Deep Dive on Affordable Housing

A How-To Guide for Advocates
Spanish interpretation available
Interpretación disponible español
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Purpose: to empower folks to engage and to more effectively counter the narratives of exclusion

- **Setting the stage**: understanding how government policies contributed to the housing shortage and who is most impacted

- **Tools to meet the need**: understanding the diversity of affordable housing needs and the financial tools available to make it happen

- **The development process**: understanding the complex series of steps in development of affordable housing, the development timeline, and your opportunities to engage as advocates
Where are we, and how did we get here?

How redlining and other racially discriminatory government policies led to our housing shortage

- Redlining & other racially explicit policies
- Single family zoning: race neutral?
- Only the most expensive types of homes are built
- Local control gives a small group of existing residents veto power over what can be built
Where are we, and how did we get here?

Jobs-housing imbalance

San Jose, Sunnyvale, Santa Clara SMSA
Total Jobs/Housing (thousands)

- Rents up 75%
- Median home prices up nearly 300%

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Who can afford to rent?

Renters need to earn **2.8 times** minimum wage to afford the average asking rent in Santa Clara County.

Source: California Housing Partnership’s Santa Clara County 2022 Affordable Housing Needs Report
What does low-income mean?

<table>
<thead>
<tr>
<th>Income Level</th>
<th>AMI Percentage</th>
<th>Income Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low-Income</td>
<td>0-30% AMI</td>
<td>up to $49,700</td>
</tr>
<tr>
<td>Very Low-Income</td>
<td>31-50% AMI</td>
<td>$49,701 to $82,850</td>
</tr>
<tr>
<td>Low-Income</td>
<td>51-80% AMI</td>
<td>$82,850 to $117,750</td>
</tr>
<tr>
<td>Median Income</td>
<td></td>
<td>$151,300</td>
</tr>
</tbody>
</table>
The housing shortage and affordability crisis

**Extremely Low Income Renter Households**

- Extremely Low Income: 39%
- Very Low Income: 31%
- Low Income: 13%
- Single Caregiver: 4%
- School: 2%
- Disabled: 11%

Source: National Low-Income Housing Coalition's Housing Need by State: California

**Affordable Homes Shortfall**

- 51,492 low-income renter households in Santa Clara County do not have access to an affordable home.

Source: California Housing Partnership's Santa Clara County 2022 Affordable Housing Needs Report

**Cost Burdened Renter Households**

- 74% of ELI households in Santa Clara County are paying more than half of their income on housing costs compared to just 7% of moderate-income households.

Source: California Housing Partnership's Santa Clara County 2022 Affordable Housing Needs Report
Rising homelessness

Housing production is increasing, but is not keeping up with need

Source: 2019 Santa Clara County Homelessness Census and Survey: Comprehensive Report

Source: County of Santa Clara and City of San José Release Preliminary Results of 2022 Point-in-Time Homeless Census. May 16, 2022
Meeting the Need

How does the private market produce a public good?
What is affordable housing?

**Deed-restricted**

- Rent is lowered by development subsidy
- Property restricted to long-term affordability (55-99 years - even if it changes owners)
- Household must meet specific income requirements
- Income levels are based on the median income for County - Areas Median Income (AMI):

**Project-Based Rental Assistance - Section 8**

- Rents are lowered by ongoing subsidy
- When tenant moves subsidy stays with unit

- Rent is lower due to market
- More affordable by design (ADUs, smaller sized apartments, plex homes)
- Older apartments, sometimes called “Naturally Occurring Affordable Housing,” or NOAH

**Tenant-Based Rental Assistance - Section 8/HCV**

- Ability to pay is increased by voucher
- Subsidy to tenant to rent in the private market

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Affordable Housing - continuum of response
Multiple dimensions of need, different solutions

**Interim housing for people experiencing homelessness**

**Permanent supportive housing for adults with developmental disabilities**

**Permanent housing for seniors**

**Inclusionary housing**

**Permanent mixed income for families <60% AMI**

**Permanent mixed income for people & families 30-80% AMI**

**Permanent mixed income for people & families <50% AMI**

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Three financing “stack” examples for 100% affordable housing

9% tax credits
- 25% Local
- 15% Bank Loan
- 60% Equity

4% tax credits
- 30% Local
- 15% State
- 15% Bank Loan
- 40% Equity

4% tax credits with deeper affordability
- 30% Local
- 20% State
- 15% Bank Loan
- 10% Bank Loan
- 40% Equity

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Potential sources of local funding

- Land dedication
- Commercial linkage fees
- Publicly owned land
- General fund
- In-lieu fees
- Transfer tax
- Locally managed federal funds
- Bonds, e.g., Measure A
- Previous loan repayment
- Impact fees
Preconditions to Affordable Development

- Resources
- Land
- Public Will
- Political Courage
Understanding how Area/Specific Plans are implemented

Planning Process
Establishes goals and policy tools, but doesn’t build or fund units.

Inclusionary Requirements
Market rate units subsidize affordable units

Practical considerations for large developments in plan areas
When major developers commit to affordable units in their plan area, it doesn’t mean they pay for it- they provide a piece, and the rest requires local and other public investment.
Development Process

- Preliminary project development, preparation for entitlement review
- Entitlement Process
- Financing
- Construction
- Lease Up
Development Process

Preparation for entitlements

Locate an appropriate site
- Available for sale
- Good location - transit, resources
- Fits funding opportunities/ constraints

Check in with Planning (Housing) staff

Enter “option to purchase” contract
- Developer assumes risk, uses reserve funds

Develop project design
- Financials
- Streamlining/ Density bonus decisions
- Target population

Early community engagement

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Development Process

Entitlement Process

- File application for entitlement
- Application review (Streamlining impact)
  - Additional city pieces
    - CEQA documentation (EIR)
    - Rezoning or conditional use permit
- Multiple public reviews: committees & commissions
- Receive entitlement: Council action
Development Process

Post-entitlement

1. **Purchase land**
   - Acquisition financing or pre-development financing

2. **Line up financing**

3. **Prepare building permit plans**

4. **Building permit plan check**

5. **Permit issued**

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Development Process
Construction, operation, & refinancing

- Construction
- Certificate of Occupancy
- Lease-up
- Operation
Residential development timeline

Residential Development Timeline

- Preparation for entitlement application
- Entitlement process
- Prepare construction drawings
- Building department plan check
- Construction

Months: 3, 6, 9, 12, 15, 18, 21, 24, 27, 30, 33, 36, 39, 42, 45, 48, 51, 54, 57, 60, 63, 66
Success! Questions?
SILICON VALLEY
Affordable Housing Month
May 2022
#ReimaginingHome

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Affordable Housing Month 2022

Join SV@HOME by becoming a member today and help to expand the Coalition of housing advocates to be more inclusive and representative of the communities we serve.

https://siliconvalleyathome.org/our-members/become-a-member/
Streamlining & Density Bonus (may just focus on financial benefits of streamlining instead of this detail)

**SB 35** Ministerial approval and a shortened timeline for residential, multifamily infill development with 10-50% affordable housing in cities that aren’t meeting their affordable and market rate housing goals.

Currently sunsets January 1, 2026

**SB 330** prohibits local jurisdictions from enacting new laws that would have the effect of reducing the legal limit on new housing within their borders, or delay new housing via administrative or other regulatory barriers.

Currently sunsets January 1, 2030
Continuum of housing response
Multiple dimensions of need, different solutions

Affordable: <80% AMI
- Interim Housing
- Permanent Supportive Housing
- Traditional Affordable Housing
- Inclusionary Housing
- Project-based Section 8

Market Rate: >80% AMI
- High-density
- Mid-density/Townhomes
- More affordable by design
- Smaller units
- ADUs

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