

March 15, 2023

The Honorable Jesse Gabriel
1021 O Street, Suite 5220
Sacramento, CA. 95814

Re: Support for AB 1053 – Affordable Housing Construction Loans

Dear Assemblyman Gabriel:

MidPen Housing Corporation is pleased to support AB 1053, your bill to reduce the cost of developing affordable housing by funding state loans during construction.

MidPen Housing is one of the nation's leading nonprofit developers, owners, and managers of high-quality, affordable housing and onsite resident services. Since MidPen was founded in 1970, we have developed over 125 communities and 8,500 homes for low-income families, seniors and those with supportive housing needs throughout Northern California.

The Department of Housing and Community Development (HCD) makes rental housing affordable by providing financing in the form of 55-year deferred loans. HCD funds these loans after construction is complete when the development converts to permanent financing. To pay bills during the construction period, the developer obtains and pays interest on a construction loan from a private bank. This loan is larger than it would otherwise be if HCD funds were available during the construction period. The additional interest on a larger construction loan adds hundreds of thousands or even millions of dollars to the cost of each affordable rental housing development.

AB 1053 significantly reduces construction period interest expenses by allowing developers to receive HCD loan funds during the construction period. There would still be a private construction loan, albeit significantly smaller, and the private construction lender would continue to monitor construction progress and approve draws so as not to increase HCD workload. To ensure that the State can rely on the private construction lender's due diligence, the bill allows HCD to set a minimum percentage of each draw that must come from the private lender's funds.

By reducing the costs of each development, AB 1053 will stretch precious state resources to create more affordable homes for California's low-income families. Thank you for your authorship of this important bill.

Sincerely,



Matthew O. Franklin
President and CEO
MidPen Housing Corporation



MidPen
HOUSING

Building Communities. Changing Lives.

cc:

Nevada V. Merriman, Director of Policy, MidPen Housing

Senator Mike McGuire

Senator Bill Dodd

Senator Susan Eggman

Senator Steve Glazer

Senator Nancy Skinner

Senator Aisha Wahab

Senator Josh Becker

Senator Dave Cortese

Senator John Laird

Senator Alex Padilla

Senator Diane Feinstein

Assemblymember Jim Wood

Assemblymember Cecilia Aguiar-Curry

Assemblymember Lori Wilson

Assemblymember Damon Connolly

Assemblymember Phil Ting

Assemblymember Matt Haney

Assemblymember Mia Bonta

Assemblymember Rebecca Bauer-Kahan

Assemblymember Liz Ortega

Assemblymember Diane Papan

Assemblymember Marc Berman

Assemblymember Alex Lee

Assemblymember Evan Low

Assemblymember Ash Kalra

Assemblymember Gail Pellerin

Assemblymember Robert Rivas

Assemblymember Dawn Addis