph (1).

24 (5) The amount of any unallocated or returned credits under
25 former Sections 17053.14, 23608.2, and 23608.3, as those sections
26 read prior to January 1, 2009, until fully exhausted for projects to
27 provide farmworker housing, as defined in subdivision (h) of
28 Section 50199.7 of the Health and Safety Code.

29 (h) The term “compliance period” as defined in Section 42(i)(1)
30 of the Internal Revenue Code, relating to compliance period, is
31 modified to mean, with respect to any building, the period of 30
32 consecutive taxable years beginning with the first taxable year of
33 the credit period with respect thereto.

34 (i) Section 42(j) of the Internal Revenue Code, relating to
35 recapture of credit, shall not be applicable and the following shall
36 be substituted in its place:

37 The requirements of this section shall be set forth in a regulatory
38 agreement between the California Tax Credit Allocation Committee
39 and the housing sponsor, and the regulatory agreement shall be
40 subordinated, when required, to any lien or encumbrance of any

1 banks or other institutional lenders to the project. The regulatory
2 agreement entered into pursuant to subdivision (f) of Section
3 50199.14 of the Health and Safety Code shall apply, provided that
4 the agreement includes all of the following provisions:

5 (1) A term not less than the compliance period.

6 (2) A requirement that the agreement be recorded in the official
7 records of the county in which the qualified low-income housing
8 project is located.

9 (3) A provision stating which state and local agencies can
10 enforce the regulatory agreement in the event the housing sponsor
11 fails to satisfy any of the requirements of this section.

12 (4) A provision that the regulatory agreement shall be deemed
13 a contract enforceable by tenants as third-party beneficiaries thereto
14 and that allows individuals, whether prospective, present, or former
15 occupants of the building, who meet the income limitation
16 applicable to the building, the right to enforce the regulatory
17 agreement in any state court.

18 (5) A provision incorporating the requirements of Section 42
19 of the Internal Revenue Code, relating to low-income housing
20 credit, as modified by this section.

21 (6) A requirement that the housing sponsor notify the California
22 Tax Credit Allocation Committee or its designee if there is a
23 determination by the Internal Revenue Service that the project is
24 not in compliance with Section 42(g) of the Internal Revenue Code,
25 relating to qualified low-income housing project.

26 (7) A requirement that the housing sponsor, as security for the
27 performance of the housing sponsor's obligations under the
28 regulatory agreement, assign the housing sponsor's interest in rents
29 that it receives from the project, provided that until there is a
30 default under the regulatory agreement, the housing sponsor is
31 entitled to collect and retain the rents.

32 (8) ~~The~~ *A provision that the* remedies available in the event of
33 a default under the regulatory agreement that is not cured within
34 a reasonable cure period, include, but are not limited to, allowing
35 any of the parties designated to enforce the regulatory agreement
36 to collect all rents with respect to the project; taking possession of
37 the project and operating the project in accordance with the
38 regulatory agreement until the enforcer determines the housing
39 sponsor is in a position to operate the project in accordance with
40 the regulatory agreement; applying to any court for specific

1 performance; securing the appointment of a receiver to operate
2 the project; or any other relief as may be appropriate.

3 (j) (1) The committee shall allocate the housing credit on a
4 regular basis consisting of two or more periods in each calendar
5 year during which applications may be filed and considered. The
6 committee shall establish application filing deadlines, the maximum
7 percentage of federal and state low-income housing tax credit
8 ceiling that may be allocated by the committee in that period, and
9 the approximate date on which allocations shall be made. If the
10 enactment of federal or state law, the adoption of rules or
11 regulations, or other similar events prevent the use of two allocation
12 periods, the committee may reduce the number of periods and
13 adjust the filing deadlines, maximum percentage of credit allocated,
14 and allocation dates.

15 (2) The committee shall adopt a qualified allocation plan, as
16 provided in Section 42(m)(1) of the Internal Revenue Code, relating
17 to plans for allocation of credit among projects. In adopting this
18 plan, the committee shall comply with the provisions of Sections
19 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue Code,
20 relating to qualified allocation plan and relating to certain selection
21 criteria must be used, respectively.

22 (3) Notwithstanding Section 42(m) of the Internal Revenue
23 Code, relating to responsibilities of housing credit agencies, the
24 California Tax Credit Allocation Committee shall allocate housing
25 credits in accordance with the qualified allocation plan and
26 regulations, which shall include the following provisions:

27 (A) All housing sponsors, as defined by paragraph (3) of
28 subdivision (a), shall demonstrate at the time the application is
29 filed with the committee that the project meets the following
30 threshold requirements:

31 (i) The housing sponsor shall demonstrate there is a need for
32 low-income housing in the community or region for which it is
33 proposed.

34 (ii) The project's proposed financing, including tax credit
35 proceeds, shall be sufficient to complete the project and shall be
36 adequate to operate the project for the extended use period.

37 (iii) The project shall have enforceable financing commitments,
38 either construction or permanent financing, for at least 50 percent
39 of the total estimated financing of the project.

1 (iv) The housing sponsor shall have and maintain control of the
2 site for the project.

3 (v) The housing sponsor shall demonstrate that the project
4 complies with all applicable local land use and zoning ordinances.

5 (vi) The housing sponsor shall demonstrate that the project
6 development team has the experience and the financial capacity
7 to ensure project completion and operation for the extended use
8 period.

9 (vii) The housing sponsor shall demonstrate the amount of tax
10 credit that is necessary for the financial feasibility of the project
11 and its viability as a qualified low-income housing project
12 throughout the extended use period, taking into account operating
13 expenses, a supportable debt service, reserves, funds set aside for
14 rental subsidies and required equity, and a development fee that
15 does not exceed a specified percentage of the eligible basis of the
16 project prior to inclusion of the development fee in the eligible
17 basis, as determined by the committee.

18 (B) The committee shall give a preference to those projects
19 satisfying all of the threshold requirements of subparagraph (A)
20 if both of the following apply:

21 (i) The project serves the lowest income tenants at rents
22 affordable to those tenants.

23 (ii) The project is obligated to serve qualified tenants for the
24 longest period.

25 (C) In addition to the provisions of subparagraphs (A) and (B),
26 the committee shall use the following criteria in allocating housing
27 credits:

28 (i) Projects serving large families in which a substantial number,
29 as defined by the committee, of all residential units are low-income
30 units with three or more bedrooms.

31 (ii) Projects providing single-room occupancy units serving
32 very low income tenants.

33 (iii) (I) Existing projects that are “at risk of conversion.”

34 (II) For purposes of this section, the term “at risk of conversion,”
35 with respect to an existing property means a property that satisfies
36 all of the following criteria:

37 (ia) The property is a multifamily rental housing development
38 in which at least 50 percent of the units receive governmental
39 assistance pursuant to any of the following:

- 1 (Ia) New construction, substantial rehabilitation, moderate
2 rehabilitation, property disposition, and loan management set-aside
3 programs, or any other program providing project-based assistance
4 pursuant to Section 8 of the United States Housing Act of 1937,
5 Section 1437f of Title 42 of the United States Code, as amended.
- 6 (Ib) The Below-Market-Interest-Rate Program pursuant to
7 Section 221(d)(3) of the National Housing Act, Sections
8 1715l(d)(3) and (5) of Title 12 of the United States Code.
- 9 (Ic) Section 236 of the National Housing Act, Section 1715z-1
10 of Title 12 of the United States Code.
- 11 (Id) Programs for rent supplement assistance pursuant to Section
12 101 of the Housing and Urban Development Act of 1965,
13 Section 1701s of Title 12 of the United States Code, as amended.
- 14 (Ie) Programs pursuant to Section 515 of the Housing Act of
15 1949, Section 1485 of Title 42 of the United States Code, as
16 amended.
- 17 (If) The low-income housing credit program set forth in Section
18 42 of the Internal Revenue Code.
- 19 (ib) The restrictions on rent and income levels will terminate
20 or the federal insured mortgage on the property is eligible for
21 prepayment any time within five years before or after the date of
22 application to the California Tax Credit Allocation Committee.
- 23 (ic) The entity acquiring the property enters into a regulatory
24 agreement that requires the property to be operated in accordance
25 with the requirements of this section for a period equal to the
26 greater of 55 years or the life of the property.
- 27 (id) The property satisfies the requirements of Section 42(e) of
28 the Internal Revenue Code, regarding rehabilitation expenditures
29 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
30 apply.
- 31 (iv) Projects for which a public agency provides direct or indirect
32 long-term financial support for at least 15 percent of the total
33 project development costs or projects for which the owner's equity
34 constitutes at least 30 percent of the total project development
35 costs.
- 36 (v) Projects that provide tenant amenities not generally available
37 to residents of low-income housing projects.
- 38 (4) For purposes of allocating credits pursuant to this section,
39 the committee shall not give preference to any project by virtue

1 of the date of submission of its application except to break a tie
2 when two or more of the projects have an equal rating.

3 (5) Not less than 20 percent of the low-income housing tax
4 credits available annually under this section, Section 12206, and
5 Section 17058 shall be set aside for allocation to rural areas as
6 defined in Section 50199.21 of the Health and Safety Code. Any
7 amount of credit set aside for rural areas remaining on or after
8 October 31 of any calendar year shall be available for allocation
9 to any eligible project. No amount of credit set aside for rural areas
10 shall be considered available for any eligible project so long as
11 there are eligible rural applications pending on October 31.

12 (k) Section 42(l) of the Internal Revenue Code, relating to
13 certifications and other reports to secretary, shall be modified as
14 follows:

15 The term “secretary” shall be replaced by the term “Franchise
16 Tax Board.”

17 (l) In the case where the credit allowed under this section
18 exceeds the “tax,” the excess may be carried over to reduce the
19 “tax” in the following year, and succeeding taxable years if
20 necessary, until the credit has been exhausted.

21 (m) A project that received an allocation of a 1989 federal
22 housing credit dollar amount shall be eligible to receive an
23 allocation of a 1990 state housing credit dollar amount, subject to
24 all of the following conditions:

25 (1) The project was not placed in service prior to 1990.

26 (2) To the extent the amendments made to this section by the
27 Statutes of 1990 conflict with any provisions existing in this section
28 prior to those amendments, the prior provisions of law shall prevail.

29 (3) Notwithstanding paragraph (2), a project applying for an
30 allocation under this subdivision shall be subject to the
31 requirements of paragraph (3) of subdivision (j).

32 (n) The credit period with respect to an allocation of credit in
33 1989 by the California Tax Credit Allocation Committee of which
34 any amount is attributable to unallocated credit from 1987 or 1988
35 shall not begin until after December 31, 1989.

36 (o) The provisions of Section 11407(a) of Public Law 101-508,
37 relating to the effective date of the extension of the low-income
38 housing credit, shall apply to calendar years after 1989.

39 (p) The provisions of Section 11407(c) of Public Law 101-508,
40 relating to election to accelerate credit, shall not apply.

1 (q) (1) A corporation may elect to assign any portion of any
2 credit allowed under this section to one or more affiliated
3 corporations for each taxable year in which the credit is allowed.
4 For purposes of this subdivision, “affiliated corporation” has the
5 meaning provided in subdivision (b) of Section 25110, as that
6 section was amended by Chapter 881 of the Statutes of 1993, as
7 of the last day of the taxable year in which the credit is allowed,
8 except that “100 percent” is substituted for “more than 50 percent”
9 wherever it appears in the section, as that section was amended by
10 Chapter 881 of the Statutes of 1993, and “voting common stock”
11 is substituted for “voting stock” wherever it appears in the section,
12 as that section was amended by Chapter 881 of the Statutes of
13 1993.

14 (2) The election provided in paragraph (1):

15 (A) May be based on any method selected by the corporation
16 that originally receives the credit.

17 (B) Shall be irrevocable for the taxable year the credit is allowed,
18 once made.

19 (C) May be changed for any subsequent taxable year if the
20 election to make the assignment is expressly shown on each of the
21 returns of the affiliated corporations that assign and receive the
22 credits.

23 (r) (1) For a project that receives a preliminary reservation
24 under this section beginning on or after January 1, 2016, and before
25 January 1, 2020, a taxpayer may make an irrevocable election in
26 its application to the California Tax Credit Allocation Committee
27 to sell all or any portion of any credit allowed under this section
28 to one or more unrelated parties for each taxable year in which the
29 credit is allowed subject to both of the following conditions:

30 (A) The credit is sold for consideration that is not less than 80
31 percent of the amount of the credit.

32 (B) (i) The unrelated party or parties purchasing any or all of
33 the credit pursuant to this subdivision is a taxpayer allowed the
34 credit under this section for the taxable year of the purchase or any
35 prior taxable year or is a taxpayer allowed the federal credit under
36 Section 42 of the Internal Revenue Code, relating to low-income
37 housing credit, for the taxable year of the purchase or any prior
38 taxable year in connection with any project located in this state.

39 (ii) For purposes of this subparagraph, “taxpayer allowed the
40 credit under this section” means a taxpayer that is allowed the

1 credit under this section without regard to the purchase of a credit
2 pursuant to this subdivision without regard to any of the following:

3 (I) The purchase of a credit under this section pursuant to this
4 subdivision.

5 (II) The assignment of a credit under this section pursuant to
6 subdivision (q).

7 (III) The assignment of a credit under this section pursuant to
8 Section 23363.

9 (2) (A) The taxpayer that originally received the credit shall
10 report to the California Tax Credit Allocation Committee within
11 10 days of the sale of the credit, in the form and manner specified
12 by the California Tax Credit Allocation Committee, all required
13 information regarding the purchase and sale of the credit, including
14 the social security or other taxpayer identification number of the
15 unrelated party or parties to whom the credit has been sold, the
16 face amount of the credit sold, and the amount of consideration
17 received by the taxpayer for the sale of the credit.

18 (B) The California Tax Credit Allocation Committee shall
19 provide an annual listing to the Franchise Tax Board, in a form
20 and manner agreed upon by the California Tax Credit Allocation
21 Committee and the Franchise Tax Board, of the taxpayers that
22 have sold or purchased a credit pursuant to this subdivision.

23 (3) (A) A credit may be sold pursuant to this subdivision to
24 more than one unrelated party.

25 (B) (i) Except as provided in clause (ii), a credit shall not be
26 resold by the unrelated party to another taxpayer or other party.

27 (ii) All or any portion of any credit allowed under this section
28 may be resold once by an original purchaser to one or more
29 unrelated parties, subject to all of the requirements of this
30 subdivision.

31 (4) Notwithstanding any other law, the taxpayer that originally
32 received the credit that is sold pursuant to paragraph (1) shall
33 remain solely liable for all obligations and liabilities imposed on
34 the taxpayer by this section with respect to the credit, none of
35 which shall apply to a party to whom the credit has been sold or
36 subsequently transferred. Parties that purchase credits pursuant to
37 paragraph (1) shall be entitled to utilize the purchased credits in
38 the same manner in which the taxpayer that originally received
39 the credit could utilize them.

1 (5) A taxpayer shall not sell a credit allowed by this section if
2 the taxpayer was allowed the credit on any tax return of the
3 taxpayer.

4 (6) Notwithstanding paragraph (1), the taxpayer, with the
5 approval of the Executive Director of the California Tax Credit
6 Allocation Committee, may rescind the election to sell all or any
7 portion of the credit allowed under this section if the consideration
8 for the credit falls below 80 percent of the amount of the credit
9 after the California Tax Credit Allocation Committee reservation.

10 (s) The California Tax Credit Allocation Committee may
11 prescribe rules, guidelines, or procedures necessary or appropriate
12 to carry out the purposes of this section, including any guidelines
13 regarding the allocation of the credit allowed under this section.
14 Chapter 3.5 (commencing with Section 11340) of Part 1 of Division
15 3 of Title 2 of the Government Code shall not apply to any rule,
16 guideline, or procedure prescribed by the California Tax Credit
17 Allocation Committee pursuant to this section.

18 (t) Any unused credit may continue to be carried forward, as
19 provided in subdivision (l), until the credit has been exhausted.

20 (u) This section shall remain in effect on and after December
21 1, 1990, for as long as Section 42 of the Internal Revenue Code,
22 relating to low-income housing credit, remains in effect.

23 (v) The amendments to this section made by Chapter 1222 of
24 the Statutes of 1993 shall apply only to taxable years beginning
25 on or after January 1, 1994, except that paragraph (1) of subdivision
26 (q), as amended, shall apply to taxable years beginning on or after
27 January 1, 1993.

28 SEC. 6. This act is an urgency statute necessary for the
29 immediate preservation of the public peace, health, or safety within
30 the meaning of Article IV of the California Constitution and shall
31 go into immediate effect. The facts constituting the necessity are:

32 In order to provide affordable housing opportunities at the earliest
33 possible time, it is necessary for this act to take effect immediately.