



New Strategies for Preserving Affordable Housing
Northern California Community Loan Fund

Los Angeles, CA
March 30, 2004

Presentation for
2004 Community Reinvestment Conference

NCCLF

At A Glance

- Formed in 1987, located in San Francisco
- Provide financing and technical assistance to nonprofit organizations serving urban, suburban and rural low income and disadvantaged communities
- Serve 42 counties in Northern California

NCCLF

Programs

- Revolving Loan Fund
 - Currently capitalized at approximately \$13 million
- Fiscal Fitness
 - Lead workshops and provide individual consulting in financial management issues
- Nonprofit Space Capital Fund
 - Equity grants for the creation of permanently affordable nonprofit space
 - Planning grants
 - Arts grant program

Preserving Affordable Housing

Why is this important?

- Market rate housing is unaffordable to low-income individuals
- CA housing production does not keep up with demand, increasing housing costs
- Development costs continue to increase for new construction
- Removing existing affordable units exacerbates an existing problem

Preserving Affordable Housing

Why is this important?

California Fair Market Rents, 2004:

- Studio \$748
- One Bedroom \$878
- Two Bedroom \$1,101
- Three Bedroom \$1,510
- Four Bedroom \$1,749

*California Budget Project

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Why is this important?

Hours of minimum-wage work per week
required to afford California Fair Market Rent:

- Studio, 85 hours
- One Bedroom, 100 hours
- Two bedroom, 126 hours
- Three bedroom, 172 hours
- Four bedroom, 199 hours

*California Budget Project

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Why is this important?

- California must build 220,000 new units a year through 2020 to keep up with growth
- During the 1990's housing production averaged 110,648 units per year
- Between 2000 and 2002 housing production averaged 154,782 units per year

*California Budget Project

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Status of Federally Subsidized Housing in California

Inventory	No. Projects	No. Units
Section 8 only	1,212	64,025
Section 236/221(d)(3) w/ Section 8	649	65,122
Section 236/221(d)(3) w/o Section 8	84	6,176
Section 515 w/ Section 8	30	1,468
Section 515 w/Rental Assistance	204	9,062
Section 515 w/o Rental Subsidy	74	3,011
Total Federally Assisted	2,253	148,864
* According to California Housing Partnership Corp, 6/03		

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Status of Federally Subsidized Housing in California

Risk Assessment	No. Projects	No. Units
Units At Risk	792	45,668
Lower Risk-- Nonprofit Owned	671	48,065
Lower Risk-- Post 2007 Expiration	323	12,151
Previously Preserved-- Title II/VI	148	14,258
Units Prepaid or Opted Out	329	26,649
Preservation Acquisitions	26	3,030
* According to California Housing Partnership Corp, 6/03		

Preserving Affordable Housing

Case Study– Charter Oaks Apartments

3025 Browns Valley Road , Napa

- *15 one-bedroom units*
- *40 two-bedroom units*
- *4 two-bedroom handicap units*
- *16 three-bedroom units*

100% occupied by very low income tenants
(less than 50% AMI)

61% of residents are non-migrant farm workers

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Case Study– Charter Oaks Apartments

- Two-year waiting list
- Nine building project developed in 1983 by a for-profit developer
- Amenities: spacious grounds, a basketball court, tot lot, community garden
- Located in a predominately single-family neighborhood

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Case Study– Charter Oaks Apartments

Napa, California in 2000:

- Area Median Income for family of four:
\$52,300
- Median home price: \$230,000
- Market rate rental:
 - \$695, one-bedroom
 - \$900, two-bedroom
 - \$1,000, three bedroom

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Case Study– Charter Oaks Apartments

- Purchaser: Charter Oaks Associates, LP
 - Trinity Housing Foundation, a 501 (c)3
 - A.F. Evans Company, a for profit developer of both affordable and market-rate housing
- Maintain long-term affordability of units:
 - 80% units affordable to 60% of AMI (\$31,380)
 - 20% units affordable to 50% of AMI (\$26,150)

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Case Study– Charter Oaks Apartments

Original Financing Structure

Sources		Uses	
Equity	\$14,000	Property Acquisition	\$5,555,000
CHFA bonds	4,212,058	Rehabilitation	575,000
4% Tax Credit equity (Lend Lease)	1,908,256	Soft costs	378,604
NCCLF loan	700,000	Development Fees	325,710
TOTAL	\$6,834,314	TOTAL	\$6,834,314

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Case Study– Charter Oaks Apartments

- Bond application unsuccessful, because project was not considered “at risk”
 - California Debt Limit Allocation Committee definition of at risk: expiration in less than 24 months
 - Charter Oaks expiration: 30 months
- Seller only willing to extend purchase agreement by one month

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Case Study– Charter Oaks Apartments

Final Financing Structure Acquisition

Uses		Sources	
Property Acquisition	\$ 5,555,000	Washington Mutual	\$ 4,254,715
Administrative	\$ 26,300	NCCLF	\$ 450,000
Financing Fees	\$ 98,697	Owner Equity	\$ 875,282
		Lend Lease Predevelopment	\$ 100,000
Total	\$ 5,679,997	Total	\$ 5,679,997

- Washington Mutual: Interim acquisition loan with 30 year amortization, secured with first deed of trust
- NCCLF loan increased to \$700,000. \$450,000 for acquisition
- Owner Equity increased by Lend Lease, the projected tax credit investor coming into the transaction early on an interest deferred, unsecured basis. Later equity contributions (after receipt of tax credits) to be reduced by this equity, and the amount of deferred interest.

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Case Study– Charter Oaks Apartments

Final Financing Structure

Permanent Financing

Uses		Sources	
Acquisition	5,555,000	Napa Housing Authority-- bonds	4,215,000
Rehabilitation	578,300	Tax Credit Equity	2,136,131
Soft Costs	1,384,375	Deferred Developer Fee	56,274
Developer Fee	281,904	NCCLF	700,000
		Operating Income	403,020
		Napa Housing Authority	289,154
Total	7,799,579	Total	7,799,579

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Case Study– Charter Oaks Apartments

- Section 8 premium provides sufficient income after operating costs to service property debt
- After original Section 8 expired, HUD has renewed project subsidy on an annual basis

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Case Study– Leisureville

Leisureville Mobile Home Park

Woodland , Yolo County

- 20 acre site*
- 150 spaces for modular units*
- Community center, pool and R.V. parking*

100% of residents are seniors

60% of residents are low-income

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Case Study– Leisureville

- Purchased from owner by resident association to preserve affordability
- Limited equity cooperative structure allows occupants to own their own units, while the resident association owns the park

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Case Study– Leisureville

Acquisition \$5,050,000

Sources:

Washington Mutual \$1,237,981

Mercy Loan Fund \$ 500,000

NCCLF \$ 200,000

City of Woodland HOME \$3,112,019

Total: \$5,050,000

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Case Study– Leisureville

Resident Occupancy Costs:

One time membership fee \$5,750

Annual assessment \$3,872

City of Woodland makes CDBG funds available to subsidize membership fee for low-income households

City of Woodland HOME loan is deferred as long as 51% of park residents are low-income

Preserving Affordable Housing

- Preservation efforts should focus on all types of affordable units, not just projects with expiring subsidies
- Involving public funds ensures long-term continued affordability
- Alternative ownership structures can help maintain project affordability