



# AFFORDABLE HOUSING FINANCE 101

**Training for City and County Staff**



# AGENDA

- **Intros and Overview**
- **The Development Timeline**  
Predevelopment, Acquisition, Construction, Permanent
- **Pop Quiz!**  
How many affordable housing acronyms do you know?
- **Key Funding Sources**  
Local, State, Federal, Private
- **Small Group Session**  
Challenges and opportunities with housing funding
- **Developer's Perspective**  
Challenges and funding considerations
- **Wrap-up and Feedback**

# OVERVIEW OF THE TRAINING SERIES



## **Session 1: Affordable Housing Finance 101**

**Development Timeline Overview**  
**Key Funding Sources**  
**City Support Mechanisms**  
**Developer Perspectives**



## **Session 2: Advanced Topics in Affordable Housing Finance**

**Innovative Financing**  
**Advancing Sustainability**  
**Local Strategies from Our Area**



## **Session 3: Real-World Case Studies / Open Q&A**

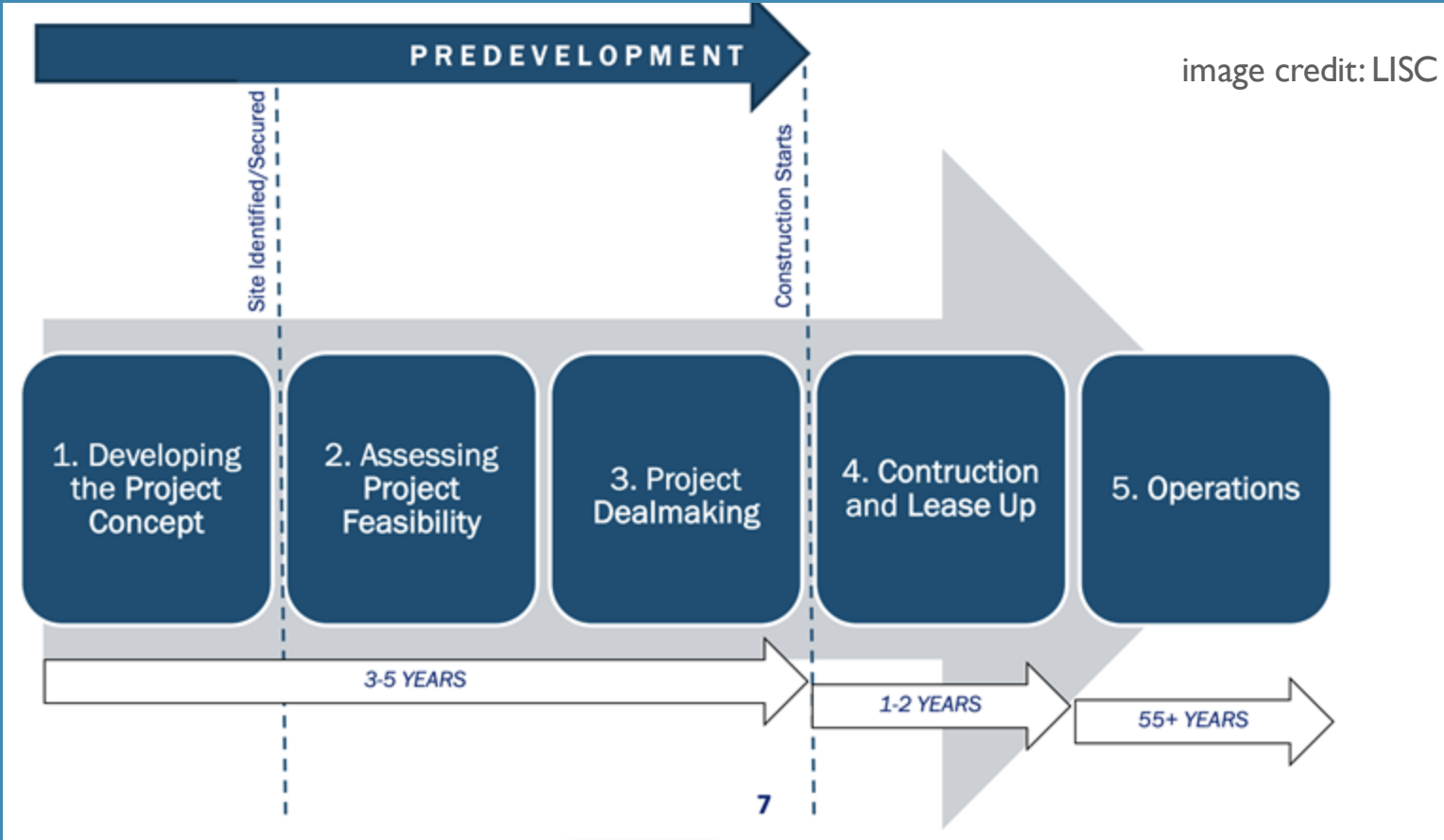
**Examples of Recent Projects**  
**Questions & Answers on Topics of Interest**



OFFICE  
HOURS  
AVAILABLE!

- One-on-One sessions
- Deep dive on city-specific issues or challenges, such as:
  - Reviewing project-specific financing
  - Getting feedback on RFPs / RFQs
  - Evaluating city-specific funding opportunities
  - Understanding new state opportunities or legislation related to local housing goals

# AFFORDABLE HOUSING DEVELOPMENT STAGES



# PREDEVELOPMENT PHASE



## Developer

- Site Selection and Acquisition Planning
- Feasibility Studies
- Community Engagement
- Design and Architectural Planning
- Securing Funding
- Entitlements and Approvals
- Predevelopment Financing



## City

### Initially:

- Conduct zoning analysis
- Identify local funding options / take application
- Environmental reviews (particularly for HUD/NEPA)

### Then:

- Local development review and approval process
- Provide local density bonus / developer concessions (parking, setbacks, FAR, # of community meetings...)
- Facilitate / mediate community input
- Support developer with applications for competitive state and private funding

# ACQUISITION PHASE



## Developer

- Site Acquisition
- Due Diligence
- Refining Financials
- Partnership and Agreements



## City

May be asked to help with...

- Project gap financing and/or pay-off of any short-term acquisition loans
- Subordination agreements for construction lenders
- Loan agreements and affordability restrictions
- Expedited building permits
- Permits and fee waivers
- Coordination with service providers

# CONSTRUCTION PHASE



## Developer

- Close on Construction Financing
- Construction Mobilization
- Site Preparation
- Building Construction
- Ongoing Inspections and Compliance
- Draw Requests
- Substantial Completion
- Lease-Up Planning



## City

- Release any remaining local funds for construction
- Review compliance for City financing
- Help with issuing final permits
- Monitor compliance with local ordinances
- If using vouchers, coordinate with Housing Authority

# PERMANENT PHASE




## Developer

- Certificate of Occupancy
- Lease-Up and Occupancy
- Conversion to Permanent Financing
- Final Closeout
- Property Management Setup
- Compliance Monitoring
- Operational Stabilization



## City

- Participate in funding closing calls
- Monitor fair housing compliance
- Certify project for local loan programs converting from construction to permanent funding
- Ensure lease-up of tenants is in compliance with developer agreement
- Ensure services agreements are in place



**POP  
QUIZ!**

*5-minute small group breakouts*

**How many affordable housing  
acronyms do you know?**

# POP QUIZ ANSWERS

**LIHTC** – Low-Income Housing Tax Credit

**HCD** – CA Dept. of Housing and Community Development

**HUD** – U.S. Department of Housing and Urban Development

**MHP** – Multifamily Housing Program

**TCAC** – Tax Credit Allocation Committee

**AHSC** – Affordable Housing & Sustainable Communities Program

**PLHA** – Permanent Local Housing Allocation

**NPLH** – No Place Like Home

**VHHP** – Veterans Housing and Homelessness Prevention Program

**CDFI** – Community Development Financial Institution

**CDBG** – Community Development Block Grant

**HOPWA** – Housing Opportunities for Persons With AIDS

**PBV** – Project-Based Voucher

**RAD** – Rental Assistance Demonstration

**CHDO** – Community Housing Development Organization

**HOME** – Home Investment Partnerships Program

**ESG** – Emergency Solutions Grant

**CRA** – Community Reinvestment Act

**EIFD** – Enhanced Infrastructure Financing District

**HAP** – Housing Assistance Payments

# PROJECT FINANCING SUMMARY

(COURTESY EDEN)

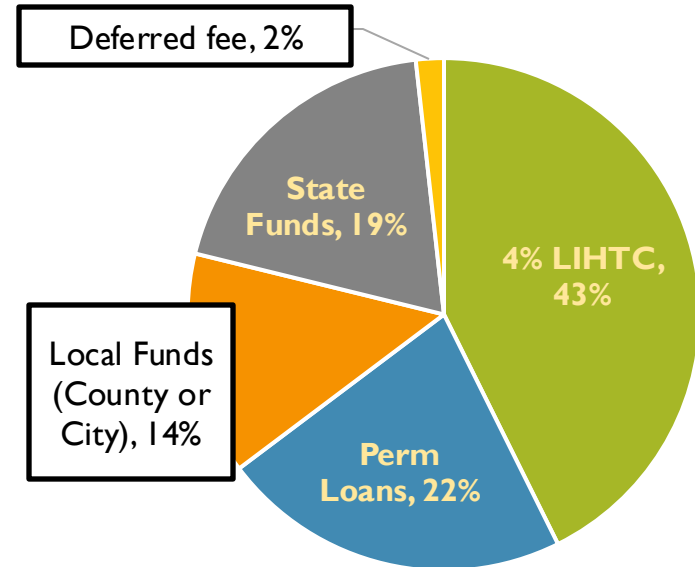
## The three legs of affordable housing's financing stool:

1. **Private Equity** (Low Income Housing Tax Credits - LIHTC)

2. **Private Debt / Mortgage**

3. **Public Subsidy**

- Local sources: Impact Fees (City), local G.O. Bonds (often County), and often land either City-owned or via inclusionary zoning/requirements
- State sources: Various programs
- Federal sources: HOME/ CDBG, Section 8 vouchers



# KEY FUNDING SOURCES FOR AFFORDABLE HOUSING

CITY

- “Soft” loan, residual receipts, 55 year term, subordinate to other lenders
- Usually 20% of Total Development Cost (around \$100-200k/unit)
- Usually committed before other public funding sources
- Used to take down land and in construction
- Proceeds from:
  - Inclusionary Zoning and In-Lieu Fees
  - Affordable Housing Trust Funds funded through Impact Fees, or local taxes, or loan repayments
  - Bonds or Tax measures, like Measure A in SCC, Measure E in San Jose
  - CDBG or HOME funds from federal HUD

# KEY FUNDING SOURCES FOR AFFORDABLE HOUSING

CITY

- Land Contribution  
Cities can lease or sell public land at reduced prices for affordable housing development, effectively reducing the overall cost of the project (e.g., “surplus land” policies)
- Fee Waivers  
Cities can waive the cost of permit and impact fees so as to limit the size of their cash contribution to the project
- Planning Decisions  
Parking waivers, setbacks, FAR and Height can all add units to a project

# KEY FUNDING SOURCES FOR AFFORDABLE HOUSING

## STATE

### Low-Income Housing Tax Credits (LIHTC)

- Source: Federal/IRS, allocated by State TCAC
- Form: Equity to development - between 20-60% of Total Development Cost (4% or 9%) - some funds in during construction, most at the end of development after project is leased up with eligible tenants
- 4% credits are over-the-counter but must be paired with increasingly competitive tax-exempt bond financing; 9% credits are very competitive - only 1 in 3 get funded

# KEY FUNDING SOURCES FOR AFFORDABLE HOUSING

## STATE

### **Multifamily Housing Program (MHP)** *(part of SuperNOFA)*

- Administered by HCD
- Offers deferred-payment loans for affordable housing developments, especially multifamily rentals

### **State Affordable Housing and Sustainable Communities (AHSC)**

- Administered by Strategic Growth Council and HCD
- Provides funding to projects that reduce greenhouse gas emissions through housing and transportation infrastructure
- Emphasizes affordable housing near transit

### **California Housing Accelerator (State Bond Fund)**

- Funded through state budget allocations
- Accelerates affordable housing projects that are shovel-ready but have financing gaps

### **Infill Infrastructure Grants (IIG)** *(Part of SuperNOFA)*

- Funds infrastructure improvements such as water, sewer, transportation, utilities, and site preparation that directly support affordable housing projects in infill areas

KEY FUNDING  
SOURCES FOR  
AFFORDABLE  
HOUSING

STATE:  
HOMELESSNESS

## **Veterans Housing and Homelessness Prevention Program (VHHP)**

- Long-term loans for the acquisition, construction, rehabilitation, and preservation of affordable multifamily housing for veterans and their families to allow veterans to access and maintain housing stability.

## **Homekey Program**

- California initiative aimed at rapidly creating permanent and interim housing for individuals experiencing homelessness or at risk of homelessness.
- Provides grant funding to cities, counties, and other public entities to purchase and convert existing properties, such as hotels, motels, and vacant apartment buildings, into affordable housing with supportive services.

KEY FUNDING  
SOURCES FOR  
AFFORDABLE  
HOUSING

PRIVATE:  
ACQUISITION +  
PREDEVELOPMENT

**CDFIs** - *Housing Trust Silicon Valley, Capital Impact Partners, Century Housing, LISC, Low Income Investment Fund, Housing Accelerator Fund, Destination: Home*

- 1 to 3 year loans for 80-120% of Land Acquisition cost
- Interest bearing between 4 to 8% annually
- Repaid at start of construction

**Banks** - *Wells Fargo, Chase, US Bank, Bank of America*

- Similar terms, but offered as part of overall funding of acquisition, construction, and permanent financing to select developer customers

**State of California** - *Predevelopment Loan Program (PDLP)*

- Short-term loans to finance predevelopment costs to preserve, construct, rehabilitate or convert assisted housing for low-income households.

KEY FUNDING  
SOURCES FOR  
AFFORDABLE  
HOUSING

PRIVATE:  
CONSTRUCTION

**Banks** - *US Bank, Wells Fargo, B of A, JP Morgan Chase, Citi*

**Interest Rates:** Typically from **5% to 8%**, with affordable housing projects securing lower rates of **4% to 6%** due to lower risks and public subsidies

**Loan Term:** Generally **12 to 36 months**, with interest-only payments during the construction phase

**Conversion to Permanent Financing:** Many loans convert to permanent financing upon project completion

**Loan-to-Cost Ratio (LTC):** Usually covers **60% to 80%** of project costs, with affordable housing projects potentially receiving up to **90%**

**Fees:** Origination fees typically range from **1% to 2%**, plus additional closing costs

**Recourse:** Loans are often **non-recourse**, limiting the developer's personal liability to the project collateral

**First position during construction, so cities will subordinate to the construction lender**

## KEY FUNDING SOURCES FOR AFFORDABLE HOUSING

### PRIVATE: PERMANENT

#### **Conventional Permanent Loans: Banks, CCRC, CalHFA**

- Typical permanent loans for affordable housing developments in California feature interest rates ranging from **4% to 6%** with terms of **15 to 40 years**, depending on the project's financing structure and public subsidies
- Often include fixed interest rates and are typically **non-recourse**, offering long-term stability for developers

#### **Innovative Shorter-Term Permanent Loan: Bay Area Housing Innovation Fund**

- 20-year low-cost subordinate loans provided to projects with committed local funding and a clear path to meeting ambitious cost and time goals, delivering housing at least 40% faster and cheaper.
- Over 40% of homes are designated as Supportive Housing for people experiencing homelessness or serve Extremely Low-Income residents.

## KEY FUNDING SOURCES FOR AFFORDABLE HOUSING

### PRIVATE: OPERATIONS

#### **Rent Subsidies - Housing Authorities and Section 8**

- **Tenant-Based Vouchers:** Allow low-income households to rent privately owned homes while paying only a portion of the rent, with the remainder subsidized.
- **Project-Based Vouchers:** Tied to specific housing units within a development, ensuring those units remain affordable over time.

#### **Operating Subsidies - State of California**

- **Permanent Local Housing Allocation (PLHA):** Provides formula-based and competitive grants to local governments for various housing-related projects. These include operating subsidies for multifamily rental housing and permanent supportive housing, as well as funding for rental assistance to those at risk of homelessness
- **No Place Like Home (NPLH):** Funds development of permanent supportive housing for people experiencing homelessness who require mental health services. It includes operating subsidies to support long-term affordability



**SMALL  
GROUP  
DISCUSSION**

Cities play a critical role in providing funding or land for affordable housing. **What have been your successes or challenges** with any of the following sources of affordable housing funding for your cities' projects?

- **Local Housing Fund** supported by in-lieu fees, impact fees, taxes/bonds, and/or loan repayments
  - *If your city doesn't have a local housing fund, is there interest in creating a local source of affordable housing funding? What support would you need to establish one?*
- **City provided land** using an RFP process.

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ASK A DEVELOPER: Q&A

# NEXT STEPS



**Session 2:  
Advanced Topics  
in Affordable Housing Finance**

**November 18 and 20**



**Session 3:  
Real-World Case Studies /  
Open Q&A**

**December 10 and 12**

**OFFICE HOURS!** Contact [kevinzwickconsulting@gmail.com](mailto:kevinzwickconsulting@gmail.com)

*Topics you'd like covered in next sessions and feedback on today?*