Affordable Housing Finance Session 2

ADVANCED TOPICS

Training for City and County Staff

21 Elements

Santa Clara County Planning Collaborative

AGENDA

- **Intros and Overview**
- **Review Session 1 Key Concepts**
- **Pop Quiz!**
  10 questions on affordable housing finance basics
- **Advanced Topics**
  Community Land Trusts
  Social Housing
  Mixed Income Housing
- **Small Group Session**
- **Developer's Perspective**
- **Wrap-up and Feedback**

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

REVIEW: PRE-DEVELOPMENT AND ACQUISITION PHASE

Developer

- Site selection
- Feasibility studies
- Community engagement
- Design
- Acquire site(s)
- Conduct due diligence
- Refine financials

City

- Zoning analysis
- Help identify funding
- Facilitate community input
- Assist with financing approvals
- Subordination agreements
- Expediting permits

REVIEW: CONSTRUCTION AND PERMANENT PHASE

Developer

- Close on construction financing
- Building construction
- Draw requests
- Lease-up planning
- Conversion to permanent financing
- Operational stabilization

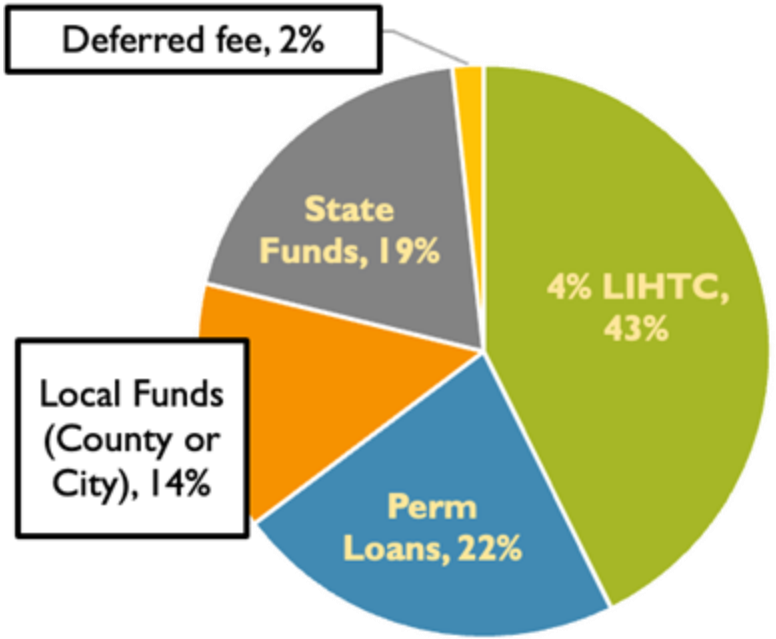
City

- Help with issuing final permits
- Review construction draws and compliance with local ordinances
- Participate in funding closing calls
- Monitor fair housing compliance

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



REVIEW: CITY FUNDING SOURCES for AFFORDABLE HOUSING

- **Soft Loans:** Residual receipts, 55-year terms, subordinate to other lenders
  - Typically 20% of total development cost ($100-200k/unit)
  - Proceeds from: Inclusionary zoning fees, affordable housing trust funds, bonds, tax measures (e.g., Measure A, Measure E) and federal CDBG/HOME funds.
- **Land Contributions:** Cities may lease or sell public land at reduced rates to lower project costs.
- **Fee Waivers & Planning Decisions:** Cities can waive fees and adjust requirements (e.g., parking, height) to add units to a project.

REVIEW: STATE FUNDING SOURCES for AFFORDABLE HOUSING

- **Low-Income Housing Tax Credits (LIHTC):** Equity funding covering 20-60% of costs, administered by TCAC, with 4% and 9% credits
- **Multifamily Housing Program (MHP):** HCD loans for multifamily rental units
- **AHSC Program:** Funds projects reducing greenhouse gases near transit
- **Infill Infrastructure Grants (IIG):** Funds site improvements for housing projects
- **Homekey & VHHP Programs:** Grants for housing homeless populations and veterans

REVIEW: HARD LOANS for PREDEV, CONSTRUCTION, PERMANENT

Predevelopment:

- **CDFIs:** Short-term loans (1-3 years, 80-120% of land cost) from groups like Housing Trust Silicon Valley, LIIF
  - 4% - 8% interest
  - Repaid at construction
- **State Predevelopment Loans:** 12-36 months, interest-only, up to 90% of project cost

Conventional Bank Financing:

- **Construction Loans:** Interest rates 5% - 8% with flexible terms and conversion to permanent financing upon project completion
- **Permanent Loans:** Banks, CalHFA, and Bay Area Housing Innovation Fund, offering long-term stability (4% - 6% interest, 15-40 years)

POP QUIZ!

5-minute small group breakouts

Multiple Choice Review!

Advanced Topic 1

Community Land Trust (CLT)

BASICS

Definition: Non-profit organizations that acquire and hold land to ensure long-term affordable housing and community benefits

How It Works: The land is owned by the CLT, while homes or buildings are leased or sold to residents at affordable rates. This separation of land and building ownership theoretically stabilizes housing prices.

Purpose: CLTs promote permanent affordability, prevent displacement, and empower local communities by keeping land in community control.

Advanced Topic 1

Community Land Trust (CLT)

FINANCING

- **Public Funding:** Government grants (e.g., CDBG, HOME funds), local housing trust funds, and municipal support for land acquisition
- **Philanthropic Support:** Grants and donations from foundations, community investors, and private donors to support operational and project costs
- **Loans & Impact Investments:** Low-interest loans from Community Development Financial Institutions (CDFIs) and social impact investors
- **Resident Contributions:** Lease fees and limited equity payments from residents help maintain the trust's financial sustainability
- **Fundraising & Partnerships:** Ongoing fundraising campaigns and partnerships with local governments, nonprofits, and developers

Advanced Topic 1

Community Land Trust (CLT)

EXAMPLES

San Francisco Community Land Trust (SFCLT): Preserves affordable housing in San Francisco by acquiring properties and converting them to cooperative ownership.

Oakland Community Land Trust (OakCLT): Focuses on preventing displacement by securing land and providing affordable housing in Oakland neighborhoods.

Bay Area Community Land Trust (BACLT): Provides technical support and co-op conversion services for affordable housing projects across the Bay Area.

Sonoma County Community Land Trust (SCCLT): Develops affordable homes and manages land to support sustainable, affordable living in Sonoma County.

Northern California Land Trust (NCLT): The oldest CLT in California, NCLT develops affordable housing and preserves land for community use in the East Bay area.

Advanced Topic 1

Community Land Trust (CLT)

EXAMPLES

South Bay Community Land Trust (SBCLT) Reed Street Initiative

Acquired first property, a four-unit building in San Jose, in February 2023, through a grassroots campaign and $500,000 in community contributions, alongside $250,000 grants from Santa Clara County and the City of San Jose and a loan from LISC.

Currently, Reed Street houses 10 low-income African-American, Latino and multi-ethnic residents. Most of them have some experience with homelessness, two are veterans, half of the units receive some kind of housing-subsidy and at least one resident has in-home care assistance.

Advanced Topic 1

Community Land Trust (CLT)

EXAMPLES

- **Preservation of Affordable Housing at 285 Turk Street:** The San Francisco Community Land Trust (SFCLT) acquired the 40-unit building in the Tenderloin to protect tenants, many of whom are POC and immigrant families, from displacement and ensure long-term affordability. Acquisition was made possible with loans totaling $7.5 million from Self Help Federal Credit Union and Bay's Future Fund.
- **Empowering Tenants for the Future:** SFCLT plans to support tenants in forming a Limited Equity Housing Cooperative, providing them with a 99-year lease that grants agency over their housing and real estate ownership to pass on to future generations, exemplifying the impact of community-centered financing solutions.

Advanced Topic 2

Social Housing BASICS

Definition

Social housing is publicly or community-owned housing intended for long-term affordability, available to people across a wide range of income levels. It is designed to ensure housing as a universal right, not just a market commodity.

Characteristics

- **Non-Profit Model:** Managed by public or community organizations with a focus on affordability and tenant stability.
- **Mixed-Income:** Often includes residents with diverse income levels to promote social integration.
- **Permanently Affordable:** Housing remains affordable for future generations.

Advanced Topic 2

Social Housing FUNDING

Government Investment: Significant public funding from local, state, or federal governments for land acquisition, construction, and maintenance.

Public-Private Partnerships: Collaborations between governments and private developers to co-fund and manage social housing projects.

Tenant Revenue: Affordable rents are structured to cover operational costs while remaining accessible to a mix of income levels.

Special Taxes & Bonds: Funds raised through dedicated housing bonds or taxes, like those passed in cities for affordable housing initiatives.

Grants & Philanthropy: Supplemental funding from foundations and nonprofit organizations to cover gaps in financing.

Advanced Topic 2

Social Housing

VS. TRADITIONAL AFFORDABLE HOUSING

Ownership & Control

- **Social Housing:** Owned and managed by public or community entities, ensuring affordability and tenant rights.
- **Conventional Affordable Housing:** Often developed by private developers with affordability restrictions for a set period.

Funding Model

- **Social Housing:** Relies heavily on government funding and tenant revenue without prioritizing profit.
- **Conventional Affordable Housing:** Uses tax credits, private investments, and may include profit-driven incentives.

Advanced Topic 2

Social Housing

EXAMPLES

Vienna’s Social Housing Model:

- Approximately 60% of residents live in high-quality, affordable municipal or cooperative housing, supported by a long-standing commitment since the 1920s.
- Funded through municipal budgets, federal contributions, and a housing tax, this model ensures long-term affordability, community engagement, and contributes to Vienna’s status as one of the world's most livable cities.
- Nearly 200,000 units

Advanced Topic 2

Social Housing

EXAMPLES

Seattle Social Housing Developer (SSHD)

- Established by 2023's Initiative 135 to create and maintain affordable, mixed-income housing with long-term affordability and community governance.
- Initiative 137 proposes a 5% tax on high earners to fund SSHD, aiming to produce 2,000 housing units over 10 years through a mix of acquisitions and new construction.
- Funding measure will be voted on in February 2025, following a City Council delay.

California Social Housing Legislation

- Assemblymember Alex Lee introduced AB 2881 to re-establish the Social Housing Act, creating the California Housing Authority for mixed-income, self-sustaining housing.
- AB 2665 to launch a zero-interest loan program for affordable, infill housing development.
- Builds on his 2023 bill, AB 309, which was vetoed despite passing the Legislature.

Advanced Topic 3

Mixed Income Housing Models

BASICS

Mixed-Income Housing

A model that integrates housing units for various income levels within the same development, combining market-rate and affordable units.

- **Alternative Approach:** Unlike traditional affordable housing, which exclusively serves low-income residents, mixed-income housing promotes economic diversity and social integration.
- **Sustainability:** Market-rate units help subsidize the cost of affordable units, making the development more financially sustainable and less reliant on government subsidies.

Advanced Topic 3

Mixed Income Housing Models

EXAMPLES

Catalyst Impact Fund Acquisition

- Acquired 787 The Alameda, a 168-unit market-rate community in San Jose, to convert over time to provide affordable housing for households earning less than 80% of Santa Clara County's median income, with rents up to 50% lower than market rates.
- Catalyst will introduce resident programs to promote economic mobility.
- Catalyst Housing Group, a tech-enabled asset manager, oversees a 4,593-unit portfolio.
- The acquisition is supported by a $10 million investment from Crankstart Foundation, integrating concessionary and market-rate capital for innovative affordable housing solutions.

Advanced Topic 3

Mixed Income Housing Models

EXAMPLES

231 Grant Ave, Palo Alto

- An affordable housing development specifically designed for educators and school staff.
- Offers 110 rental units, including studio, one-bedroom, and two-bedroom apartments.
- Eligibility determined by household income, which must be between 60% and 140% of the Area Median Income (AMI) for Santa Clara County. For example, in 2023, a one-person household would need an income between $76,140 and $177,660 to qualify.
- $6M of Measure A funds contributed to $88 million total.

Advanced Topic 3

Mixed Income Housing Models

CHALLENGES

- **Reduced Tax Revenue:** Welfare tax exemptions lower funds available for essential local services, potentially impacting education, public safety, and infrastructure.
- **Equity Concerns:** Benefits may not be fairly distributed, with higher-income residents possibly gaining from subsidies meant for lower-income households.
- **Budget Strain:** Cities may face financial pressure, leading to budget cuts or the need for alternative revenue sources, affecting overall community resources.

SMALL GROUP DISCUSSION

- What is the most innovative affordable housing you've heard of or worked on?
- What are your concerns about proposing non-traditional affordable housing for your city in the coming year?
- What do you need in your city to help support different affordable housing models?

ASK A DEVELOPER: Q&A

NEXT STEPS

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

December 10 and 12

OFFICE HOURS! Contact kevinzwickconsulting@gmail.com

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