

**AFFORDABLE HOUSING  
FINANCE 101**

BUILDING HOUSING  
COSTS MONEY.

HOW MUCH MONEY?

~\$655,000 per apartment

## HOW DO WE PAY FOR IT?

- Conventional debt
- Tax credit equity
- Government loans (e.g. State, County, Trust, City)
- Deferred Developer Fee
- Grants
- General Partner Equity

# PROJECT EXAMPLE

- **Sankofa Place at Centinela**
- 120 units
- Total Development Cost: \$94,686,866
- \$789,000 per unit



## PROJECT EXAMPLE

	<b>30% AMI</b>	<b>50% AMI</b>	<b>60% AMI</b>	<b>80% AMI</b>	<b>Manager's Units</b>	<b>Total</b>
<b>Studio</b>	40					<b>40</b>
<b>One-Bedroom</b>	19	11	14	4		<b>48</b>
<b>Two-Bedroom</b>	2	5	4	4	2	<b>17</b>
<b>Three-Bedroom</b>	2	10		3		<b>15</b>
<b>Total</b>	<b>63</b>	<b>26</b>	<b>18</b>	<b>11</b>	<b>2</b>	<b>120</b>

## PROJECT EXAMPLE

Rents are limited by bedroom size and target income level, updated annually.

	<b>30% AMI</b>	<b>50% AMI</b>	<b>60% AMI</b>	<b>80% AMI</b>	<b>Manager's Units</b>
<b>Studio</b>	\$795				
<b>One-Bedroom</b>	\$852	\$1,420	\$1,704	\$2,272	
<b>Two-Bedroom</b>	\$1,022	\$1,703	\$2,044	\$2,726	\$0
<b>Three-Bedroom</b>	\$1,881	\$1,969		\$2,918	

# PROJECT EXAMPLE

- Sankofa Place has approximately \$2,500,000 annual rental income
- Expenses paid from rental income total \$1,600,000
  - Property Management
  - Maintenance
  - Resident Services
  - Reserves
  - Insurance
  - Taxes
- After expenses, \$900,000 is available for debt service

# CONVENTIONAL DEBT

- Many factors affect amount of debt a project can support
  - Interest rate
  - Debt coverage ratio
  - Term of loan
- At Sankofa Place, \$900,000 in available cashflow supports \$9,148,000 in debt

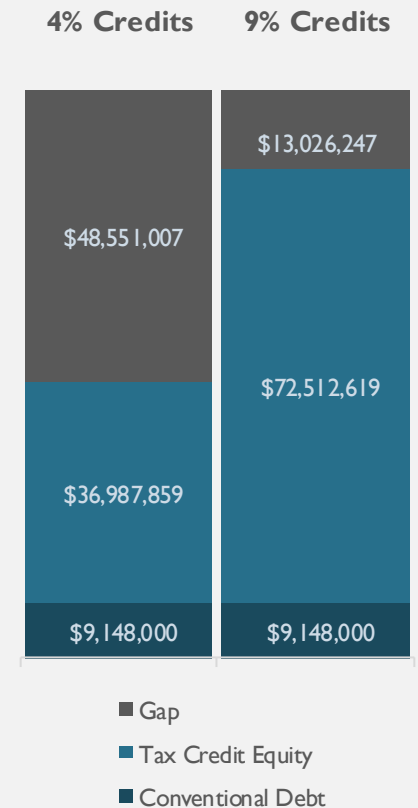


# TAX CREDIT EQUITY

- Low Income Housing Tax Credits (LIHTC) were created as part of the Tax Reform Act of 1986
- Affordable housing projects are awarded tax credits by the California Tax Credit Allocation Committee (TCAC)
- Tax credits are then sold to tax credit investors
- Two types of tax credits, 9% and 4%
  - 4% tax credits pay for ~4% of development costs per year for ten years.
  - 9% tax credits pay for ~9% of development costs per year for ten years.
- Numerous factors affect a project's Tax Credit Equity
  - Price of tax credits
  - Voluntary reduction in tax credit request

## 4% VS 9% TAX CREDITS

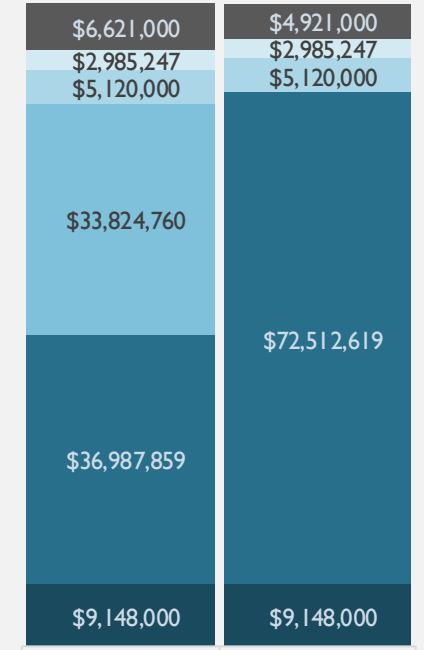
- 9% tax credits are much more competitive
  - Requires significantly more local funding to improve tie-breaker
- Many State programs only provide financing for 4% projects
- Sankofa Place applied for 4% tax credits
- The project would not have been competitive for 9% tax credits based on the amount of local funding projected to the project



# GOVERNMENT LOANS

- State has various programs with different requirements and priorities
  - Multifamily Housing Program (MHP)
  - Infill Infrastructure Grant (IIG)
  - Veterans Housing and Homelessness Prevention (VHHP) Program
  - Affordable Housing and Sustainable Communities (AHSC) Program
  - Homekey+
- Los Angeles County Development Authority
  - Annual NOFA makes funding available with multiple funding sources
- City
  - Community Development Block Grant (CDBG)
  - HOME Program
  - Affordable housing in-lieu fees
  - General funds
  - City-owned land
- LACAHS/Trust

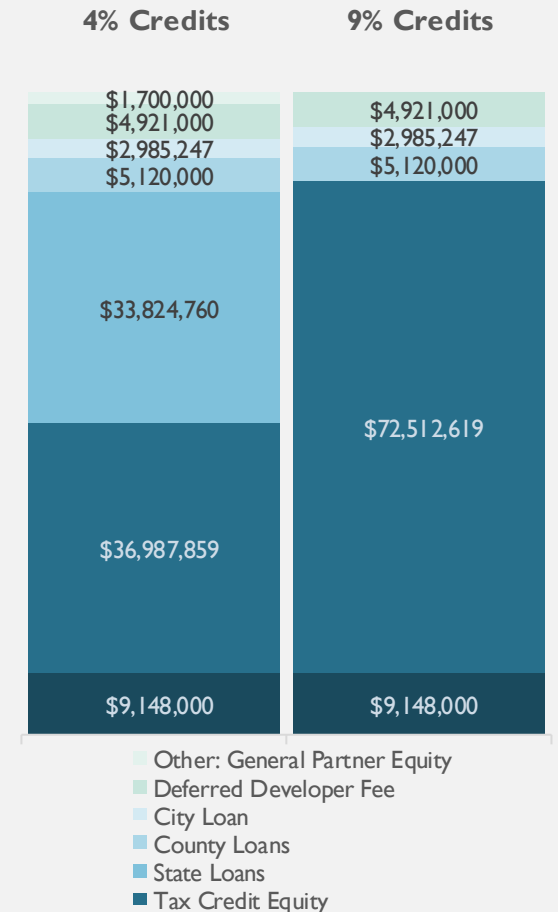
**4% Credits      9% Credits**



- Gap
- City Loans
- County Loans
- State Loans
- Tax Credit Equity
- Conventional Debt

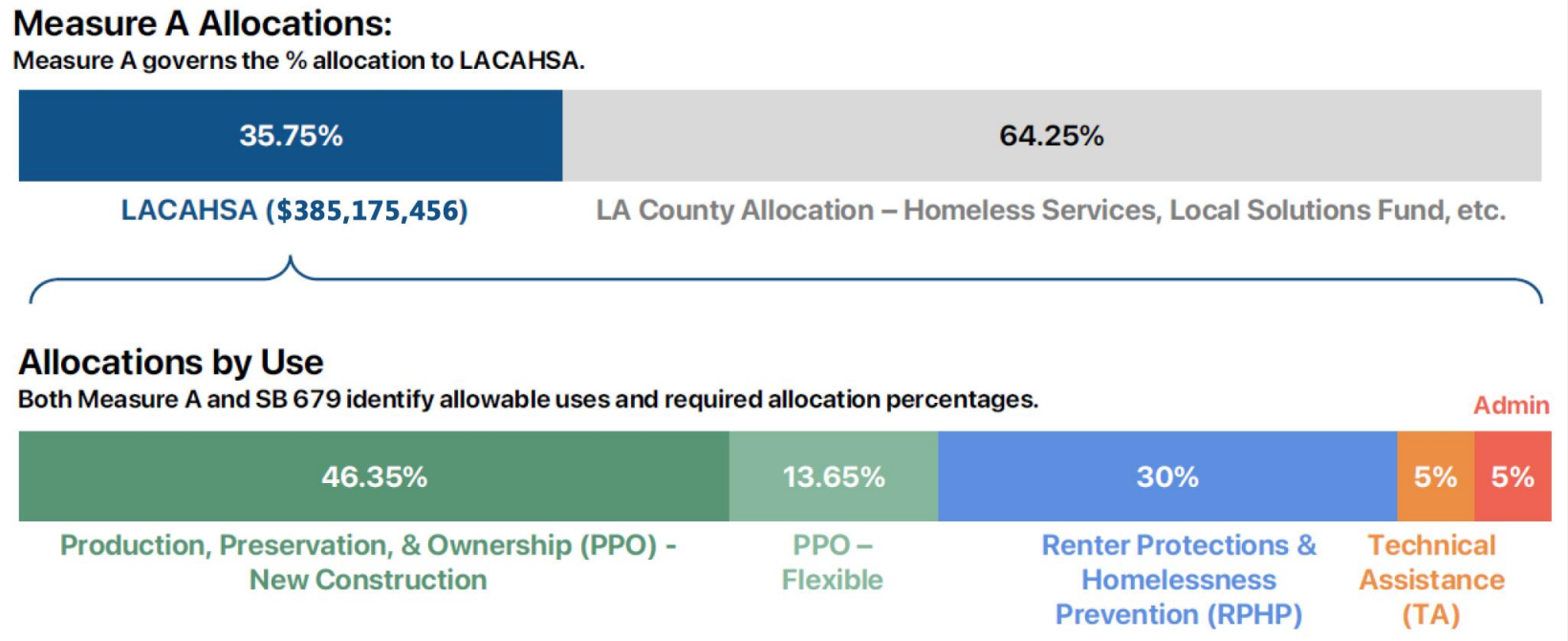
# DEFERRED DEVELOPER FEE & GENERAL PARTNER EQUITY

- Developer fee is how developers get paid to maintain their operations.
  - Deferring developer fee acts like a loan to the project.
- General Partner Equity is funds developer contributes to the project, but is not a loan.
  - Significant General Partner Equity is rare in projects.
- These funds are the most flexible, but also limited in each project.



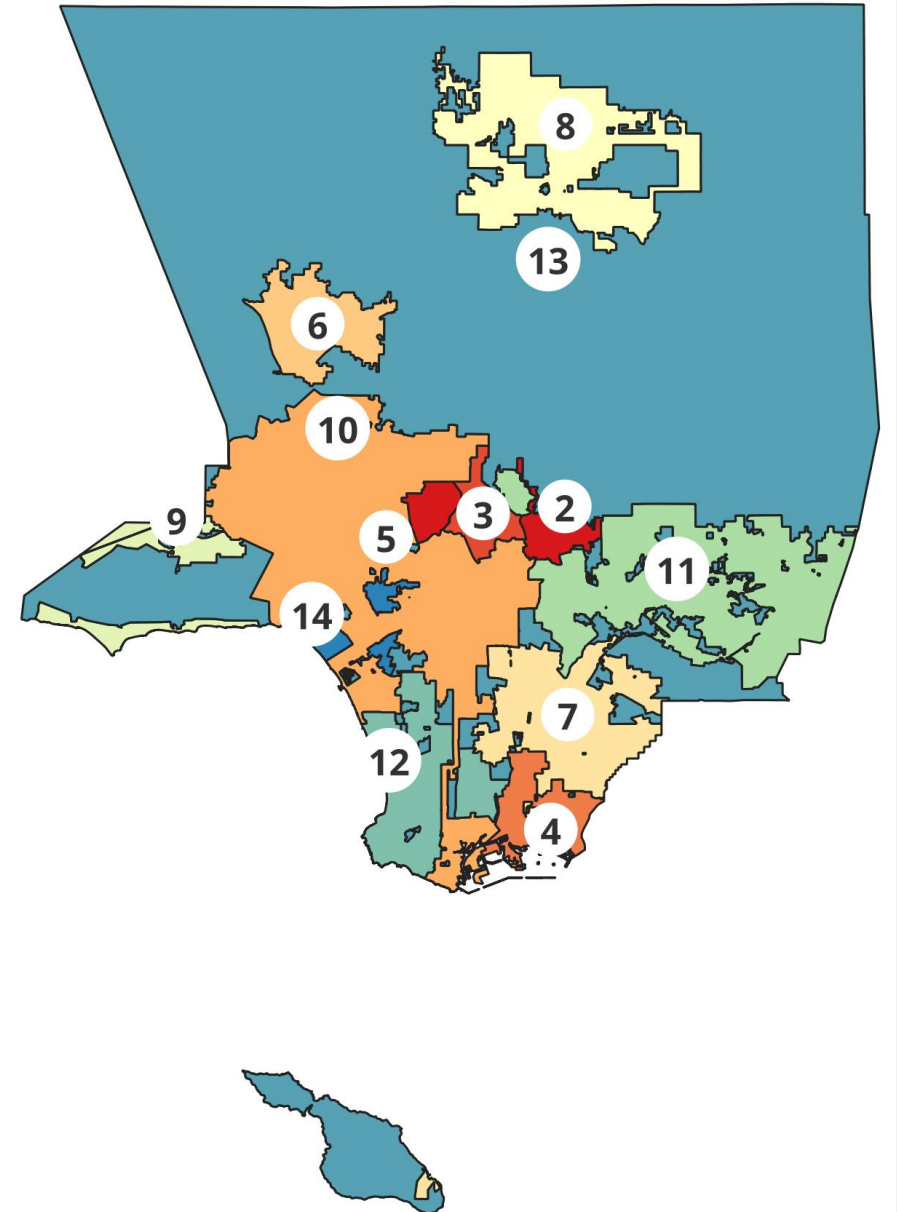
# MEASURE A & LACAHSAs

- Los Angeles County Affordable Housing Solutions Agency (LACAHSAs)
- Measure A passed in 2024, creating a 1/2¢ sales tax for affordable housing, homelessness services, and homelessness prevention



# MEASURE A & LACAHSAs

<b>1</b>	<b>LACAHSAs</b>	<b>\$ 129,033,777</b>
<b>2</b>	<b>Burbank-Glendale-Pasadena RHT</b>	<b>\$ 6,506,935</b>
<b>3</b>	<b>City of Glendale</b>	<b>\$ 5,102,985</b>
<b>4</b>	<b>City of Long Beach</b>	<b>\$ 10,698,220</b>
<b>5</b>	<b>City of Los Angeles</b>	<b>\$ 134,656,351</b>
<b>6</b>	<b>City of Santa Clarita</b>	<b>\$ 3,409,431</b>
<b>7</b>	<b>Gateway Cities COG/RHT</b>	<b>\$ 18,586,163</b>
<b>8</b>	<b>Lancaster-Palmdale RHT</b>	<b>\$ 5,251,271</b>
<b>9</b>	<b>Las Virgenes/Malibu COG</b>	<b>\$ 468,903</b>
<b>10</b>	<b>San Fernando Valley COG</b>	<b>\$ 519,197</b>
<b>11</b>	<b>San Gabriel Valley COG/RHT</b>	<b>\$ 25,920,799</b>
<b>12</b>	<b>South Bay Cities COG/RHT</b>	<b>\$ 13,074,578</b>
<b>13</b>	<b>Unincorporated Los Angeles County</b>	<b>\$ 24,902,928</b>
<b>14</b>	<b>Westside Cities COG</b>	<b>\$ 7,043,918</b>
	<b>TOTAL</b>	<b>\$ 385,175,456</b>



LACAHSA FUNDS IN THE SOUTH BAY

<b>Eligible Use</b>	<b>Funding Amount</b>
PPO – New Construction	\$5,676,440
PPO – Flexible	\$1,671,702
<i>RPHP</i>	\$4,908,374
<i>TA</i>	\$818,062
<b>Total</b>	<b>\$13,074,578</b>

## PPO – NEW CONSTRUCTION ELIGIBLE USES

- All PPO – New Construction funds must be used for projects that have not received a Certificate of Occupancy
- Direct Project Lending
  - Residual Receipt Loans
  - Hard Pay Subordinate Loans
  - Predevelopment/Acquisition Loans
- Rent & Operating Subsidies
  - Project-Based Rental Assistance
  - Shallow Rent Subsidy
  - Operating Subsidy
  - Capitalized Operating Subsidy Reserve
- Ownership Products
  - Limited or Shared Equity Cooperative Investments
  - Interest Rate Subsidy
  - Soft Second Mortgage

## PPO – FLEXIBLE ELIGIBLE USES

- Everything permissible under PPO – New Construction, but can also apply to the acquisition and rehabilitation of existing homes.
- Additional eligible activities include:
  - Purchase Naturally Occurring Affordable Housing (NOAH) to preserve it as affordable
  - Master lease market-rate apartments for rent to affordable tenants
  - Provide subsidies to existing affordable housing developments at risk of losing affordability covenants

## TRUST'S ROLE IN AFFORDABLE HOUSING FINANCE

- Uses LACAHSAs PPO funds to provide gap financing for affordable housing development in the region
- Trust gap financing will:
  - Increase competitiveness of projects applying for 9% tax credits
  - Reduce need for local governments to provide funding
  - Reduce the number of gap funding sources needed for development
- Expands the types of affordable housing products that can be financed

QUESTIONS?