



The California Housing Market and the Use of the Low Income Housing Tax Credit

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April 28, 2014

An aerial photograph of a suburban neighborhood. The image shows a grid of streets with houses, green lawns, and trees. The houses have various roof colors, including blue, brown, and grey. The streets are paved and have some cars parked or driving. The overall scene is a typical residential area.

How California is Failing to Meet the Needs of Low-Income Households

Published by
the California Housing Partnership
February 11, 2014

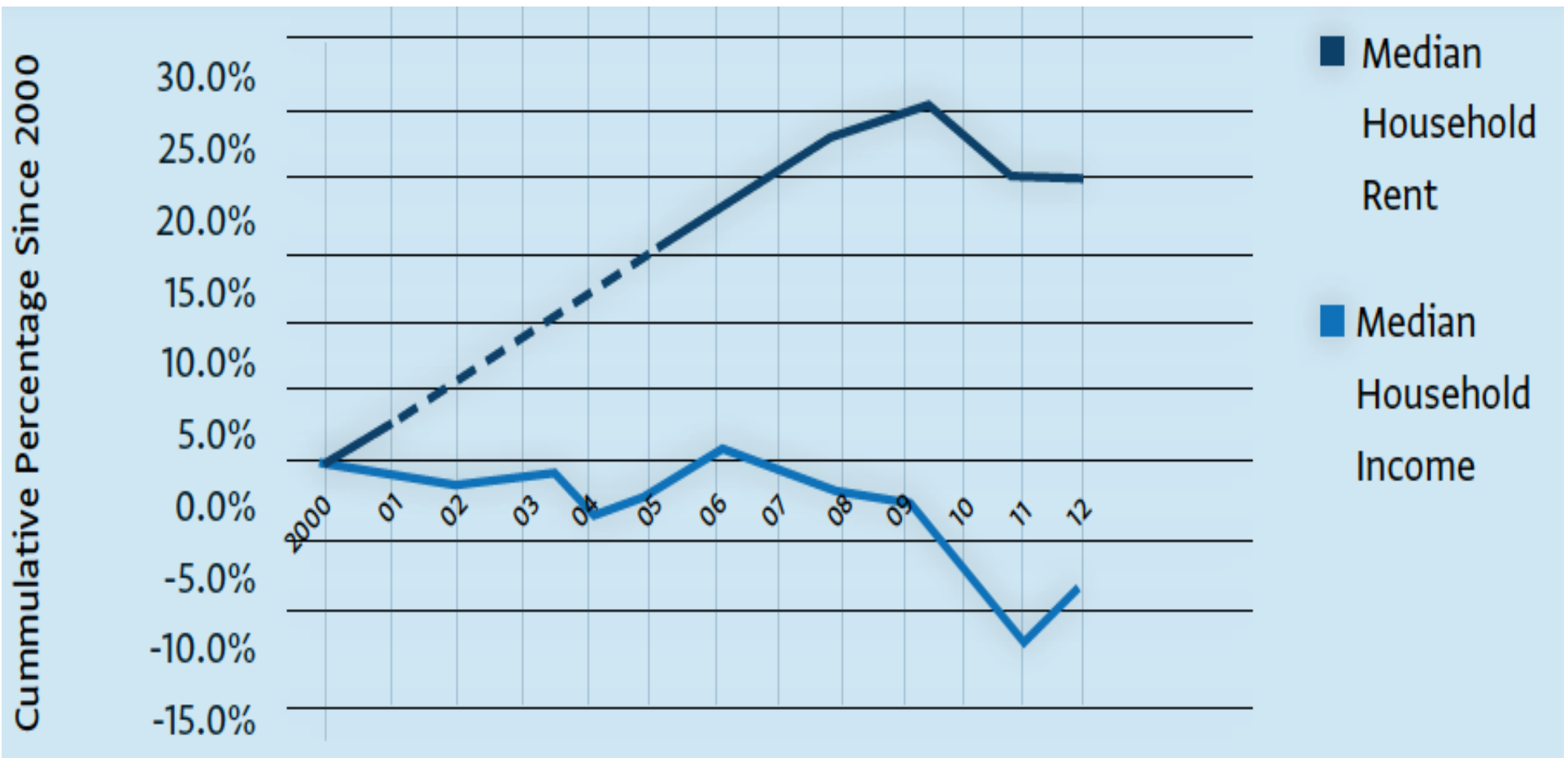
Affordable Housing Need in California

- California is home to 6 of the 10 most expensive housing markets in the U.S.: San Francisco San Jose, Oakland, Orange County, San Diego, Los Angeles
- Nearly 1 million ELI households do not have access to an affordable home in California.
- According to the Supplemental Poverty Measure, 23.8% of Californians (8,952,000 people) are living in poverty – by far the highest percentage and number of any state.

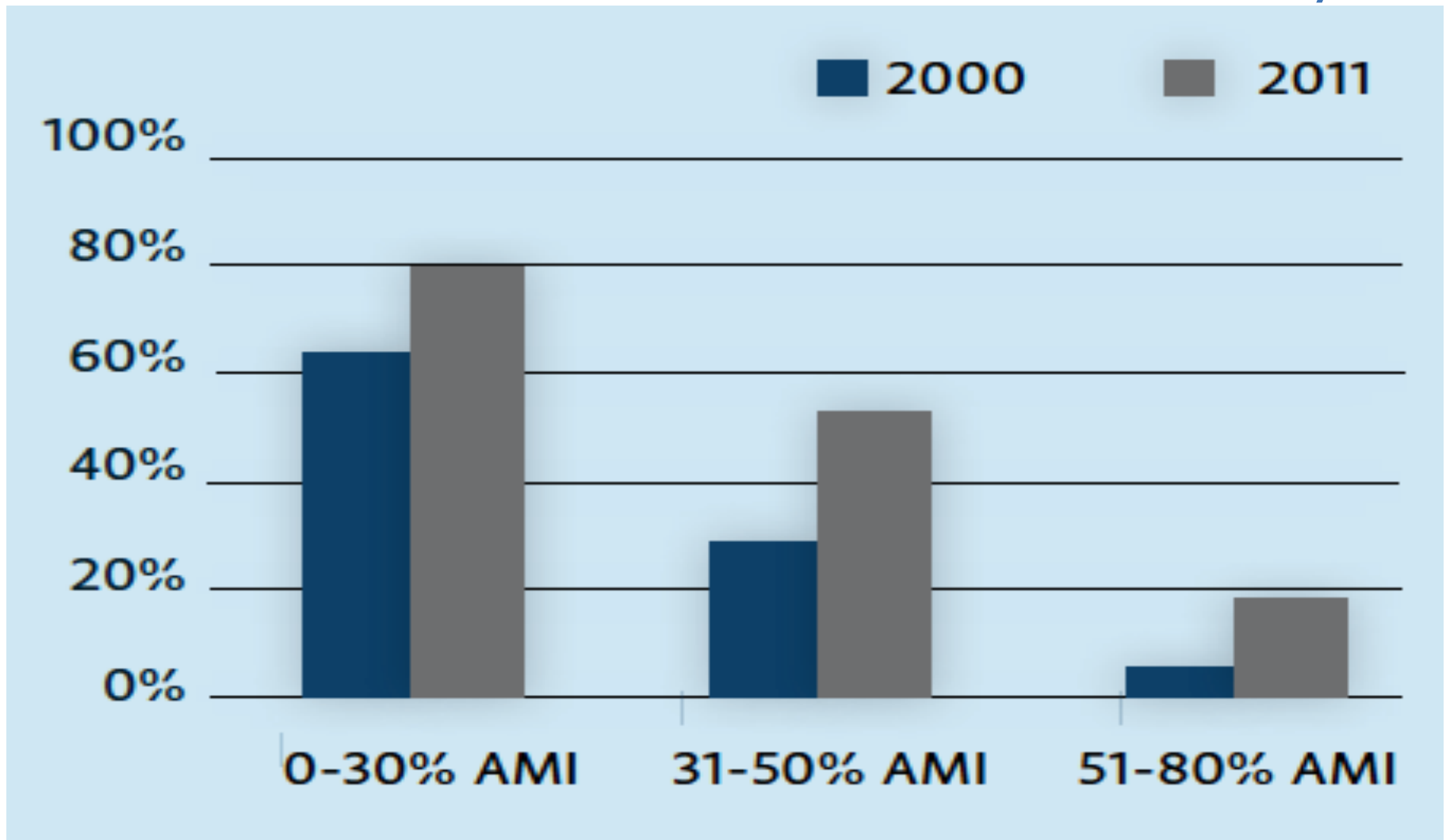
The foreclosure crisis increased pressure on the rental market in CA

- The number of renter households increased from 2006 to 2012 by over 700,000 while homeowner households decreased by over 300,000.
- In 2013, the median rent in California was \$1,550 while the average renter wage was \$17.99/hour.
- A renter would need to work at least 66 hours a week year round in order to afford that rent.
- Increased demand in the rental market has driven up median rents.

From 2000-2012, Inflation-adjusted Median Rents Rose Over 20% while Incomes Declined 8%



The % of households paying more than 50% of income in rent has increased dramatically



State and funds for affordable housing have been cut by more than \$1.5 billion annually

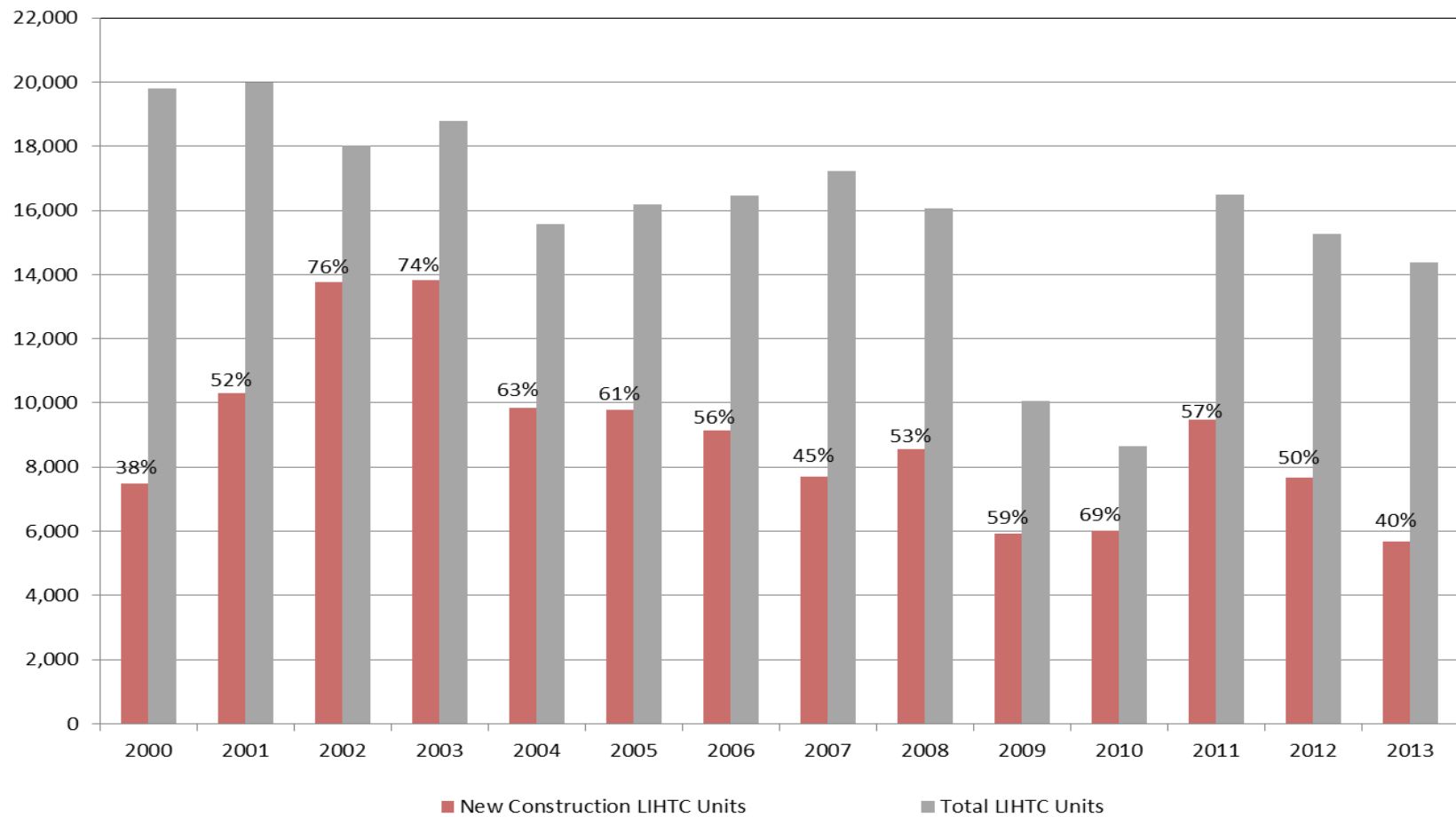
- The elimination of Redevelopment in 2012 led to the loss of more than \$1 Billion annually in funding for affordable housing
- State housing bond funds have effectively run dry in 2014 resulting in the loss of nearly \$400 million annually
- Recent cuts in federal housing funds have lead to the loss of another \$200 million annually

Combined with Declining Federal Funds, CA has Lost Nearly 80% of its Capital Subsidies from FY2007/2008 - FY2012/2013

FUNDING SOURCES	FY 2007/2008	FY 2012/2013	% CHANGE
State Housing Bonds Prop. 46 and Prop 1C◇	\$776,281,035	\$48,911,000	-94%
Redevelopment Funds for Affordable Housing	\$1,079,157,125	\$0	-100%
Federal CDBG Funds	\$456,494,879	\$367,204,607	-20%
Federal HOME Funds	\$236,393,040	\$127,115,742	-46%
Total	\$2,548,326,079	\$543,231,349	-79%

LIHTC Use in California

Total Funded LIHTC Units with New Construction Comparison



Impact of Loss of Redevelopment on LIHTC Applications in California

% of awarded 9% projects with RDA funding:

- 1st round 2011: 64%
- 2nd round 2011: 54%
- 1st round 2012: 34.5%
- 2nd round 2012: 28.2%
- **1st round 2013: 19.5%**
- **2nd round 2013: 11.9%**
- **1st round 2014: ??**

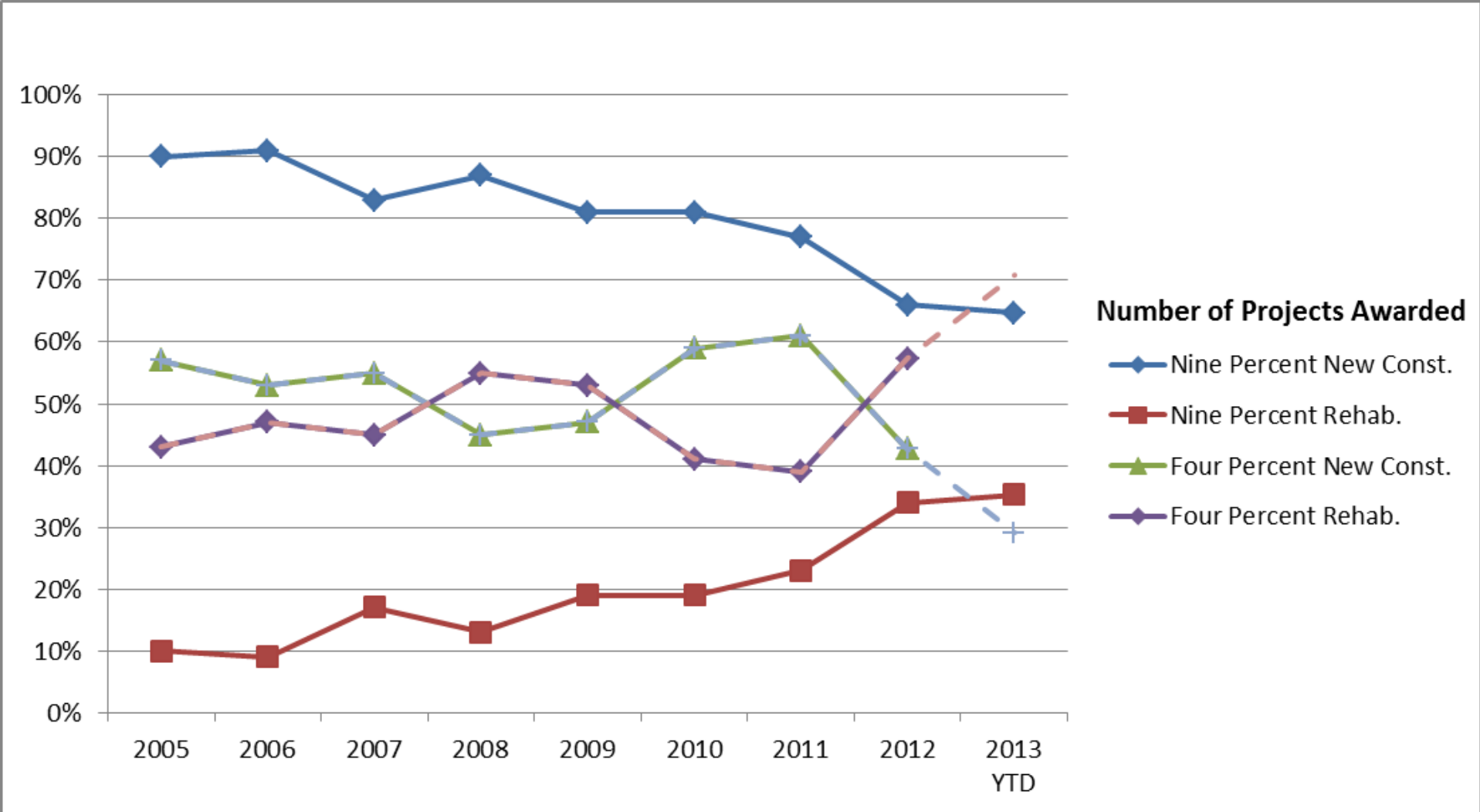
9% LIHTC Applications Have Declined Due to Loss of Subsidies

- As state \$\$ have disappeared, developers have submitted fewer 9% applications

	<u>2012</u>	<u>2013</u>	<u>2014</u>
1 st Round	119	91	85
Total	236	190	??

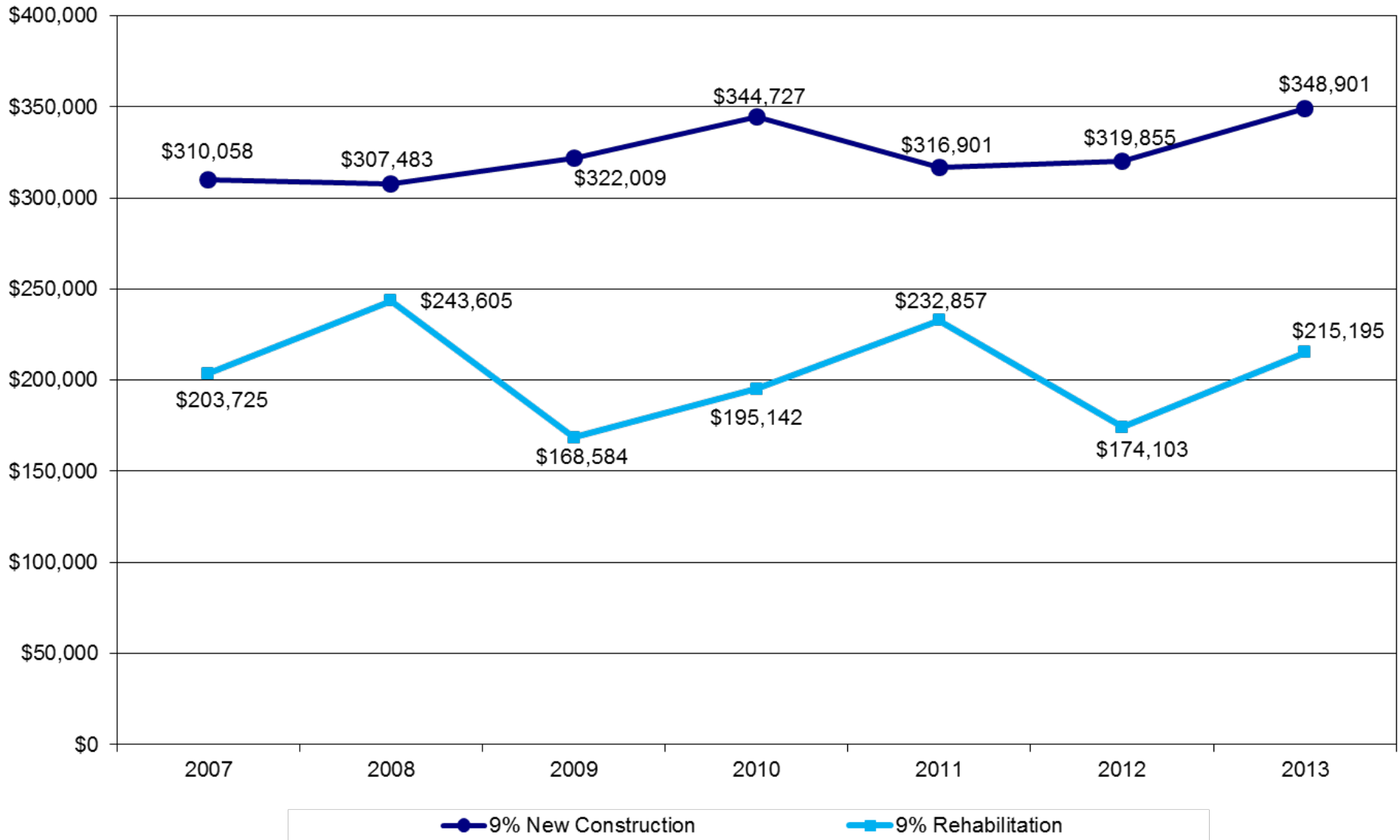
- Because of shortage of local subsidy

Less State Subsidy Means Less New Construction and More Renovations



Cost Per Unit Trends

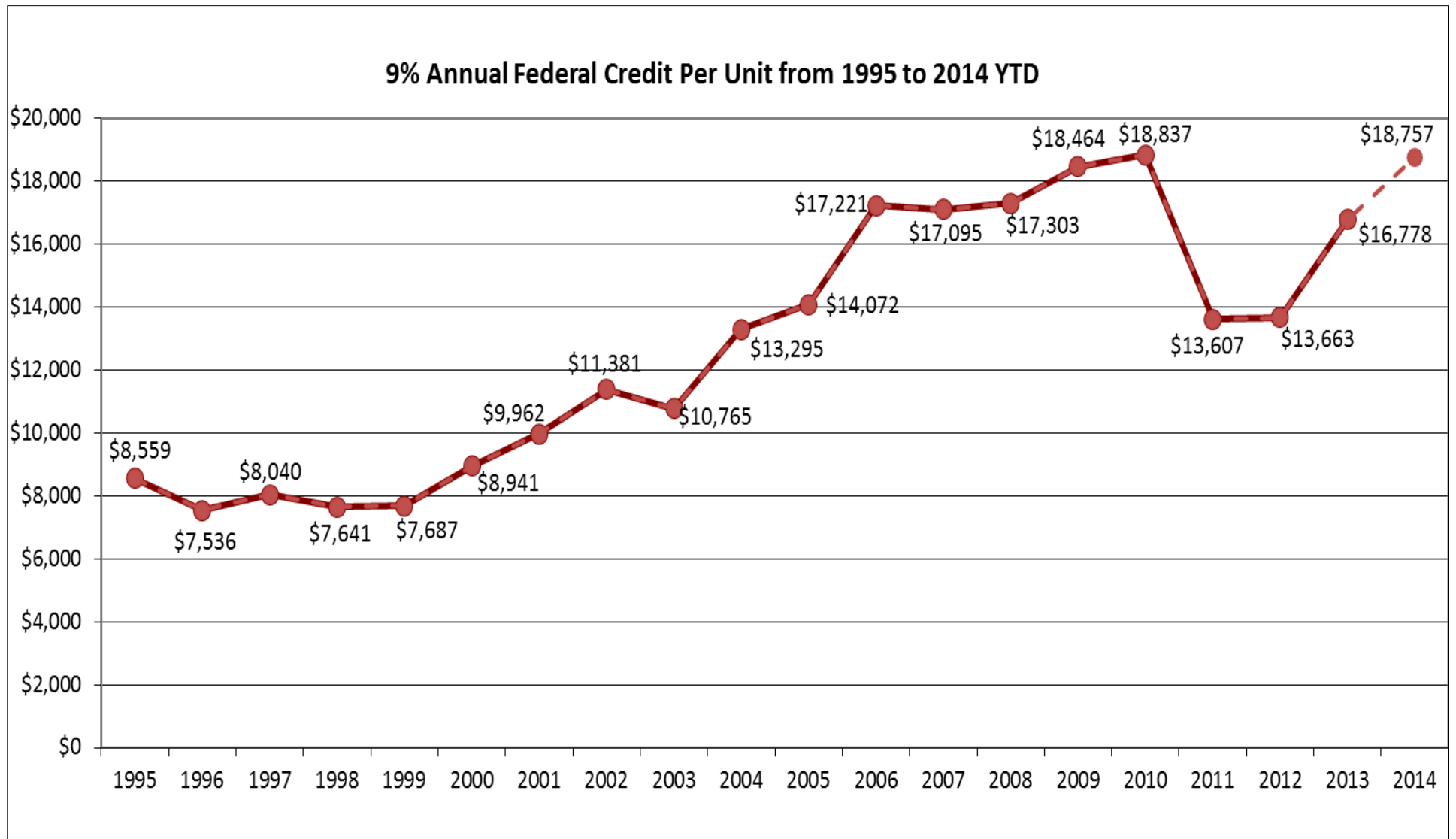
Initial Total Project Cost Per Unit 2007-2013 YTD



2014 First Round Cost Per Unit in CA

- Average cost per unit overall: \$336,766
 - \$301,248 average in 2013
 - 12% increase from 2013
- Average new construction cost per unit: \$351,477
 - \$346,988 average in 2013
 - 1% increase from 2013
- Average acq/rehabilitation cost per unit: \$245,703
 - \$218,234 average in 2013
 - 13% increase from 2013

Federal LIHTC Credit Per Unit in California



CA Special Needs Legislation

- AB 952 (Atkins) passed in 2013 authorized allocating State credits to Special Needs Projects in DDAs/QCTs
- 130% of federal eligible basis + state credit eligible
- Accompanying Regulation Section 10317(d) authorized basis boosts for Special Needs in non-DDAs/QCTs
- 1st Round 2014 results: SN housing type increased to 16.3% of credits vs. 9.93% avg. during 2009-2013