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

DEEP DIVE ON AFFORDABLE HOUSING
What does low-income housing mean?

<table>
<thead>
<tr>
<th>Income Category</th>
<th>AMI Range</th>
<th>Income Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low-Income</td>
<td>0 - 30% AMI</td>
<td>up to $50,550</td>
</tr>
<tr>
<td>Very Low-Income</td>
<td>31 - 50% AMI</td>
<td>$50,551 to $84,250</td>
</tr>
<tr>
<td>Low-Income</td>
<td>51 - 80% AMI</td>
<td>$84,251 to $134,800</td>
</tr>
<tr>
<td>LIHTC Standard AMI</td>
<td>60% AMI</td>
<td>$101,100</td>
</tr>
<tr>
<td>Area Median Income (AMI)</td>
<td></td>
<td>$168,500</td>
</tr>
</tbody>
</table>
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
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

**The private role**
- Produce the housing: investors, developers, and more
- Invest in housing: investors’ tolerance for risk dictates what we see

Per capita states received $2.60 in 9% LIHTC allocation

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
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
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Development Costs</td>
<td>$70,000,000</td>
</tr>
<tr>
<td>Development Costs Ineligible for Basis</td>
<td>$(4,000,000)</td>
</tr>
<tr>
<td>Eligible Development Cost Basis</td>
<td>$66,000,000</td>
</tr>
<tr>
<td>Credit Rate</td>
<td>3.27%</td>
</tr>
<tr>
<td>Annual LIHTC</td>
<td>$2,158,200</td>
</tr>
<tr>
<td>Years of Credits to Investor</td>
<td>10</td>
</tr>
<tr>
<td>Total LIHTCs</td>
<td>$21,582,000</td>
</tr>
<tr>
<td>Price per LIHTC</td>
<td>$0.93</td>
</tr>
<tr>
<td>LIHTC Equity</td>
<td>$20,000,000</td>
</tr>
</tbody>
</table>
Case Study: Ownership Structure

Richmond Station Apts LLC
(Managing General Partner - .01%)

Bank Investment Fund 15 LLC
(Limited Partner – 99.99%)

The Richmond Station Apts

Developer

Investor

Richmond Station Apts LP
Covering the Costs

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

DEEP DIVE ON AFFORDABLE HOUSING

Case Study: Sources of Funds

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Loan (Tax-exempt Bond)</td>
<td>$17,000,000</td>
</tr>
<tr>
<td>CA HCD (VHHP)</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>City of Richmond (HOME)</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>CA HCD (AHSC)</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>Federal Home Loan Bank (AHP)</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Contra Costa County (Bond Measure)</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>LIHTC Equity</td>
<td>$20,000,000</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$70,000,000</strong></td>
</tr>
</tbody>
</table>
## Funding Sources & the Unit Mix

<table>
<thead>
<tr>
<th>Unit Type</th>
<th># of Units</th>
<th>% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio (VASH)</td>
<td>43</td>
<td>30%</td>
</tr>
<tr>
<td>Studio (Section 8)</td>
<td>9</td>
<td>30%</td>
</tr>
<tr>
<td>Studio (Section 8)</td>
<td>46</td>
<td>50%</td>
</tr>
<tr>
<td>Studio</td>
<td>20</td>
<td>50%</td>
</tr>
<tr>
<td>1 Bedroom (VASH)</td>
<td>6</td>
<td>30%</td>
</tr>
<tr>
<td>1 Bedroom (Section 8)</td>
<td>5</td>
<td>50%</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>5</td>
<td>50%</td>
</tr>
<tr>
<td>Onsite Staff Unit</td>
<td>1</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total Units</strong></td>
<td><strong>135</strong></td>
<td><strong>41%</strong></td>
</tr>
</tbody>
</table>
Development process & key finance points

- Predevelopment
- Construction
- Permanent

**Preliminary project development, preparation for entitlement review**

**Entitlement Process**

**Predevelopment financing**

**Construction financing**

**Financing**

**Construction**

**Operations**

DEEP DIVE ON AFFORDABLE HOUSING
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

DEEP DIVE ON AFFORDABLE HOUSING
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

DEEP DIVE ON AFFORDABLE HOUSING
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

DEEP DIVE ON AFFORDABLE 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?
Local Landscape Matters -- Housing Element is an Opportunity

Funding – Local Resources

Development Review and Approval– Policy and Process

Land Use, Zoning, Affordable Housing Sites
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
Let’s go!

Critical areas for focusing our work

DEEP DIVE ON AFFORDABLE HOUSING
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!