November 3, 2017

The Honorable Kamala Harris
United States Senator

Re: Oppose Elimination of Private Activity Bonds in the Tax Cuts and Jobs Act

Dear Senator Harris:

On behalf of the California Association for Local Economic Development (CALED), I am writing to request that you oppose the elimination of Private Activity Bonds (PABs) included in the current Tax Cuts and Jobs Act. State and local government have used these bonds to catalyze investment in business industry, and infrastructure for over 100 years. Elimination of this program would have significant impact on economic development in California.

PABs have helped communities like those you represent fund these activities:

- airports
- docks and wharves
- mass commuting facilities
- facilities for the furnishing of water
- sewage facilities
- governmentally owned solid waste disposal facilities
- privately owned solid waste disposal facilities
- qualified residential rental projects
- facilities for the local furnishing of electric energy or gas
- local district heating or cooling facilities
- qualified hazardous waste facilities
- governmentally owned high-speed intercity rail facilities
- privately owned high-speed intercity rail facilities
- environmental enhancements of hydro-electric generating facilities
- qualified public educational facilities
- qualified green building and sustainable design projects
- qualified highway or surface freight transfer facilities
- qualified mortgage bonds
- qualified redevelopment bonds
- qualified veterans’ mortgage revenue bonds
- qualified 501(c)(3) bonds
- qualified small manufacturers

The list of allowed activities is long, and as a California representative, I’m sure you understand and see that Private Activity Bonds can – and do – fill a gap in addressing capital needs for some of the biggest issues facing our great state: affordable housing, expanding manufacturing, building infrastructure, and financing healthcare facilities. We humbly request that you stand up for Californians and oppose the elimination of Private Activity Bonds.
Private Activity Bonds have been in existence since 1914, and in their 103-year history they’ve assisted in financing our nation’s most critical and important public facilities and infrastructure, including hospitals, schools, highways, bridges, railways, water and sewage facilities, energy facilities, low-income housing, and countless others. California is one of the largest issuers of these bonds.

By eliminating Private Activity Bonds, the ability of California to finance these projects will also be eliminated, as governments and project sponsors will be forced to borrow at higher interest rates. Industry experts have estimated that interest rates for borrowers would increase by 1.5 – 2.5% for bond transactions of varying levels of credit quality if Private Activity Bonds are eliminated. Conservatively, such a rise in interest rates would cause the cost of borrowing for state and local governments to increase by as much as 25-35%.

CALED is the largest economic development organization in California. We represent over 700 members actively working on helping businesses thrive so they can retain and create jobs. We believe strongly that eliminating Private Activity Bonds will negatively impact our ability to grow local economies, house our residents, build necessary infrastructure, and provide other community benefits.

Additionally, we understand the importance of streamlining the tax code and growing revenue; however, any tax reform legislation that eliminates Private Activity Bonds would be devastating to economic development at the state and local levels, and would undermine the purported economic gains of any tax reform. While low-cost capital access remains the primary strength of Private Activity Bonds, job creation is one of the most critical elements in the use of this important tool for economic development purposes.

With this in mind, we strongly request that you to oppose the elimination of Private Activity Bonds – a valuable economic development finance tool. Please feel free to contact me should you have any questions about our request.

Sincerely,

Gurbax Sahota
President & CEO

The California Association for Local Economic Development (CALED) is the premier statewide professional economic development organization dedicated to advancing its members’ ability to achieve excellence in delivering economic development services to their communities and business clients.