



## **AFFORDABLE HOUSING – IT MATTERS!**

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### **PRESENTERS:**

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# What will you learn today?

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1. Why is affordable housing important for economic development?
2. Case study of the Grandvilla Senior Apartments in the City of Riverside, California.
3. What resources are available to finance affordable housing?



# The Facts about Affordable Housing

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- **Affordable housing** is defined as housing that the occupant pays no more than 30% of his or her income for gross housing cost.
- The United States is home to over 10 million low-income renters according to data from the Joint Center for Housing Studies of Harvard University.
- There is a shortfall of 6 million rental units in adequate physical condition and affordable to households in the United States.
- The level of unmet demand varies regionally, with long waiting lists and extremely low vacancy rates in expensive markets such as New York City and San Francisco.

# Affordable housing's role in attracting business

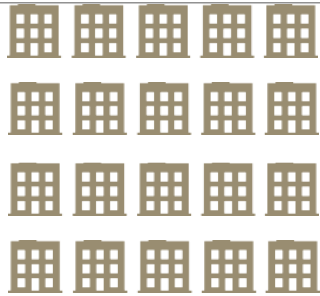
In a survey of company executives involved in selecting the location of new facilities for its business over 62% responded that the cost of housing was an important consideration only behind a low crime rate and the availability of quality healthcare. Source: The Center for Housing Policy

**Average Percentage of Household Income Spent on Housing**

State	Owner-Occupied				Renter-Occupied			
	Income Spent (%)		Rank		Income Spent (%)		Rank	
	2000	2014	2000	2014	2000	2014	2000	2014
Texas	18.0	19.3	16	24	25.0	30.3	15	15
Arizona	21.0	20.4	40	33	27.2	30.9	42	19
Nevada	22.6	21.6	48	39	26.8	30.0	38	13
Florida	21.4	22.4	43	43	28.8	35.5	50	46
New York	21.7	23.0	45	46	28.0	36.4	47	49
California	23.8	25.4	50	50	28.1	36.0	48	48

Source: U.S. Census Bureau

# What are the economic impacts of affordable housing?



**Every 100**  
typical Low Income  
Housing Tax Credit  
apartments will gener-  
ate an estimated...



**\$7.9 million** in local income in the first year  
and **\$2.4 million** annually



**122** local jobs in the first year  
and **30** jobs annually



**\$827,000** in taxes in the first year  
and **\$441,000** annually

# Other economic considerations



- 1. Economic liability of congested roads.**
  - Essential employees may be faced with long daily commutes.
  - Congested roads may reduce the profitability of local businesses by increasing operating costs and shrinking the area to draw for customers and employees.
- 2. Appreciating values of nearby homes thus creating a robust tax base.**
  - There has been concerns that affordable housing drives down property values, however studies show that it has no effect or a positive effect on property values. Source: Center for Housing Policy
  - Strength of the overall real estate market can effect how successful the efforts can be to spur local economic growth.
- 3. Affordable housing increases the money available for purchasing goods and services in the local economy.**

# Case Study: Grandvillas Senior Apartments, City of Riverside

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<https://vimeo.com/fsaca/grandvillas-feb-2016>



# The Finance Team

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## Issuer:

- **California Enterprise Development Authority**

## Lender:

- **Pacific Premiere Bank**

## Borrower:

- **Family Service Association Community Housing Development Organization d/b/a Aspire Community Housing Organization**

## Financial Consultant:

- **Kirk Dowdell – Dowdell Consulting, Inc.**

## Special Counsel:

- **Kutak Rock, LLP**





# Development Details

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- 5938 Grand Ave, Riverside CA 92504
- Lot size of 56,286 sf (1.29 acres) / Building size of 30,194 sf
- Targeted Population: Seniors ages 55+
- 19 One Bedroom/1 bath – 655 s.f.
- 18 Two Bedroom/1 bath – 899 s.f.
- 50% (19 units total) of the units restricted for affordable housing to tenants with Annual Median Income (AMI) of 80%.
- No governmental subsidy or funding in equity stack.
- As of April 2016 (six weeks prior to leasing) over 75 seniors interested in renting.



# Financing and Timing

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## Financing:

- Total Development Cost: \$5.7 Million
- Construction / Perm Loan: \$4,500,000 @ 3.08%
- 18-month interest only (12-month construction / 6 month lease up)
- 50% of units affordable without other subsidy layer or title covenants
- Creating affordable units in a post Redevelopment era

## Dates:

- Closing: May 1, 2015
- Construction Begin: July 1, 2015
- Construction End / Certificate of Occupancy (expected): May 30, 2016

# Resources for Creating Affordable Housing

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## Federal Resources:

- ***Department of Housing and Urban Development (HUD)*** entitlement funds
  - i.e. Community Development Block Grant (CDBG) and HOME funds (Program restricted to assisting households under 60% of the area median income.)
  - Can be part of the funding solution, but not all. HUD allocations have decreased 31% for CDBG and 51% for HOME since 2003.
- ***Low Income Housing Tax Credit (LIHTC)*** – Equity is placed through state housing finance housing agencies as capital for new, rehabilitated and/or preserved affordable rental projects that meet specific income targets under 60% of the area median income.

## Regulatory Approaches:

- ***Inclusionary Zoning*** – Local agency adopts regulations that require that a developer reserve some portion of a residential project as affordable.

# Resources continued..

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## Regulatory Approaches continued:

- ***Affordable Housing Impact Fees*** – Requires new non-residential developments to pay a fee that mitigates a portion of demand for affordable housing. The fees are then used to build or offset the cost of building affordable housing in the community.

## Institutional Partnerships:

- Some communities have leveraged institutional partners to address affordable housing.
  - ***Duke-Durham Neighborhood Partnership, North Carolina*** – Founded in 1996 has raised more than \$12 million to invest in partner neighborhoods. This includes a \$4 million investment in a community development lender to support the development of affordable housing.
  - ***University of Chicago*** – Subsidizes housing for low-income residents in the surrounding neighborhoods. It owns \$2,000 rental units and estimates 65% of the university faculty and 3,000 staff live in these neighborhoods.

# Tips to address affordable housing in your community

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1. Look at the local and regional economic trends. (i.e. where are the job centers, types of jobs, etc.)
2. Review land use regulations in your community.
3. Look at the balance and imbalance between the location of housing and jobs/businesses.
4. Review how much development can be constructed along transit corridors.
5. Identify opportunities to leverage public finance resources. (i.e. LIHTC, HOME, tax-exempt bonds)
6. Look to partner with banks and other private/institutional partnerships.