

June 4, 2021

The Honorable Tom Daly
State Capitol, Room 3120
Sacramento, CA. 95814

RE: AB 1423 - Support

Dear Assemblyman Daly:

MidPen Housing is proud to **support AB 1423**, 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 100 communities and 8,000 homes for low-income families, seniors, including homeless families and individuals 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 of dollars to the cost of each affordable rental housing development.

AB 1423 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 requires the private lender to have skin in the game by funding 25% of each draw until HCD's funds are fully disbursed.

By reducing the costs of each development, AB 1423 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 & CEO
MidPen Housing

cc: Nevada V. Merriman, Director of Policy, MidPen Housing
Mark Stivers, California Housing Partnership