



CALIFORNIA'S AFFORDABLE HOUSING FUNDING NEEDS AND SOLUTIONS

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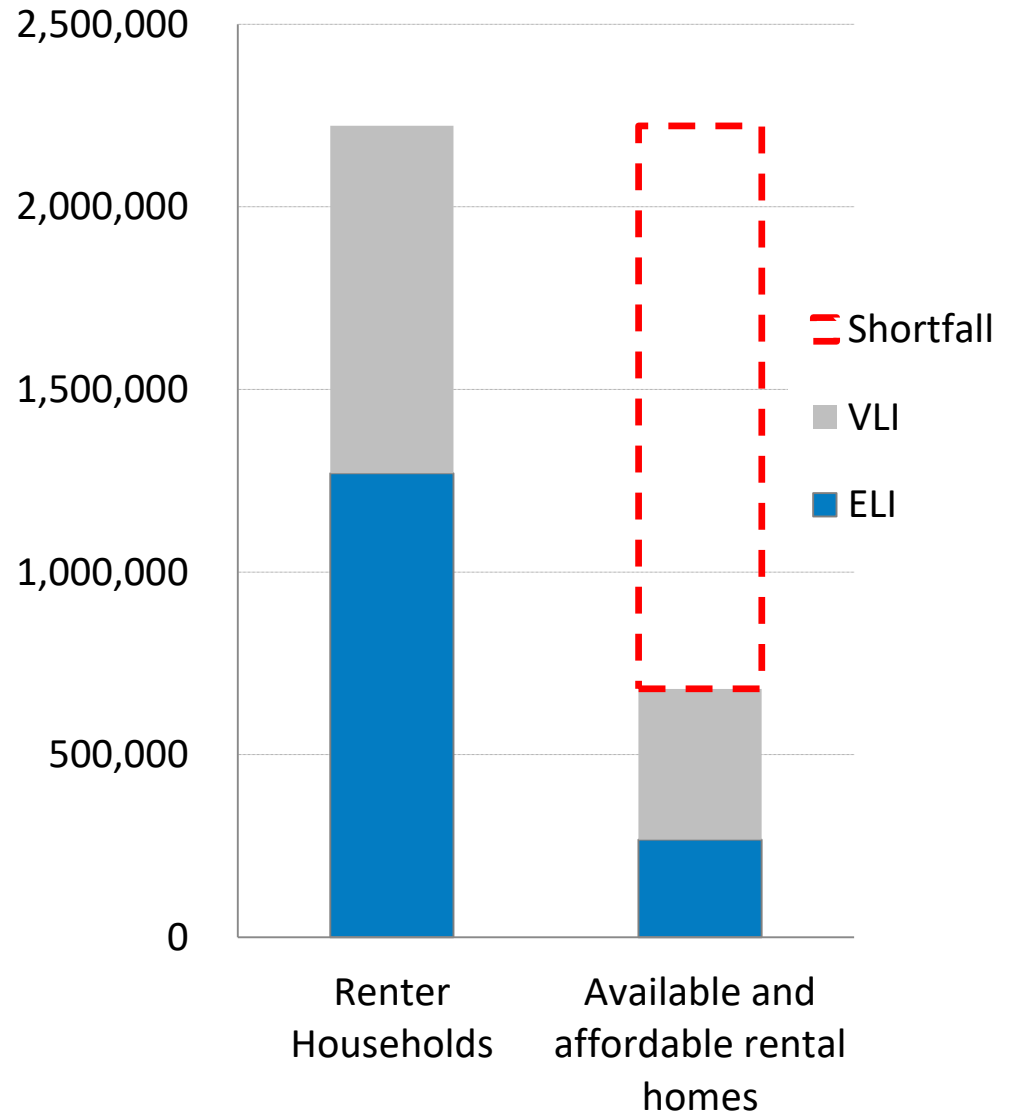
California Housing Partnership Corporation

- Created by Legislature in 1988
- Board appointed by Speaker, Pro Tem + Governor
- No state funding, not a state agency (nonprofit)
- Helped private and public housing developers leverage more than \$12 billion in private and public funding to create and preserve more than 60,000 affordable homes, while providing leadership on rental housing policy and funding

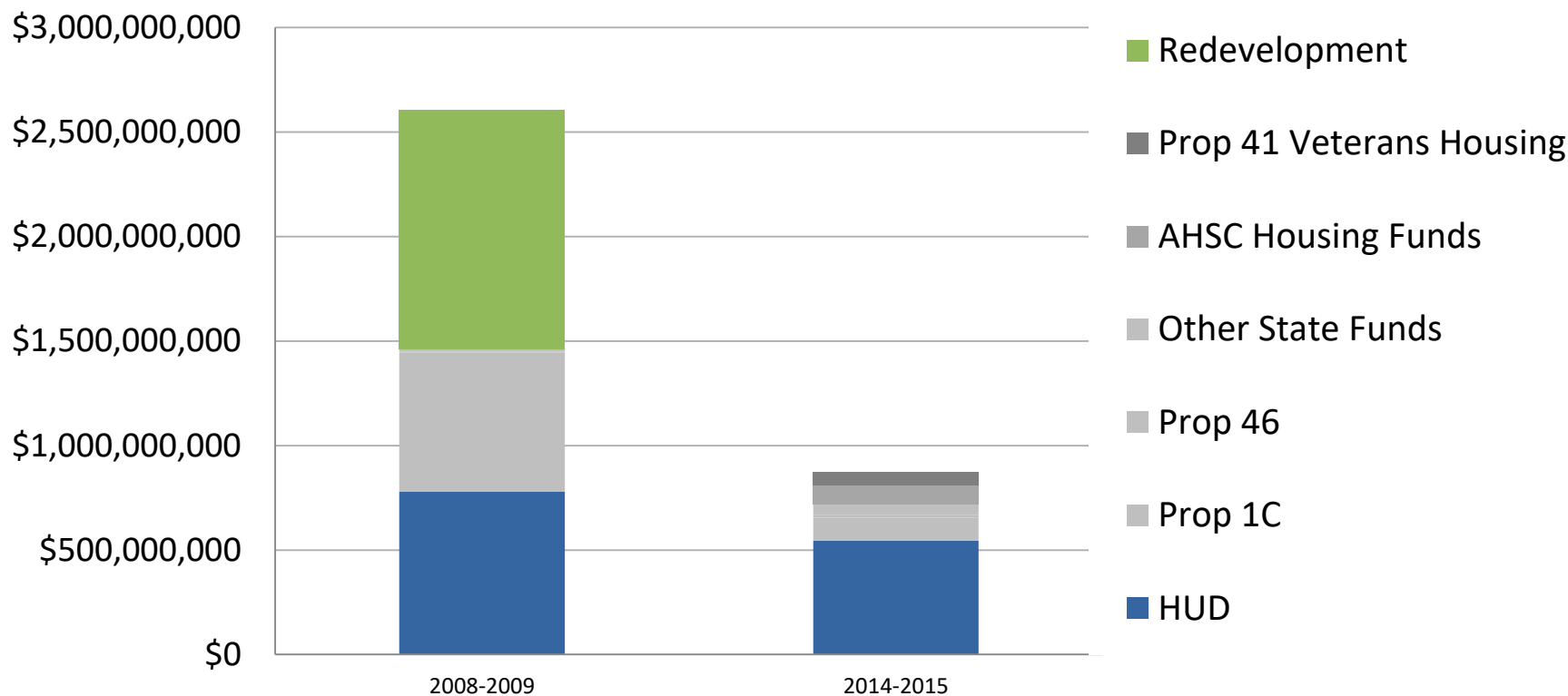
There is a shortfall of over 1.54 million affordable homes for low income renter households.

Not one county in CA has a sufficient number of affordable rental homes

SHORTFALL OF AFFORDABLE AND AVAILABLE RENTAL HOMES



California's affordable housing funding has declined 66.5% since 2008- over 1.7 billion dollars



CAPITAL FUNDING SOURCE	FY 2008 -2009	FY 2014-2015	% CHANGE
Redevelopment	\$1,142,555,324	\$0	-100%
State Housing Bonds & Other State Funding	\$680,429,821	\$328,341,578	-52%
HUD	\$778,782,375	\$545,325,816	-30%
Total	\$2,601,767,520	\$873,667,394	-66.5%

Financing Solutions to Begin to Close the Affordable Housing Gap

Keys to Affordable Rental Housing Finance

1. Sources to cover costs:
 - A. Private bank mortgage (but adding debt increases rents)
 - B. Investor Equity (through sale of tax credits & deductions)
 - C. Subsidy (federal, state and/or local funds)
2. → Affordability created by equity & subsidy, not debt

Low Income Housing Tax Credit Program

- Housing Credit program created by Congress in 1986 to help states finance workforce housing
- US Treasury allocates Credits to states, which allocates Credits to developers over 10 years
- Investors pay developers \$0.95 for each credit plus share of deductions (down from \$1.10 in 2016)
- Credits have created 350,000 homes in CA
- Default rate less than 0.1%
- Most successful private-public partnership

Housing Credit Drives All Production in CA

- Two types of Credit: 9% (capped), 4% (uncapped)
- In 2016, CA used 9% credits to generate \$1 Billion and 4% Credits to generate \$1.4 billion in equity
- 9% federal Credit oversubscribed >2:1
- Ability to obtain federal 4% Credits limited by (1) state bond allocation availability, and (2) matching state gap subsidy

Key Rental Housing Financing Facts

- California created the Multifamily Housing Program in 2003 specifically to leverage 4% Housing Credit equity from federal government
- From 2003-2015, CA invested \$1.5 billion in Propositions 46 and 1C and GF\$ to create and preserve a total of almost 25,000 homes via MHP
- Of these, MHP funded the construction of nearly 20,000 new rental homes at only \$67,000 per unit
- Even without Redevelopment \$, MHP per unit cost did not increase significantly in 2014-2015

Key Rental Housing Financing Facts

- For each \$70,000 in new state subsidy, CA receives \$120,000 to \$150,000 in federal 4% Housing Credit investment to create one new affordable rental home with sufficient local funds
- Voters in Los Angeles and Bay Area approved more than \$3 Billion in 2017 as their contribution
- State could increase production by 14,000+ new homes annually if we invest \$1 billion in matching state \$\$, as with Propositions 46 and 1C

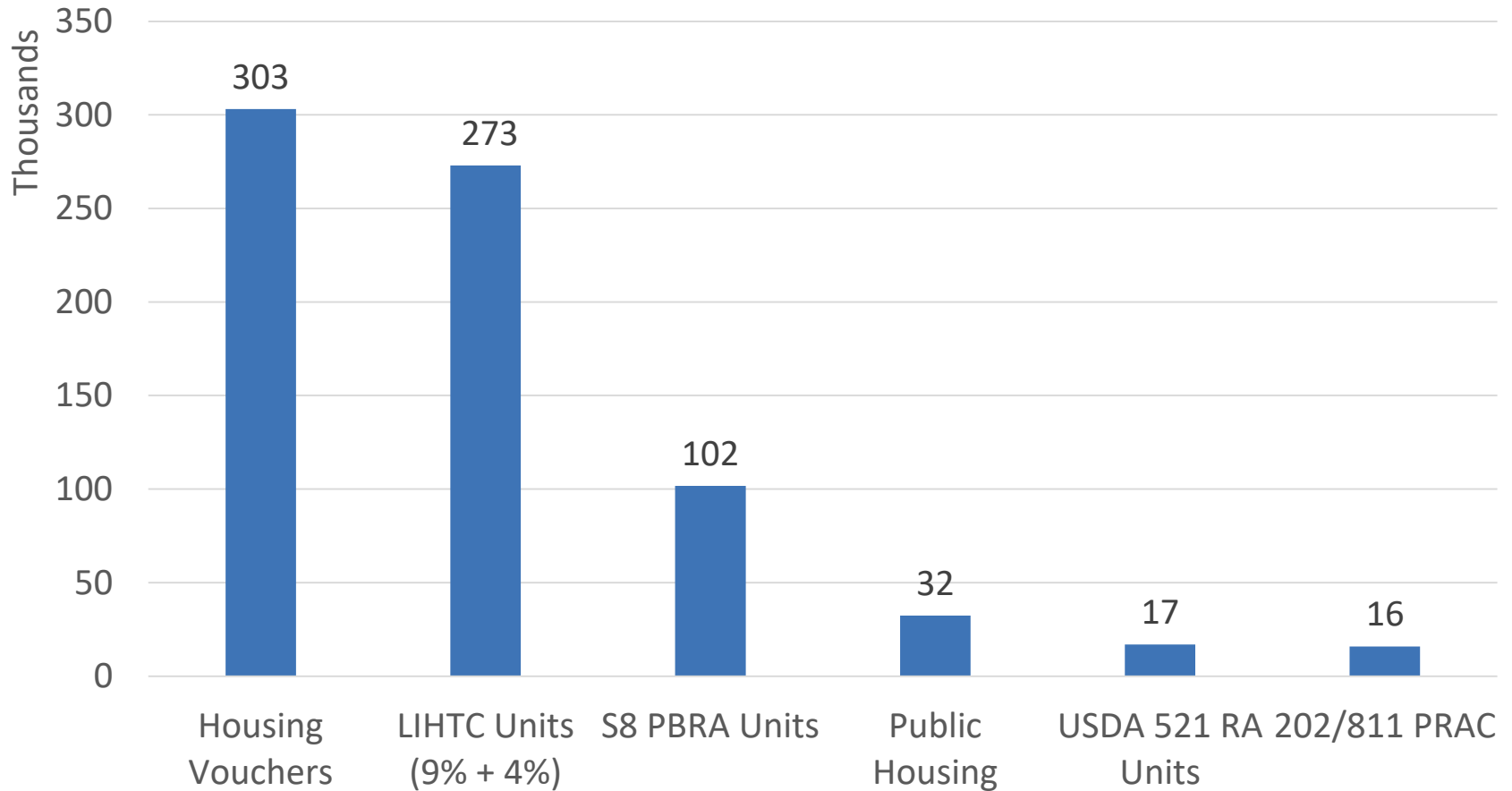
Options for State to Raise Gap Funds

1. A new state housing bond similar to 1C and 46
2. Documentary recording fee (\$300M/year)
3. Elimination of MID on 2nd Homes (\$300M/year)
4. Elimination of some 1031 exchange exemptions for large corporations (\$300M+/Year)
5. Tax on bank profits in CA (FDIC insured institutions with assets of \geq \$100M)
 - a. Profits of \$6B in 2016, up >35% from 2015
 - b. 5% windfall tax would be \$300M/year

California's Most Important Federal Housing Programs

Vouchers are the largest single source of federal assistance in CA but the LIHTC is close

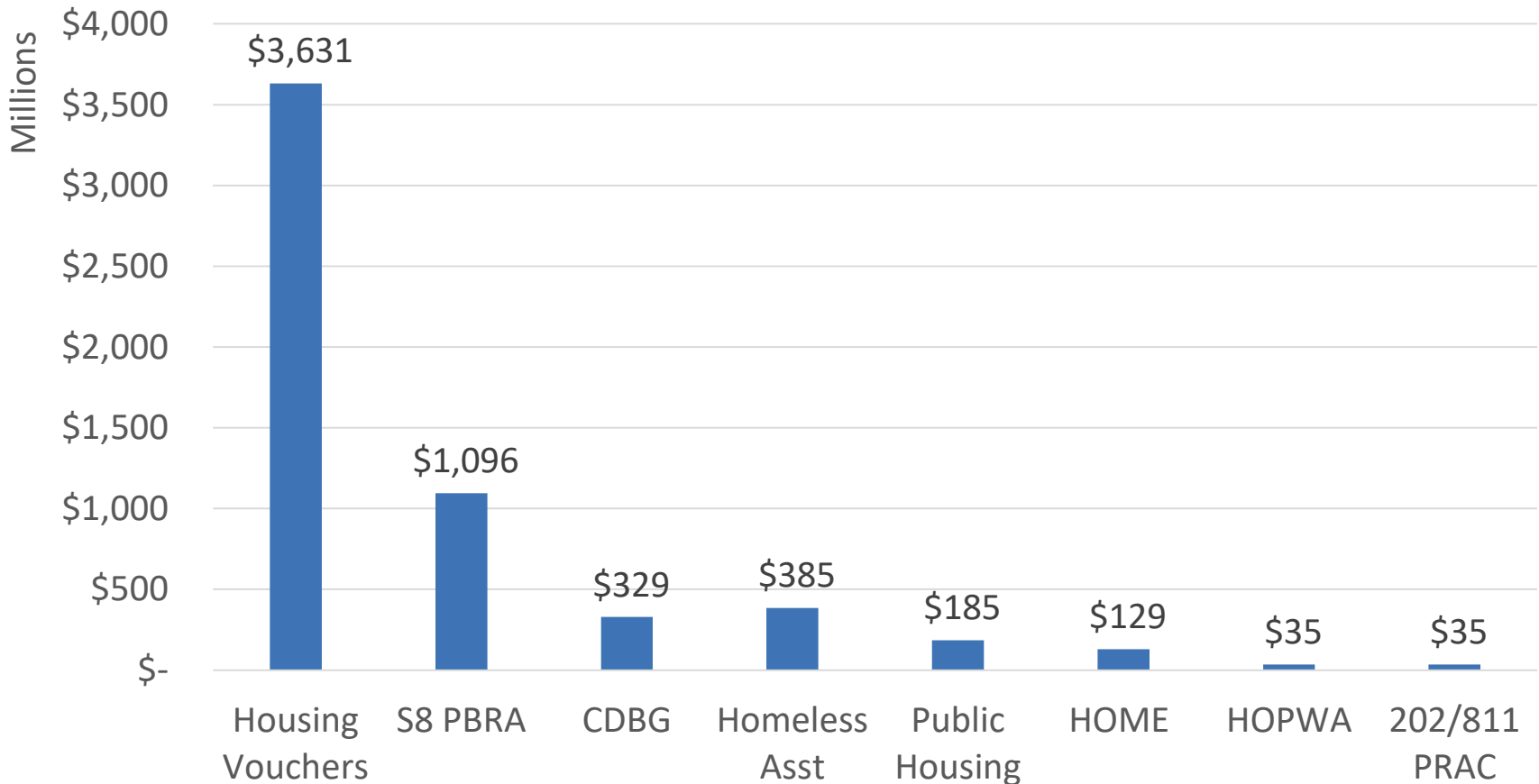
Number of assisted units in CA in 2016, in thousands



Compiled by the Center on Budget & Policy Priorities from HUD, OMB, USDA sources

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