

# THE BOND BUYER

## Advocates want California's PAB allocation directed to housing

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A coalition of affordable housing organizations wants California's state treasurer to allocate \$4 billion, the majority of the state's expected 2020 private activity bond allocation, to affordable housing.

“Without the action, thousands of shovel-ready units across the state will be delayed and the state will fail to leverage billions in available federal housing resources to provide more safe, affordable homes for struggling Californians,” the California Housing Consortium and its partners said in a [letter](#) to State Treasurer Fiona Ma.



Affordable housing advocates say California should dedicate more of its private activity bond allocation to housing projects like this one under construction in Oakland in November. **Bloomberg News**

The state expects the federal government will renew its private activity bond cap at \$4.35 billion for 2020 in January.

The California Debt Limit Allocation Committee has tentative plans to dedicate \$3.5 billion of that to affordable housing, up from \$3 billion this year. Another \$500 million would support waste management proposals and \$300 million would be allocated to Virgin Trains USA's proposed passenger train from Victorville, California, to Las Vegas, said Jovan Agee, deputy treasurer for housing and economic development.

CDLAC will decide on the allocation at its December 11 meeting or wait until its Jan. 15 meeting after the IRS announces the 2020 allocation, Agee said.

"If they are asking for \$4 billion, they are asking for it all to go to housing at a time we are trying to figure out what to do with our domestic market for waste, because of the issues in China; the country has decided to stop accepting California's garbage," Agee said. "In the near future, we will have problems of where to put that waste."

The treasurer's office has been working with the California Pollution Control Financing Authority on that issue, Agree said. CPCFA is a conduit issuer that issues bonds to support environmentally friendly projects from private industry.

China, which had been the world's largest importer, [stopped buying](#) most recycled waste in January 2018, leaving municipalities across the U.S. scrambling for solutions.

CDLAC [approved](#) \$300 million in tax exempt private activity bonds for Virgin Trains USA in September with another \$300 million to be considered next year.

The \$300 million allocation was contingent on Virgin Trains creating an economic development project that includes the train, Agee said. Virgin, which also agreed to put its train repair facility in California, will be presenting its economic development plan for the station at CDLAC's January meeting, he said.

California wants Virgin Trains to create something similar to the six-block mixed-use development Virgin created at the MiamiCentral station that includes 800 apartments, office buildings and a food hall.

The multiplier effect of that kind of economic development would equal seven to eight times the money invested, Agee said.

“We will never have enough resources to solve our problems if we don’t think holistically,” Agee said. “We have to think: ‘How does this one dollar have the greatest ripple effect when it hits the street?’”

Every dollar of bonds used in an affordable housing development leverages at least 50 cents of additional federal funds that would otherwise go unused, said Marina Wiant, vice president of government housing affairs for the California Housing Consortium.

Affordable housing projects need private activity bonds to tap the federal 4% tax credit program, she said.

The state allocated an additional \$500 million in the fiscal 2019-20 budget to make use of the 4% tax credits, because the 9% tax credits that can’t be paired with a bond on a single project are usually oversubscribed by nine times, Agee said.

“We are in the midst of a crushing housing affordability crisis in this state,” Wiant said. “Developers cannot qualify for the multihousing programs funded by the \$6 billion Propositions 1 and 2, (bond measures approved by voters in 2018), without using 4% tax credits and it can’t be financed without using 50% PABs.”

California doesn’t usually exhaust its bond cap for housing, but Agee said developers are competing for money up to and beyond the cap, for the first time in 20 years.

Federal legislation is being proposed that would allow money from states who don’t expect to hit their bond cap to be put back into the Office of Management & Budget’s kitty to be redistributed to states that hit the cap, Agee said.

“Some states are stagnant, and aren’t growing at the same rate,” Agee said. “They have bond caps they never exhaust.”

California, Massachusetts and New York have all been [expecting](#) to see demand for their PABs exceed their caps.