AFFORDABLE HOUSING INFORMATION WORKSHOP

City of Encinitas
Housing Authority
October 10, 2018
PURPOSE & OUTLINE

- Staff to provide overview of affordable housing in Encinitas
- Describe affordable housing funding programs
- Showcase recent affordable housing communities
- Panel discussion/Q&A discussion
- Receive feedback and direction

Cantebria Senior Apartments
WHAT IS “AFFORDABLE” HOUSING?

□ Affordable Housing
  o 30% of monthly income towards housing
  o Deed-Restricted

□ Area Median Income (AMI) for San Diego County
  o Department of Housing and Urban Development
  o California Health and Safety Code
## LOW INCOME DEFINED

<table>
<thead>
<tr>
<th>Area Median Income</th>
<th>%</th>
<th>2018 Income Limit (4 person)</th>
<th>2018 Rent Limit (2 bd)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Low</td>
<td>30%</td>
<td>$29,200</td>
<td>$552</td>
</tr>
<tr>
<td>Very Low</td>
<td>50%</td>
<td>$48,650</td>
<td>$920</td>
</tr>
<tr>
<td>Low</td>
<td>80%</td>
<td>$77,850</td>
<td>$1,104</td>
</tr>
<tr>
<td>Moderate</td>
<td>120%</td>
<td>$98,150</td>
<td>$2,025</td>
</tr>
</tbody>
</table>

2018 San Diego Median Income: $81,000

Note: Income/Rents vary based on program and changes annually
38.5% of households have incomes less than $75,000 (ACS 2012-2016)

1% of housing stock deed restricted at 80% AMI or below (SANDAG and City of Encinitas)

Median Sales Price $1,165,900 (HomeDex)

Median Rent $3,544 (Zillow)

Policy question to consider: Should a deed restricted goal (%) be established?
### Deed Restricted

<table>
<thead>
<tr>
<th>Type</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apartment Units</td>
<td>136</td>
</tr>
<tr>
<td>Accessory Units</td>
<td>101</td>
</tr>
<tr>
<td>Single-Family/Condos</td>
<td>65</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>302</strong></td>
</tr>
</tbody>
</table>

- **Pacifico Encinitas**
## Non-Deed Restricted

<table>
<thead>
<tr>
<th>Program</th>
<th>Funding</th>
<th>Households Assisted</th>
<th>Administering Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 8 Rental Assistance</td>
<td>Federal – HUD</td>
<td>Approx. 100</td>
<td>City of Encinitas Housing Authority</td>
</tr>
<tr>
<td>Residential Rehabilitation Program</td>
<td>Federal – HUD</td>
<td>110 since 2008</td>
<td>City of Encinitas Development Services</td>
</tr>
<tr>
<td>Opening Doors</td>
<td>Encinitas - General Funds</td>
<td>80 Since 2016</td>
<td>Community Resource Center</td>
</tr>
<tr>
<td>Down Payment Assistance</td>
<td>Federal – HUD</td>
<td>None</td>
<td>County of San Diego</td>
</tr>
</tbody>
</table>
AFFORDABLE HOUSING FUNDING

- **FEDERAL**
  - Section 8 Project Based Vouchers
  - HUD 202 Program
  - Many More

- **STATE:**
  - Tax Credits
  - Affordable Housing & Sustainable Communities
  - Veterans Housing Program
  - Many More

- **COUNTY:**
  - HOME Funding
  - Mental Health Services Act Funding
  - Housing Trust Fund

- **CITY:**
  - CDBG Funding (acquisition, rehab, site clearance)
  - Affordable Housing Funds
WHAT ARE TAX CREDITS?

- Tax Reform Act of 1986 to encourage public/private partnerships to develop affordable housing
- Governed by Section 42 of the IRS Code
- Known as Low-income Housing Tax Credit (LIHTC)
- Administered by each State
  - California Tax Credit Allocation Committee (TCAC)
- Highly competitive program
  - Twice per year funding
HOW DO TAX CREDITS WORK?

- Tax Credits are a dollar for dollar reduction in federal income tax liability
- Two types of Tax Credits, 9% and 4% Credits:
  - 9% and 4% refer to the approximate % of a project’s “qualified basis” a taxpayer may deduct from their annual federal tax liability for ten years
- Affordable housing developers awarded with Tax Credits partner with an equity investor who purchases the credits in order to offset their tax liability
- Developers use equity provided by investors to acquire, construct, and/or rehabilitate affordable housing
Capital or equity received from the sale of Tax Credits reduces the amount of debt or loans needed to cover the cost of construction.

Remaining amount of funding needed to fill the “gap” in financing of affordable housing comes from local jurisdictions and/or other sources.
GAP FINANCING

- The City funds “Gap” via Residual Receipts loans
- Low interest loan for the term of the deed restrictions (usually 55 years)
- Paid off from Residual Receipts and refinancing of the project
- Residual Receipts = Cash flow at end of fiscal year after all allowable project operating expenses, debt service, etc. have been met
PUBLIC/PRIVATE PARTNERSHIP

“Partner w/folks who really have it down”

RECENT AFFORDABLE HOUSING COMMUNITIES
LAS PALMAS: SAN CLEMENTE, CA

National Community Renaissance (CORE)
- 19 one-bedroom units
- 30%-60% AMI
- Community room
- Mixed-use / R24 zone
- 52 net units/acre
- 2-3 stories; 30 feet

Funding

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>4% Tax Credits</td>
<td>$3,158,265</td>
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<tr>
<td>City of San Clemente Loan</td>
<td>$3,430,000</td>
</tr>
<tr>
<td>State Grant</td>
<td>$731,000</td>
</tr>
<tr>
<td>Developer Loan</td>
<td>$400,000</td>
</tr>
<tr>
<td>30-year Mortgage</td>
<td>$432,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,151,265</strong></td>
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</tbody>
</table>
National Community Renaissance (CORE) (Rancho Cucamonga, CA)

- 54 units
- Families 30%-60% AMI
- Preschool onsite
- Community center and services
- Voter approved R30 sites
- 17 net units/acre
- 3 stories; 30 feet

### Funding

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
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<tr>
<td>9 % Tax Credits</td>
<td>$15,430,624</td>
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<tr>
<td>City of Yorba Linda Loan</td>
<td>$5,234,803</td>
</tr>
<tr>
<td>Other Loans</td>
<td>$4,143,094</td>
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<tr>
<td>Developer Equity</td>
<td>$100,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$24,881,521</strong></td>
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</table>
Opportune Companies (Encinitas, CA)
- 98 units
- Families 30% - 60% AMI
- Mixed-use: 26,500 sq. ft. retail
- New street + numerous infrastructure improvements
- Community amenities and services
- LEED Silver or equivalent
- Mixed-use/R30 zone
- 29 net units/acre
- 2-4 stories; up to 60 feet

### Funding

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
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<tbody>
<tr>
<td>9% Tax Credits</td>
<td>$22,279,806</td>
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<tr>
<td>City of San Marcos Loan</td>
<td>$12,281,000</td>
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<tr>
<td>Total</td>
<td>$34,560,806</td>
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</table>
Hitzke Development (Lemon Grove, CA) & C & C Development (Tustin, CA)

- 84 units
- Families at or below 60% AMI
- Mixed Use - 4,000 sq. ft. retail
- Community amenities and services
- LEED Silver or equivalent
- Mixed-use/R30 zone
- 20.9 net units/acre
- 2-3 stories; up to 35 feet

### Funding

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
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<tbody>
<tr>
<td>9% Tax Credits</td>
<td>$17,026,867</td>
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<tr>
<td>City of San Marcos Loan</td>
<td>$11,681,583</td>
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<tr>
<td>Conventional Mortgage</td>
<td>$1,106,430</td>
</tr>
<tr>
<td>HMSA</td>
<td>$1,637,804</td>
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<tr>
<td>Deferred Fees</td>
<td>$274,826</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$31,700,510</strong></td>
</tr>
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Affirmed Housing (San Diego, CA)
- 50 units; over two sites
- Homeless veterans/families
- 30% - 60% AMI
- R30 zone
- 51.2 net units/acre
- 3 stories; 35 feet
- Awaiting Funding

<table>
<thead>
<tr>
<th>Funding (anticipated)</th>
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<tbody>
<tr>
<td>Tax Credits</td>
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<tr>
<td>City of Carlsbad Loan</td>
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<tr>
<td>Affordable Housing Program</td>
</tr>
<tr>
<td>Other</td>
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<tr>
<td><strong>Total</strong></td>
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</table>
Q&A/PANEL DISCUSSION
□ Develop policies, guidelines, deal point standards, and incentives
  ○ Late 2018/Early 2019: Workshop and review of draft documents
  ○ Spring 2019: City Council Consideration
THANK YOU!

CONTACTS

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