



Deep Dive on Affordable Housing

Affordable Housing Finance

Quetzal Gardens, Alum Rock Ave., San Jose: RCD



We acknowledge the traditional, ancestral, & unceded territory of the indigenous peoples of the Muwekma Ohlone, Ramaytush Ohlone, Tamien Nation, and Amah Mutsun on which we are learning, working, and organizing today. We are committed to honoring and making visible the indigenous people and tribes that were intentionally displaced from their land, who remain here in Silicon Valley, and are a part of our community.

Goal for today- Knowledge for more effective advocacy

- Complexity of financing 100% affordable housing
- Tax credits are the primary way we build housing for low income households - discuss the implications
- How location works
- What is in place before a project becomes publicly visible
- Constraints and opportunities for local engagement

We will turn to a case study throughout to show how financing issues impact a specific project

Low Income Housing Tax Credit (LIHTC) Program

An Introduction

- Incentivizing the private production of a public good
- Internal Revenue Code Section 42
 - Tax Reform Act of 1986
 - More stable than annual federal appropriations
 - Bipartisan support



North Bayshore, Mountain View: Eden Housing

What does low-income housing mean?

2022 Income Levels for Family of 4 in Santa Clara County

Extremely Low-Income	0 - 30% AMI	up to \$50,550
Very Low-Income	31 - 50% AMI	\$50,551 to \$84,250
Low-Income	51 - 80% AMI	\$84,251 to \$134,800
LIHTC Standard AMI	60% AMI	\$101,100
Area Median Income (AMI)		\$168,500

Low Income Housing Tax Credit (LIHTC) Program

The incentive for investors

- Why invest in real estate?
 - Appreciation
 - **Tax benefits: depreciation, tax credits**
 - Cash flow

(Private investors receive these ownership benefits)
- Who is involved in the tax credit structure?
 - The investor
 - The syndicator (optional)
 - The developer



DeVries Place Senior Apartments, Milpitas: MidPen Housing

Public/Private Partnership

Roles & Responsibilities

The public role

- Federal Government allocates through the IRS, implemented at the state level
- Tax Credit Allocation Committee (TCAC) is responsible for allocating and monitoring → rules and regulations

Per capita states received
\$2.60 in 9% LIHTC allocation

The private role

- Produce the housing: investors, developers, and more
- Invest in housing: investors' tolerance for risk dictates what we see

The biggest risk is loss of the tax credits, so investors ensure that the housing continues to serve low income households throughout the 15 year compliance period.

How does a tax credit turn into affordable housing?

- 4% and 9% credits, both competitive in CA
- Amount of equity developers receive is based on project costs
- LIHTCs only covers a portion of the funding stack - but you cannot do it without them

Estimated 9% Tax Credits Allocated to California in 2022: \$101,500,000



Edwina Benner Plaza, Sunnyvale; MidPen Housing

Limitations of LIHTC framework

- Shapes the details of the development: what, where, and for whom
- Environment creates low tolerance for risk that drives choices
- Creates a competitive environment at the state and local level



The Magnolias, Morgan Hill: First Community Housing

Case Study: Introduction

The Richmond Station Apartments

A Story of Transit Oriented Development &
Permanent Supportive Housing



Iamesi Village, San Jose: First Community Housing

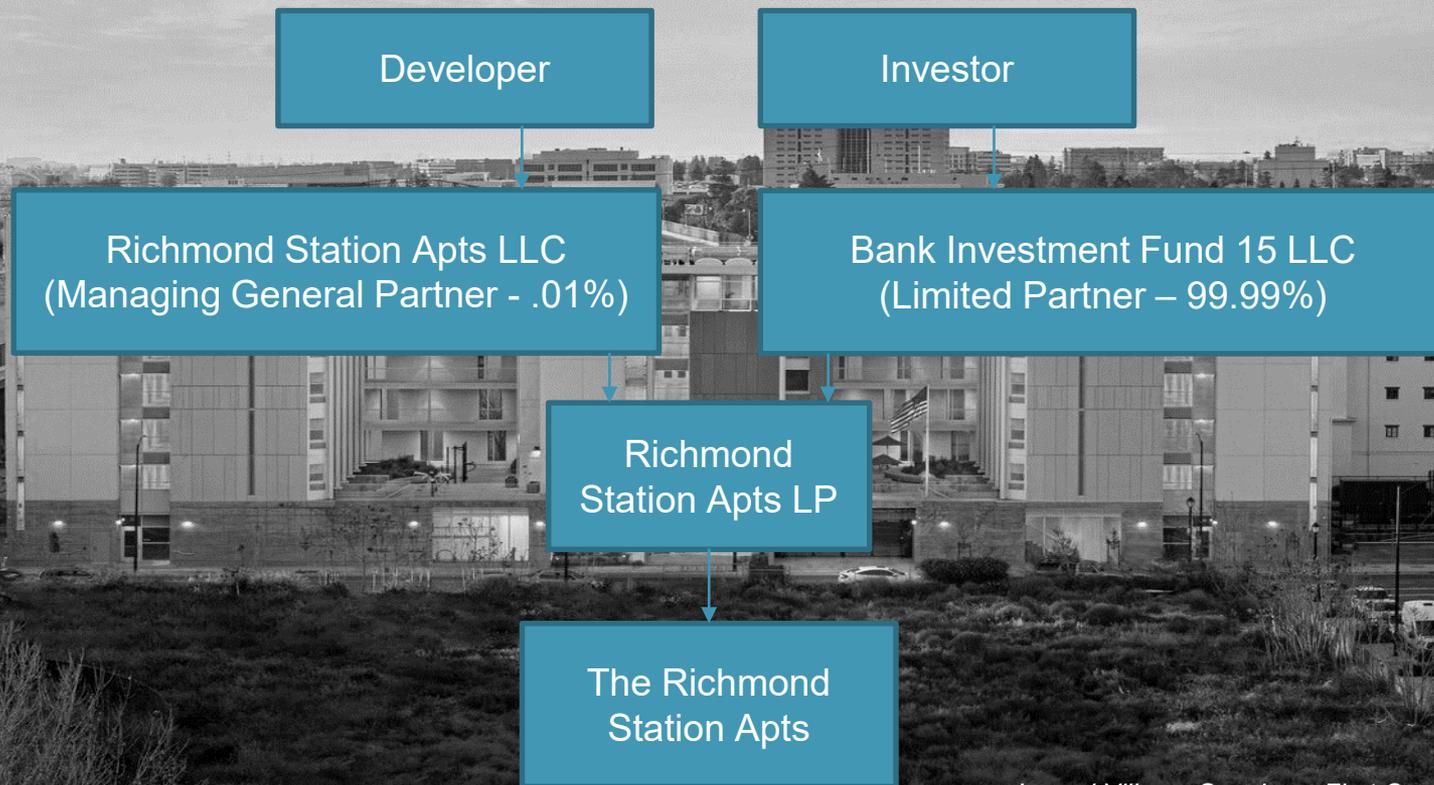
Converting Low Income Housing Tax Credits to Cash

Total Development Costs	\$	70,000,000
Development Costs Ineligible for Basis	\$	(4,000,000)
Eligible Development Cost Basis	\$	66,000,000
Credit Rate		3.27%
Annual LIHTC	\$	2,158,200
Years of Credits to Investor		10
Total LIHTCs	\$	21,582,000
Price per LIHTC	\$	0.93
LIHTC Equity	\$	20,000,000



Oak Court Apartments, Palo Alto: Alta Housing

Case Study: Ownership Structure



Jamesi Village, San Jose: First Community Housing

Covering the Costs

Each development requires multiple funding sources, which ultimately shape the project



Orchard Gardens, Sunnyvale: First Community Housing

Filling in around tax credits requires multiple sources, shaping choices

Federal

- Project-Based Section 8
- Community Block Development Grants (CBDG)
- HOME
- Low-Income Housing Tax Credit (LIHTC)
- Many other small programs

State

- Affordable Housing & Sustainable Communities (AHSC)
- Multifamily Housing Program (MHP)
- Infill Infrastructure Grant (IIG)
- Veteran's Housing & Homelessness Prevention (VHHP) Program
- Joe Serna, Jr. Farmworker Housing Grant

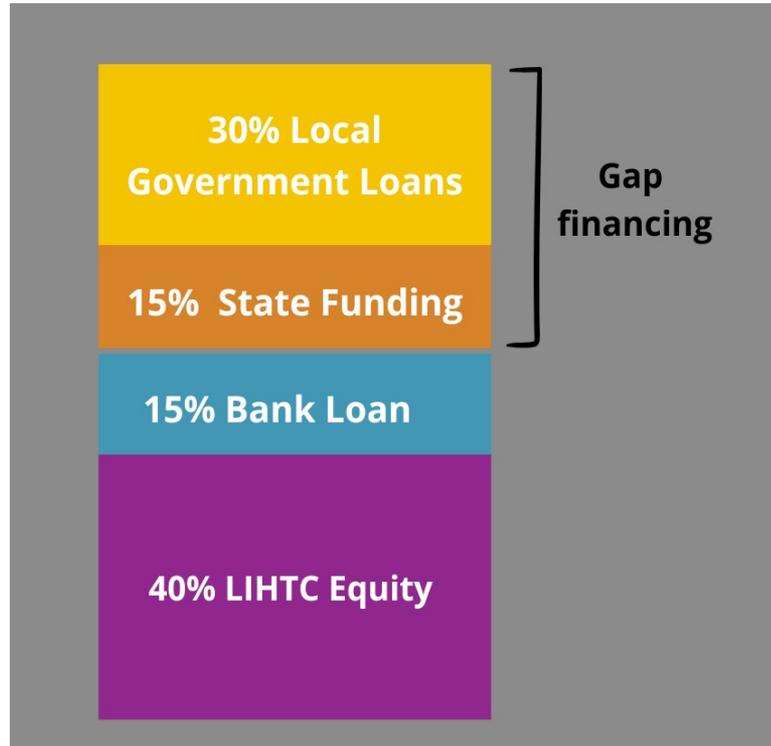
Local

- County Bonds (e.g., Measure A)
- City sources

Private

- Bank Loan
- Land Dedication

Example of a financing “stack” for 100% affordable housing



Case Study: Sources of Funds

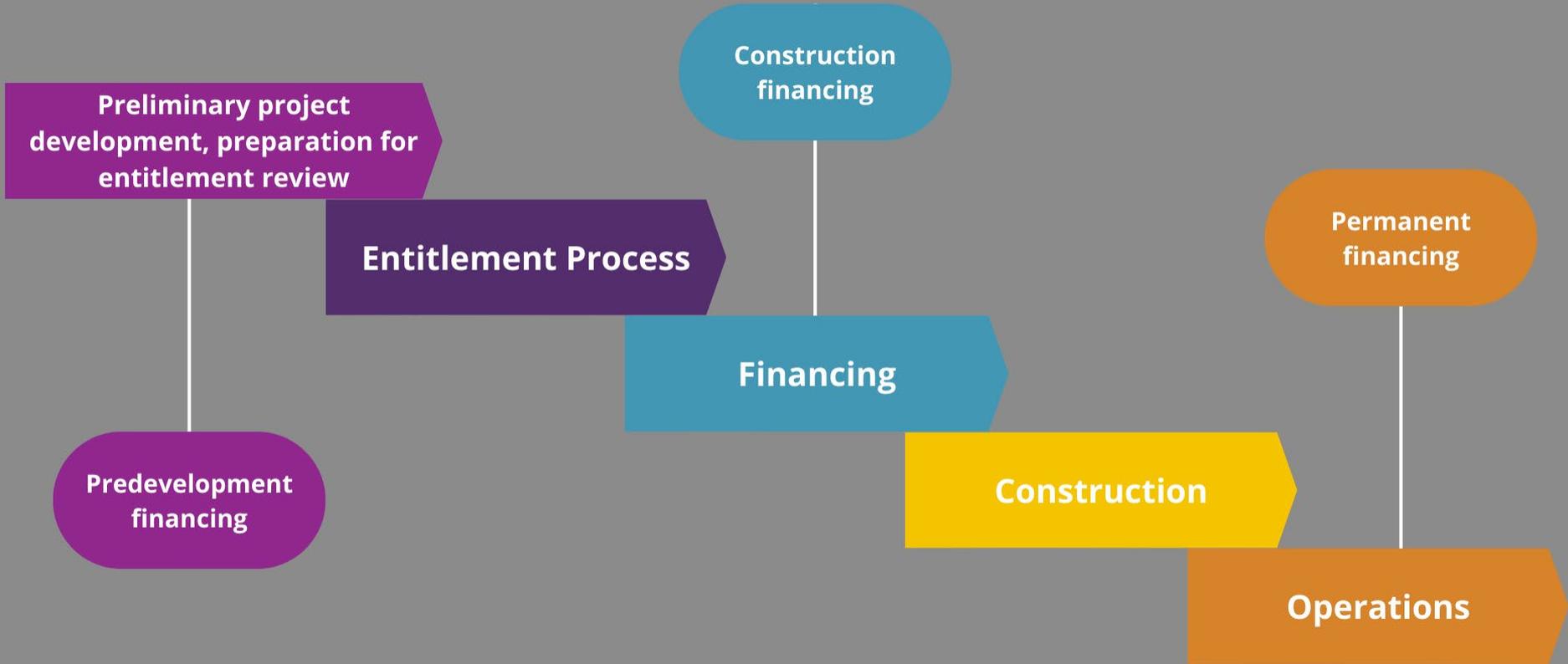
Bank Loan (Tax-exempt Bond)	\$ 17,000,000
CA HCD (VHHP)	\$ 8,000,000
City of Richmond (HOME)	\$ 4,000,000
CA HCD (AHSC)	\$ 9,000,000
Federal Home Loan Bank (AHP)	\$ 2,000,000
Contra Costa County (Bond Measure)	\$ 10,000,000
LIHTC Equity	\$ 20,000,000
Total Sources	\$ 70,000,000

Funding Sources & the Unit Mix



Unit Type	# of Units	% AMI
Studio (VASH)	43	30%
Studio (Section 8)	9	30%
Studio (Section 8)	46	50%
Studio	20	50%
1 Bedroom (VASH)	6	30%
1 Bedroom (Section 8)	5	50%
1 Bedroom	5	50%
Onsite Staff Unit	1	N/A
Total Units	135	41%

Development process & key finance points



What's pretty "baked in" by the time a project becomes publicly visible?

Population

Individuals, families, seniors, people with disabilities, formerly unhoused, veterans

Affordability

Income mix (ELI/VLI/LI), Permanent Supportive Housing (Project-based Vouchers/Services)

Other criteria

Design and configuration, number of units, unit size mix, parking, community space, ground floor retail

Pre-development budget, funding source expectations, timelines

Land option, pre-development loan, design, community engagement, planned financing sources, funding application timelines, local approval timeline, costs of risks



Site selection strategies

Sites and financing must align



The Cannery at Lewis Street, Gilroy: Meta Housing Corporation

Site selection strategy: Targeted location

Developer looks for sites in specific areas to leverage funding or access amenities

Transit-oriented development



High-resource area



Site selection strategy: Land use policy

Developer looks for sites that are zoned for residential use at adequate density

Urban Villages



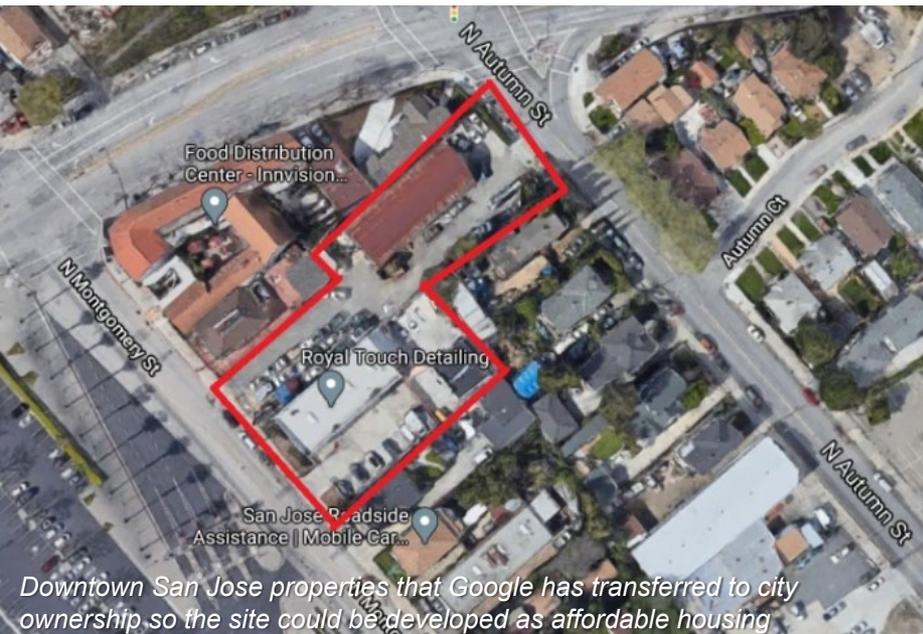
Specific plan areas



Site selection strategy: Site opportunity

A suitable site becomes available to the developer

Surplus public land



Downtown San Jose properties that Google has transferred to city ownership, so the site could be developed as affordable housing

Land dedication – City Owned



Tamien Station, San Jose: Republic Urban, Core Development & VTA

Vacant office space



Civic Center Family Housing, Santa Clara Charities Housing

Site selection strategy: Neighborhood-based development

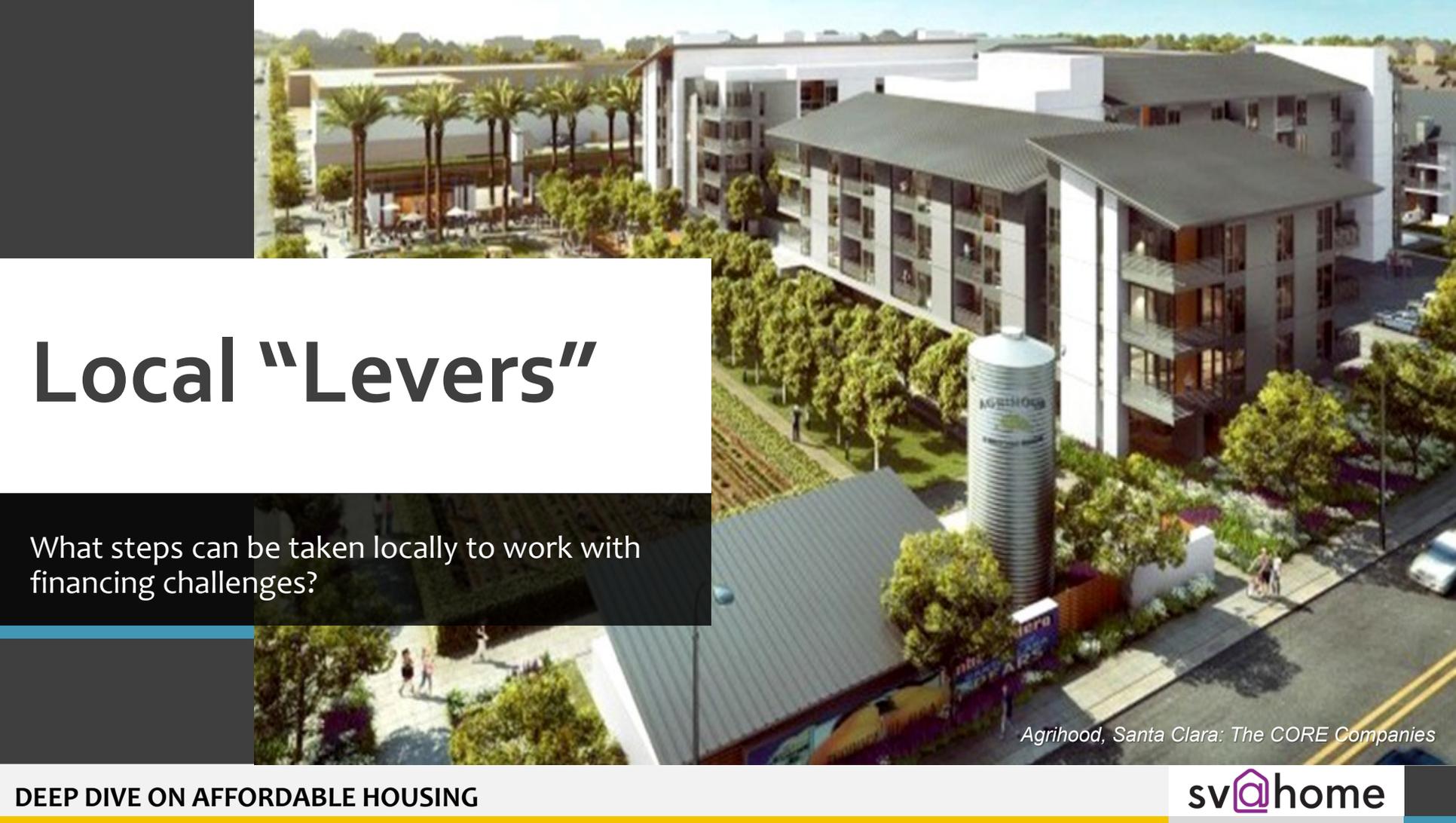
Not yet present in the South Bay

Mission Economic Development Agency,
San Francisco



East Bay Asian Local Development
Corporation (EBALDC), Oakland





Local “Levers”

What steps can be taken locally to work with financing challenges?

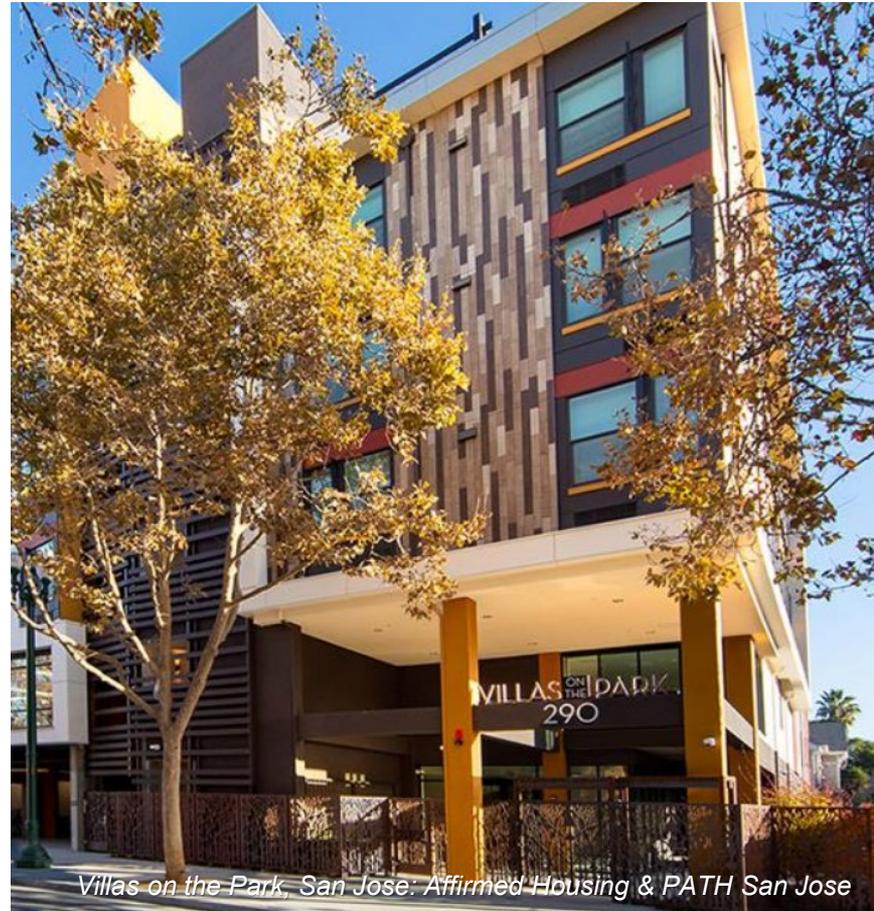
Agrihood, Santa Clara: The CORE Companies

Local Landscape Matters -- Housing Element is an Opportunity

Funding – Local Resources

**Development Review and Approval–
Policy and Process**

**Land Use, Zoning, Affordable Housing
Sites**



Villas on the Park, San Jose: Affirmed Housing & PATH San Jose

Funding – Local Resources

Local funding doesn't do it alone – ever
-- but it does fill gaps

Standard Sources

- Commercial Linkage Fees
- Inclusionary Housing In-Lieu Impact Fees
- Misc. smaller pools, ex. HOME/CDBG, loan repayments, general fund

Additional Sources– Planning for housing - commit to funding

- General Obligation Bonds – ex. Measure A
- Real Estate Transfer Tax – ex. Measure E
- Employee Head Tax – ex. (Many false starts.)
- Discounted public and “City-Owned” land



Development Review and Approval – Policy, Process, Politics

Time is money – Time is risk -- Risk is money

- Embrace State Streamlining
- Local By-Right Development Zones
- Fee waivers, tax reductions
- Process Review – Pre-development to Permits

Development is Political, takes “Political Capital”

- Build expectations – This is a resource! This is progress!
- Sustainable future requires this
- Humanize people – This is us!
- Acknowledge that this is social and racial equity - justice



Land Use, Zoning, Affordable Housing Sites

Advocate for more housing in major plans

- Specific Plans
- Mixed Use, and Commercial/Industrial Conversion
- Increased densities in Housing Element Inventory

Create Conditions for Affordable Housing that can get funded

- Higher Density near transit
- Up-zoning to Higher Density in “High-Opportunity” areas
- Re-zone larger sites – 75 to 150 units
- Affordable Housing Overlays

Prioritize Publicly-Owned and “City-Owned” land

- Surplus land
- Land Dedications



Our role - Advocate with knowledge

Proposed development is driven by opportunities and constraints

- Projects have a lot behind them before they go public
- Affordable housing doesn't get built without financial resources
- Location, target population, unit mix, density – All shaped by financing strategies
- Foundational opportunities (zoning, incentives) must be defended

Great projects take creative planning and design – And public support

- Changes can look small and have huge impacts
- Changes in density can upend the financing
- Changes in target populations can upend the financing
- Delays can upend the timeline for funding cycles, and when/whether/how it gets built



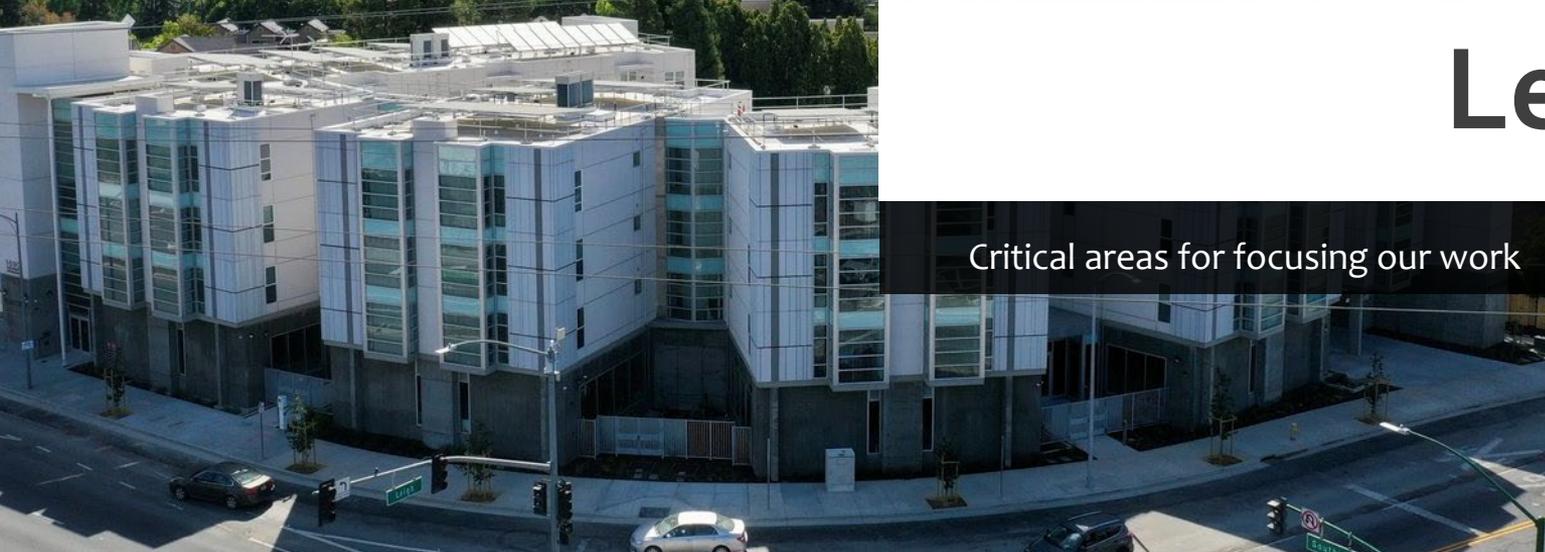
Questions?





Let's go!

Critical areas for focusing our work



Become a Member!

When you join SV@Home, we can leverage our resources, magnify our voices, and advance strategic, collaborative solutions to California's affordable housing crisis that meet our local and regional needs.

Help us transform Silicon Valley into the kind of place where all people have access to a safe, stable, and affordable home. Join us today!