Aligning Federal Low Income Housing Programs with Housing Need

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ABOUT NLIHC:

The National Low Income Housing Coalition is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes.

Founded in 1974 by Cushing N. Dolbeare, NLIHC educates, organizes and advocates to ensure decent, affordable housing for everyone. Since its inception, NLIHC has been a leader in the effort to address the housing needs of those with the lowest incomes.

Our goals are to preserve existing federally assisted homes and housing resources, expand the supply of low income housing, and establish housing stability as the primary purpose of federal low income housing policy.

While numerous organizations concentrate on federal housing policy, NLIHC is unique because of our sole focus on the needs of extremely low income people, the only population experiencing an absolute shortage of affordable housing. Combined with incisive research and policy analysis, NLIHC is a respected voice in Washington, D.C. that has helped produce polices impacting the lives of millions.
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Preface

Sheila Crowley, NLIHC President

The National Low Income Housing Coalition (NLIHC) is dedicated solely to achieving socially just public policy that assures that the lowest income people in the United States have decent and affordable homes. Throughout NLIHC’s 40 year history, the people with the most serious housing problems, including people who are homeless, have been our primary concern. For this reason, we focus more on rental housing programs and policy than on homeownership.

NLIHC is also known widely for our advocacy for deep income targeting. This is housing jargon to describe an attribute of public policy and programs that means that people in the lowest income categories are specifically designated to be the beneficiaries of these policies and programs. Income targeting in housing programs defines one criterion of eligibility, i.e. what the highest possible income is that one can receive and still be eligible for housing. To be determined eligible for an income targeted program, one must undergo a “means test.” Therefore, federal low income housing programs are, by definition, means-tested.

NLIHC’s focus on deep income targeting in federal housing programs is based on data, shown by NLIHC and many others, that “extremely low income” households are the only income group facing a nationwide shortage of rental housing. (The report that follows will go into these data in some detail and will define terms such as extremely low income.) While not all extremely low income people are homeless, virtually all homeless people are extremely low income. Moreover, except for those extremely low income households that are lucky enough to receive some form of housing assistance, the vast majority of extremely low income people are at risk of becoming homeless.

The major federal low income housing programs, specifically public housing, Section 8 project-based housing, and housing choice vouchers, all have statutorily required deep income targeting and are considered to be part of the federal safety net. But unlike most other safety net programs, federal low income housing assistance is not an entitlement. Everyone who is eligible for it does not receive it. These programs, along with several other smaller programs, only reach about 23% of income eligible households, because they are not funded at a high enough level to serve all eligible households. Further, the funding for these programs is flat at best and in some cases declining, with little hope for new dollars in the foreseeable future.

To solve the rental housing shortage, NLIHC asserts that the federal investment in housing must be better aligned with housing need. This is the basis of our campaign to fund the National Housing Trust Fund with revenue raised from modifying the mortgage interest deduction.

NLIHC also notes that the existing federal low income housing programs that do expand the rental housing supply, specifically, the Low Income Housing Tax Credit, HOME, and the Affordable Housing Program of the Federal Home Loan Banks, have income eligibility requirements that are not targeted to the lowest income households. However, the lack of deep income targeting does not preclude the use of these programs to serve extremely low income households.

NLIHC embarked on the Alignment Project in late 2012 to gain a better understanding of if and how existing federal low income housing programs are being used to serve the lowest income households and to learn how these existing resources might be better aligned with the need for rental housing that extremely low income households can afford. This report is the first product of the Alignment Project. The research reported on here was an ambitious undertaking that has unearthed as many questions as it has answered. The report closes with a series of recommendations for policy changes and for additional research.

NLIHC welcomes comments and questions from consumers of this report. Please direct those to the project manager, NLIHC Research Director Megan Bolton at megan@nlihc.org.
Executive Summary

The number of renters in the United States has steadily increased since 2006 and will continue to rise as new households form in the post-recession economy. In 2012, one out of four renter households had incomes at or below 30% of the area median income (AMI) for a total of 10.3 million households categorized as extremely low income (ELI). In the same year there were just 3.2 million units affordable and available to ELI households, creating a shortage of 7.1 million rental units affordable to these households.

Despite this evidence of a substantial need for deeply affordable rental housing, the low income housing resources that are provided by the federal government are only able to reach 23% of the eligible population. NLIHC undertook the Alignment Project beginning in 2012 in order to learn the degree to which existing federal low income housing programs serve ELI households. The research elements of the project discussed in this report are:

- An assembly of all available data about the degree to which housing subsidized by the Low Income Housing Tax Credit (LIHTC) program, the HOME program, and the Federal Home Loan Banks’ Affordable Housing Program (AHP) serve ELI households.
- An analysis of a random sample of housing developments subsidized by the LIHTC program in five states to determine which income groups are served, and if and how affordability is achieved for ELI households.
- An analysis of a survey and interviews with NLIHC members and others to determine the existence of rental housing development strategies that successfully achieve affordability for ELI households without relying on federal vouchers. Case studies are completed on five such projects.

Gathering data on the degree to which existing federal programs serve ELI households and completing an analysis of a random sample of LIHTC properties in five states revealed the following findings:

- In general, these three programs do not serve ELI households on their own. Their ability to serve ELI households depends on the addition of one or more forms of subsidy, usually housing choice vouchers (HCV).
- Forty-four percent of HOME-assisted rental units served ELI households at initial occupancy; 45% of HOME-assisted rental units have some form of rental assistance attached to them, including HCV.
- Twenty-one percent of AHP-assisted rental units served ELI households in 2013.
- On average, households served in NLIHC’s sample of LIHTC properties are at 40% of AMI. More than one-third (36%) of all units are occupied by ELI households.
- Sixty-nine percent of ELI households and 22% of VLI households in LIHTC properties receive some type of rental assistance.
- Sixty-nine percent of ELI households that receive rental assistance live in LIHTC units with rent restricted at 30% of 60% AMI.
- A higher number of funding sources per project is correlated with serving lower income households.

The survey and interview portion of the project highlighted some innovative strategies being used to achieve deep affordability without depending on vouchers. There is no single strategy that can be applied to all affordable housing developments because circumstances vary widely across housing markets, and often may change rapidly over time. Despite the many distinct development strategies employed, several common themes emerged from the survey, interviews, and case studies, including:

- Developers layer multiple funding sources while adapting to rapidly changing political and fiscal environments. Many also rely on non-traditional resources, such as private donations, to fill funding gaps.
• Reducing or eliminating mortgage debt is critical to be able to serve ELI households.

• Cultivating strong local partnerships is a key factor affecting developers’ ability to serve ELI households. Often, local jurisdictions that have prioritized affordable housing are willing to donate land or property at a low cost.

• Cross-subsidization is an important strategy used by many developers committed to inclusive properties that serve ELI households. This strategy incorporates units affordable to ELI households into projects containing other units occupied by households with a broader mix of incomes. The rents paid by higher income households supplement the overall operating expenses of the project, compensating for the lower rents that ELI households can afford.

• While the case studies highlighted some very effective strategies for serving ELI households without the use of vouchers, there is not one model that can be easily replicated.

The findings from all of the components of this research project will contribute to the broader conversation about simplifying the process of financing affordable housing developments, refining existing programs so that they incentivize developers to serve ELI households, and finding ways to fund the ongoing operating costs of units that do serve ELI renters.
Introduction

The United States has a longstanding shortage of rental housing that extremely low income (ELI) households can afford. In 2012, there were 10.3 million ELI renter households in the United States and only 5.8 million housing units renting at prices they could afford, creating a shortage of 4.5 million units. Moreover, a significant number of the units that were affordable to ELI households were occupied by higher income households, creating a real gap of 7.1 million affordable units. On a nationwide basis, for every 100 ELI renter households there were only 31 homes available and renting at prices they could afford. As a result, 75% of ELI households spent at least half of their income for housing (National Low Income Housing Coalition, 2014).

The economic recession contributed to long-term shifts in the housing market, with many more households turning towards renting, and delaying homeownership. Renters grew from 31% of all households in 2004 to 35% of all households in 2012. The number of renters nationwide reached 43 million by early 2013 and is expected to keep growing by as many as 4.7 million households between 2013 and 2023 (Joint Center for Housing Studies, 2013). With more households choosing to rent, competition for available units will continue to rise, and the number of units available and affordable to the lowest income households will decline.

Yet despite this overwhelming evidence of housing need, the low income housing resources that are provided by the federal government are only able to make marginal improvements that help a small fraction of the needy population. HUD’s major programs with physical units that serve the ELI population, namely public housing and Project-Based Section 8 properties, are at best being maintained for existing residents and at worst being demolished or otherwise removed from the assisted housing inventory. The housing choice voucher (HCV) program, the largest source of direct federal housing assistance, is equally constrained from growth in the ever tightening federal appropriations process (HCVs are also known as Section 8 vouchers and are commonly referred to as “vouchers”). The existing federal housing assistance programs are only able to serve 23% of the households whose incomes are low enough to make them eligible (Fischer & Sard, 2013).

There are three federal housing programs that currently provide new resources to produce affordable rental housing. They are the Low Income Housing Tax Credits (LIHTC) program, the HOME Investment Partnerships Program (HOME), and the Affordable Housing Program (AHP) of the Federal Home Loan Banks (FHLB). None are specifically targeted to ELI households by federal statute. To the degree that they do serve ELI households, it is often because HCVs or another form of operating support are also being used, or because the administering agencies have set preferences for housing that is likely to reach this income group, such as a preference for permanent supportive housing.

It is important to recognize that the combined annual value of these three programs, slightly more than $7.5 billion, is insufficient to solve the shortage of housing that is affordable to ELI households. The long-term solution is to expand the federal investment in housing for ELI families through measures such as the National Housing Trust Fund (NHTF). Better deployment of existing resources is warranted.

NLICH undertook the Alignment Project in 2012 in order to gain a better understanding of how existing federal housing resources are being used and to learn how those existing resources might be better aligned with the need for housing among ELI households. The research elements of the project discussed in this report are:

- An assembly of all available data about the degree to which housing subsidized by the LIHTC program, the HOME program, and the FHLB AHP serve ELI households.

1 Extremely Low Income households are those with income at or below 30% of the area median.
Introduction

• An analysis of a random sample of housing developments subsidized by the LIHTC program in five states to determine which income groups are served, and if and how affordability is achieved for ELI households.

• An analysis of a survey and interviews with NLIHC members and others to determine the existence of rental housing development strategies that successfully achieve affordability for ELI households without relying on federal vouchers. Case studies are completed on five such projects.

Each element of this research project provided valuable information about the challenges inherent in trying to effectively serve ELI households with existing resources. The overarching challenge is that if ELI households pay rents that are no more than 30% of their income, which makes the rents affordable, then the rental revenue generated is not adequate to operate and maintain the property. As a result, this type of housing is not produced by traditional housing developers, even though there is such a strong demand for it. Although a variety of challenges are encountered by legislators, housing administrators, developers, residents, and advocates trying to create housing that is truly affordable to ELI households, the mismatch between income and housing cost is the fundamental problem.

An obvious solution would be to ensure that everyone eligible for rental assistance received a HCV. This would enable ELI households to live in high quality homes without experiencing a cost burden (paying more than 30% of income for rent and utilities), and it would ensure that landlords received sufficient revenue to keep their properties in good condition. However, relying on HCVs to ensure affordability to ELI households is not a realistic strategy. The HCV program has never reached all eligible households and is funded on the shrinking side of the federal budget.

The survey and interview portion of this project highlighted some innovative strategies being used to achieve deep affordability without depending on project-based or tenant-based vouchers. The findings from all of the components of this research project will contribute to the broader conversation about simplifying the process of financing affordable housing developments, refining existing programs so that they incentivize developers to serve ELI households, and finding ways to fund the ongoing operating costs of housing that do serve ELI renters.
Federal Housing Programs: Do They Achieve Deep Income Targeting?

There are three federal programs that subsidize the production of affordable rental housing. They are the Low Income Housing Tax Credit program (LIHTC), the HOME Investment Partnerships Program (HOME), and the Federal Home Loan Bank’s Affordable Housing Program (AHP). NLIHC assembled and examined existing data to determine the extent to which these programs serve ELI households and found that these programs do not generally focus their resources on ELI households. In addition, when ELI households are served by affordable housing generated through these programs, they often require additional federal subsidies, typically through the HCV program.

ELI households are more commonly served through the older HUD programs of public housing, HCVs, Project-Based Section 8, Section 202 Supportive Housing for the Elderly, and Section 811 Supportive Housing for People with Disabilities. However, housing provided by these programs frequently have long waiting lists for admission. Plus, the HUD budget has suffered deep budget cuts in recent years. Nonetheless, the majority of the subsidized units available through these programs serve ELI households. In 2013, 76% of households with HCVs and 72% of public housing tenants were ELI (Table 1).

<table>
<thead>
<tr>
<th>Program</th>
<th>Total Units Available</th>
<th>Average Household Income per Year</th>
<th>% of Households that are ELI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Choice Vouchers</td>
<td>2,386,237</td>
<td>$13,138</td>
<td>76</td>
</tr>
<tr>
<td>Public Housing</td>
<td>1,150,867</td>
<td>$13,724</td>
<td>72</td>
</tr>
<tr>
<td>Project-Based Section 8</td>
<td>610,181</td>
<td>$11,733</td>
<td>73</td>
</tr>
<tr>
<td>Section 202</td>
<td>327,709</td>
<td>$12,618</td>
<td>67</td>
</tr>
<tr>
<td>Section 811</td>
<td>28,164</td>
<td>$10,938</td>
<td>80</td>
</tr>
</tbody>
</table>


These programs serve ELI households because federal statute requires that some percentage of public housing (40%), HCVs (75%), and Project-Based Section 8 (40%) new admissions are ELI households. Federal appropriations fund the difference between tenant rents based on 30% of income and a predetermined cost per unit. This program design, when funded properly, ensures that owners have enough revenue to operate and maintain their housing and that the households renting these units do not experience housing cost burden. The emphasis on serving ELI households combined with the ongoing rental assistance provided by these programs make them the ideal models for effectively serving households at or below 30% of AMI.

The programs on which developers rely today, LIHTC, HOME and AHP, were not designed to serve ELI households, so it is much harder for them to do so. The LIHTC, HOME and AHP programs are not required to serve ELI households, and there is no ongoing operating rental assistance attached to these programs to help developers do so. As a result, developers must find additional sources of financing, reduce mortgage debt, capitalize operating reserves, and

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2 See Appendix A for a Glossary of Terms, including program descriptions.
3 See Appendix B for more on income targeting requirements of these and other programs.
Federal Housing Programs: Do They Achieve Deep Income Targeting?

secure rental assistance to make the financing of housing developments work in a way that allows them to set aside a portion of their units for ELI tenants.

HUD provides timely and detailed data on the tenant characteristics of households living in public housing, HCV, Project-Based Section 8, Section 202, and Section 811 units (see Table 1). Unfortunately, HUD does not provide the same level of data on households living in units funded with HOME or LIHTC dollars, and the FHLB Banks do not provide the same level of detail on those served with AHP funds. The data that are available are detailed below.

HOME Investment Partnerships Program

HOME provides block grants to states and localities for activities including building, buying, and/or rehabilitating affordable housing or providing rental assistance to low income households. According to HUD, since 1992, the HOME program has delivered 1,178,762 completed physical units and provided another 287,630 tenant-based rental assistance (TBRA) contracts. The initial term of HOME TBRA contracts is 24 months, but can always be renewed.

Out of the nearly 1.2 million physical units, 39% were rental units. Homeowner rehabilitation and/or new construction units comprised 19%, while homebuyer assistance, such as down payment assistance, comprised 42% of the physical units. If used for rental housing, at least 90% of the units assisted throughout the jurisdiction must be reserved for households with income at or below 60% of AMI, with the remainder for households with income up to 80% of AMI. If there are more than five HOME-assisted units in a building, then 20% of the HOME-assisted units must be set aside for households with income at or below 50% of AMI. All assisted homeowners must have income at or below 80% of AMI.

At the time of initial occupancy, ELI households occupied 26% of all units (rental and homeowner units). After breaking the data down by tenure, HUD shows that 44% of rental units, 6% of homebuyer units, and 31% of homeowner units served ELI households at initial occupancy (Table 2). An additional 39% of HOME rental units were occupied by households with income between 30% and 50% of AMI at initial occupancy. This means that 83% of all HOME rental units initially served households with income at or below 50% of AMI, a higher percentage than what is required under federal statute.

Table 2: Household Income at Initial Occupancy of Rental Housing, HOME Program (as of September 30, 2014)

<table>
<thead>
<tr>
<th>Income Category</th>
<th># of Units</th>
<th>% of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>At or below 30% of AMI</td>
<td>196,964</td>
<td>43.9%</td>
</tr>
<tr>
<td>From 31% to 50% of AMI</td>
<td>176,239</td>
<td>39.3%</td>
</tr>
<tr>
<td>From 51% to 60% of AMI</td>
<td>62,335</td>
<td>13.9%</td>
</tr>
<tr>
<td>From 61% to 80% of AMI</td>
<td>13,162</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>448,700</strong></td>
<td></td>
</tr>
</tbody>
</table>


In total, 26% of all HOME rental units at all income levels also received HCV rental assistance. The majority of the households receiving this assistance are likely ELI, given the HCV program’s requirement that 75% of all new voucher holders be ELI households. Another 3% of all HOME rental units also received HOME TBRA to help make the unit

4 Data as of September 30, 2014 available from [https://www.hudexchange.info/manage-a-program/home-national-production-reports](https://www.hudexchange.info/manage-a-program/home-national-production-reports)
affordable. A little more than 79% of the HOME TBRA units were initially occupied by ELI households. Finally, 15% of HOME units received some other federal, state, or local assistance, meaning that a total of 45% of HOME units had some type of rental assistance attached to them.

HUD does not require ongoing reporting of income levels after initial occupancy of HOME funded units. Consequently, a unit reported as occupied by an ELI household at initial occupancy could, due to turnover or a household’s increased income, be occupied by a higher income household.

**Affordable Housing Program of Federal Home Loan Banks**

The Federal Home Loan Banks’ Affordable Housing Program (AHP) is funded with 10% of the Federal Home Loan Banks’ net income each year. It is often used in combination with other sources of financing, including the LIHTC. Since 1990, the Banks have awarded approximately $3.7 billion in AHP funds, assisting close to 600,000 households, 72% of which had income at or below 50% of AMI (Federal Housing Finance Agency, 2014).

At least 20% of AHP funded rental units must be affordable to and occupied by households with income at or below 50% of AMI, with the remaining units in an AHP-assisted rental property required to be affordable to and occupied by households with income at or below 80% of AMI. AHP-assisted homeowner units must be occupied by households with income at or below 80% of AMI. Affordable rent is defined as 30% of the relevant income threshold.

In 2013, 27,582 units were funded through AHP, an increase of about 7,700 units from 2012. Since the program’s inception, 76% of the units created have been rental units, with that percentage increasing since 2007 and hitting 87% in 2013. Twenty-one percent of the rental units funded in 2013 served ELI households and 53% of rental units receiving AHP funds served very low income (VLI) households, with income between 31% and 50% of AMI (Table 3). As was true with the HOME program, a higher percentage of AHP-assisted rental units (74%) were occupied by households with income at or below 50% than the 20% required by the program.

<table>
<thead>
<tr>
<th>Income Category</th>
<th>% of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>At or below 30% of AMI</td>
<td>21%</td>
</tr>
<tr>
<td>From 31% to 50% of AMI</td>
<td>53%</td>
</tr>
<tr>
<td>From 51% to 80% of AMI</td>
<td>25%</td>
</tr>
</tbody>
</table>


**Low Income Housing Tax Credit Program**

The LIHTC program is the largest federal program for the production and preservation of affordable rental housing. Since its creation in 1986, the LIHTC program has contributed to the financing of nearly 2.4 million rental units. The Internal Revenue Service (IRS) allocates housing tax credits to each state’s designated agency, usually a state housing finance agency, which in turn allocates credits to developers through a competitive process. The developers sell the tax credits to investors that provide funding for an eligible rental housing project and use the LIHTC to reduce their federal tax liability.
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Each state must produce a Qualified Allocation Plan (QAP) that outlines how these tax credits will be distributed. Federal law requires that the QAP include preferences for developments that serve the lowest income households and are structured to remain affordable for the longest amount of time. Developers can choose to either set aside 20% of the units for households with income at or below 50% of AMI (20-50 rule), or 40% of the units for households with income at or below 60% of AMI (40-60 rule).

Some state QAPs have set aside a portion of their tax credits for developments that serve populations with special needs, and some provide incentives for developers to serve lower income tenants or tenants with special needs by giving more points to those developments in the competitive scoring process. Some states have a threshold requirement that all developers must dedicate a certain percentage of units to permanent supportive housing or to ELI households. Forty-five out of a total of 56 housing credit agencies provide scoring incentives to encourage developers to create permanent supportive housing or units that serve people with disabilities or with other special needs. Sixteen housing credit agencies use set-asides to promote permanent supportive housing, and three agencies have thresholds requiring 5% to 10% of all units developed with tax credits go to people with special needs (Corporation for Supportive Housing, 2013).

These scoring incentives, set-asides, and threshold requirements are meant to encourage the development of permanent supportive housing, which very often serves ELI households. In six states, there is specific language related to ELI households. For example, in Illinois, there is a sliding scale of points for developers who dedicate a portion of units to ELI households, with the maximum number of points (10) going to those that set aside 20% of units for ELI households and the minimum number of points (1) going to those that set aside 5% or less of units for ELI households. Ohio added a scoring incentive in 2013 for designating a minimum of 10% of units to households at 30% of AMI. Virginia’s 2013 QAP offered 50 points to developments in which the greater of five units or 10% of units provide rental subsidies to ELI persons and are actively marketed to people with special needs (Corporation for Supportive Housing, 2013).

The rents in LIHTC units are not based on 30% of tenant income as they are in traditional HUD programs. Rather, rents are set at 30% of either 50% or 60% of AMI, whichever income limit was selected for the development when the credits were allocated. Thus it is likely that households with incomes below 50% or 60% of AMI will pay more than 30% of their income on rent and utility costs, which means they will have a housing cost burden. These cost burdens can be ameliorated only if the tenants have some type of rental assistance or if the development includes some units set aside at lower rent levels.

Although HUD collects LIHTC-assisted tenant characteristics data from state housing credit agencies, these data are not made available to the general public. As a result, it is difficult to get a clear picture of the incomes of those served. Recently, researchers, including NLIHC, have gained access to data from housing credit agencies and are making the findings public.

One such study is an analysis by New York University’s Furman Center for Real Estate and Urban Policy (2012) of a select number of LIHTC properties. The authors found that 43% of LIHTC units were occupied by ELI households, and 37% of units were occupied by VLI households. However, approximately 70% of ELI households in LIHTC units received additional rental subsidies, including HCVs. Furthermore, 51% of all ELI households in LIHTC units were cost burdened. Among ELI households without additional rental subsidy, 86% faced a housing cost burden. Only 8% of ELI households in LIHTC homes were neither cost burdened nor in receipt of additional housing assistance.

According to the National Council of State Housing Finance Agencies’ (NCSHA) 2011 Fact Book (2013), 9% of LIHTC units were specifically targeted to ELI households. In total, 23 states reported setting aside units to target a special population, including persons experiencing homelessness or persons with disabilities. Often, these targeted populations were also ELI. This data source is limited because not all state agencies report information to NCSHA.

The findings from NLIHC’s analysis of LIHTC properties in five states are reported in the next section.
Analysis of LIHTC Properties in Five States

The lack of available data about the incomes of people living in LIHTC properties was a primary impetus for NLIHC to undertake the Alignment Project. In order to better understand if and how LIHTC developers are able to provide housing affordable for ELI households, NLIHC developed its own research protocol. Examining all LIHTC properties is not feasible. Instead, NLIHC chose to examine a random sample of LIHTC developments in five states. The data provided by the state housing finance agencies (HFAs) in the five states included detailed tenant information such as rents paid, type and amount of rental assistance received, and incomes. In addition, NLIHC contacted the developers of the randomly selected developments for information on funding sources, operating reserves, and terms of affordability.

Methodology

In the summer of 2013, NLIHC collected data on LIHTC properties that were placed in service between 2000 and 2010. First, NLIHC chose five states in which to select LIHTC properties to study. The five states are Florida, Maine, Ohio, Oregon, and Virginia. They were chosen for their geographic diversity and for the presence of NLIHC state coalition partners with which to collaborate.

Second, NLIHC used HUD’s LIHTC database to draw a 5% random sample of LIHTC properties (or a minimum of 10 properties) placed in service between 2000 and 2010 for each of the five states. This yielded a sample of 104 properties, ranging from 10 properties in Maine to 29 properties in Ohio (Table 4).

Third, NLIHC obtained unit-level data for each property from the HFAs in the five states. HFAs administer the LIHTC program in the five states. Each HFA provided data for each property on tenant incomes, tenant contributions to rent, household size, number of bedrooms, rental assistance received, and type of rental assistance. Based on the HFA data, NLIHC was able to calculate cost burdens and LIHTC maximum rents. NLIHC also calculated each household’s income as a percentage of AMI based on HUD’s Income Limits for the county where the property is located, adjusting for household size according to HUD guidance.

The full analysis includes 104 properties and 8,758 units (Table 4). NLIHC conducted analyses for the total sample of 104 properties, as well as by state. State-level findings were included when especially unique or informative. Otherwise, the findings refer to the full sample. The vacancy rate of the entire sample is just 2%, but ranges by property from 0% to 25%.

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5 Available at http://lihtc.huduser.org/
6 All personal information, including names, were removed prior to NLIHC receiving the data.
7 LIHTC maximum rents are set at 30% of a unit's income limit and adjusted for expected household size.
8 Excluded from the analysis are 456 units for which data were incomplete. Also excluded were 172 vacant units.
Table 4: NLIHC Sample of LIHTC Properties

<table>
<thead>
<tr>
<th>State</th>
<th>Total Number of Properties</th>
<th>Total Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>27</td>
<td>3,660</td>
</tr>
<tr>
<td>Maine</td>
<td>10</td>
<td>815</td>
</tr>
<tr>
<td>Ohio</td>
<td>29</td>
<td>1,455</td>
</tr>
<tr>
<td>Oregon</td>
<td>14</td>
<td>864</td>
</tr>
<tr>
<td>Virginia</td>
<td>24</td>
<td>1,964</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>104</strong></td>
<td><strong>8,758</strong></td>
</tr>
</tbody>
</table>

NLIHC also contacted the developers of the sampled properties to get more information about the sources of funding for these properties and the terms of affordability. Additional questions asked if the developments have operating reserves, and if they offer any special services for tenants. Approximately 25% of the developers provided this information.

Due to the sample size limitations and other constraints, this study should not be used to draw conclusions of all LIHTC properties, but should be seen as part of a growing literature on the subject of affordability in LIHTC properties.

**Findings**

In general, it takes many layers of financing and dedicated rental assistance to ensure that ELI tenants of LIHTC properties do not face a significant housing cost burden. Furthermore, rental assistance payments often provide developers with contract rents that are greater than the LIHTC maximum. Thus, rental assistance programs, especially HCVs, are subsidizing the operations of some LIHTC properties. Findings in brief include:

- On average, households served in LIHTC properties are at 40% of AMI. More than one-third (36%) of all units are occupied by ELI households.
- Sixty-nine percent of ELI households and 22% of VLI households in these properties receive some type of rental assistance.
- Sixty-nine percent of ELI households that receive rental assistance live in units rent restricted at 60% AMI and 22% live in units rent restricted at 50% AMI.
- Developers are collecting approximately $200,000 per month, or $2.4 million per year more than the maximum LIHTC rent in units with rental assistance.
- A higher number of funding sources is correlated with serving lower income households. In properties with five or more funding sources, the average household income is at 32% of AMI, compared to properties with three or four funding sources where the average household income is at 37% of AMI, and properties with just one or two funding sources where the average household income is 39% of AMI.
Incomes of LIHTC Tenants

LIHTC developers are required to choose specific income limits for the property (the 20-50 rule or the 40-60 rule). However, some opt for lower income limits, especially if they are trying to reach specific populations, such as people with special needs. The majority of units (76%) in the sample are rent-restricted at the 60% of AMI income limit while 18% are rent-restricted at 50% of AMI. Two percent of units in this sample are rent-restricted at 40% of AMI and another 2% are rent-restricted at 30% of AMI. The remaining 2% of units have higher income limits or are market-rate.

On average, households in these LIHTC properties are at 40% of AMI, an annual income of $26,126 for a family of four using the sample’s average AMI. More than one-third (36%) of all units are occupied by ELI households and another 35% are occupied by very low income (VLI) households. Thus, 71% of all LIHTC units in this sample are occupied by households with incomes at or below 50% of AMI. The remaining units are primarily occupied by households with incomes between 51% and 80% of AMI (26%). Less than 3% of units are occupied by households with incomes above 80% of AMI.

There is significant variation in the percent of ELI households served at the state level. Figure 1 shows that just 17% of the units in Florida are occupied by ELI households, compared to a high of 57% in Ohio.

Figure 1: Income Categories in LIHTC Properties by State

<table>
<thead>
<tr>
<th>State</th>
<th>ELI (0-30% AMI)</th>
<th>VLI (31-50% AMI)</th>
<th>LI (51-80% AMI)</th>
<th>81% AMI or Above</th>
</tr>
</thead>
<tbody>
<tr>
<td>FL</td>
<td>17%</td>
<td>36%</td>
<td>40%</td>
<td>6%</td>
</tr>
<tr>
<td>ME</td>
<td>46%</td>
<td>39%</td>
<td>14%</td>
<td>1%</td>
</tr>
<tr>
<td>OH</td>
<td>57%</td>
<td>25%</td>
<td>17%</td>
<td>1%</td>
</tr>
<tr>
<td>OR</td>
<td>49%</td>
<td>43%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>VA</td>
<td>48%</td>
<td>34%</td>
<td>18%</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>36%</td>
<td>35%</td>
<td>26%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Rental Assistance

Rental assistance subsidizes a tenant’s rent and generally makes up the difference between 30% of the tenant’s income and total housing costs. The most common types of rental assistance are HUD’s HCV program and USDA’s Rural Rental Assistance (Section 521) program, which are tied to the tenant. There are also rental assistance subsidies tied to the unit, such as HUD’s project-based vouchers (often referred to as PBVs). Ninety-five percent of properties in this sample have at least one tenant or unit receiving rental assistance.

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9 The average AMI for a four-person household in this sample is $65,315.

10 Florida allows for different definitions of extremely low income which can be found at http://www.floridahousing.org/SpecialNeeds/ContentPage.aspx?PAGE=Extremely%20Low%20Income%20AMI%20Chart.
One-third (32.8%) of households living in the LIHTC properties analyzed receive rental assistance, with an average subsidy of $556 per month. Rental assistance varies at the state level. Just 15% of Florida households analyzed receive rental assistance, compared to 51% in Oregon, 50% in Ohio, 43% in Maine, and 42% in Virginia. The average monthly subsidy was highest in Maine at $668, compared to $576 in Virginia, $540 in Ohio, $514, in Florida, and $507 in Oregon.

Seven in ten (69%) ELI households and 22% of VLI households receive rental assistance. Ninety percent of households that receive rental assistance are getting a HCV, while 8% receive assistance from an undefined source, and less than 2% receive USDA rental assistance.

The majority (69%) of ELI households with rental assistance who live in the LIHTC properties in the sample live in units restricted at 60% of AMI, while 22% live in units restricted at 50% of AMI (Figure 2). This is consistent with reports from developers that rents set at the 60% of AMI income limit are similar to market rents in many communities. Therefore, LIHTC units are in competition with market-rate units for households that can afford rents at this level. As a result, developers often look for households with HCVs to fill those units. This ensures that LIHTC units are not vacant, that low income households are served, and that sufficient revenue is raised to operate the property.

Figure 2: Percentage of ELI Renter Households with Rental Assistance by Unit Income Limit

The effect of rental assistance on cost burden, especially for ELI and VLI households, is shown in Figure 3. Eighty-three percent of ELI households without rental assistance are cost-burdened with the majority of them (57%) experiencing a severe cost burden (spending more than 50% of their income for rent and utilities). An identical percentage (83%) of VLI households living in these LIHTC properties are spending more than 30% of their income on housing costs, with 10% facing a severe cost burden. Some of the 17% of ELI households living in LIHTC units without a cost burden live in units that have rents set at 30% of 30% of AMI. For others, it appears that rents were set below the chosen income limit, but NLIHC did not determine why or how the rents were set so low. It is clear that rental assistance is not only critical to the stability of ELI households, but also as a subsidy to the owners and managers of LIHTC properties.
Rental Assistance and Revenue

In order to understand how the HCV program and other rental assistance supports these LIHTC properties, NLIHC examined the percentage of households with rental assistance and the revenue developers are permitted to receive from HCV holders when voucher payments exceed maximum LIHTC rents. Among these 104 properties, the owners collect a total of nearly $7 million in rental revenue each month. Of this amount, $1.6 million (23%) comes from rental assistance payments and the rest comes from tenants. The LIHTC maximum rents for all units in the sample, at a little more than $7 million, is higher than rents developers collect (Table 5). As a result, developers are undercollecting by almost $19,000 each month, or about $27 per unit per month.

Table 5: Monthly Rents Collected and LIHTC Maximum Rents Allowed, All Units

<table>
<thead>
<tr>
<th></th>
<th>Total $</th>
<th>Average $ (per Unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Rent Payments</td>
<td>$5,393,062</td>
<td>$631</td>
</tr>
<tr>
<td>Rental Assistance</td>
<td>$1,599,062</td>
<td>$556</td>
</tr>
<tr>
<td>Total Rent Received</td>
<td>$6,992,124</td>
<td>$819</td>
</tr>
<tr>
<td>LIHTC Max Rent</td>
<td>$7,010,926</td>
<td>$845</td>
</tr>
<tr>
<td>DIFFERENCE</td>
<td>-$18,802</td>
<td>-$27</td>
</tr>
</tbody>
</table>

The same analysis conducted only on units with rental assistance (Table 6), shows that developers collect a total of $2.45 million in rental revenue per month, 65% of which is from rental assistance. This amount is almost $200,000 more than the $2.25 million sum of all LIHTC maximum rents at these units, indicating that rental assistance programs allow developers to collect higher rents on assisted units than can be collected on units without rental assistance. Without this, revenues would decline by close to $200,000 per month, or $2.4 million per year.
Table 6: Monthly Rents Collected and LIHTC Maximum Rents Allowed, Units with Rental Assistance

<table>
<thead>
<tr>
<th></th>
<th>Total $</th>
<th>Average $ (per Unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Rent Payments</td>
<td>$847,365</td>
<td>$295</td>
</tr>
<tr>
<td>Rental Assistance</td>
<td>$1,599,062</td>
<td>$556</td>
</tr>
<tr>
<td>Total Rent Received</td>
<td>$2,446,427</td>
<td>$851</td>
</tr>
<tr>
<td>LIHTC Max Rent</td>
<td>$2,250,087</td>
<td>$820</td>
</tr>
<tr>
<td><strong>DIFFERENCE</strong></td>
<td><strong>$196,340</strong></td>
<td><strong>$31</strong></td>
</tr>
</tbody>
</table>

Table 7 shows that the potential revenue using LIHTC maximum rents on units without any rental assistance is $4.7 million, but developers only collect $4.5 million per month from tenants in these units. Developers are undercollecting by a little more than $200,000 per month on these units. This analysis shows how important rental assistance is, not only to ELI and VLI tenants living in LIHTC properties, but also to LIHTC developers. It appears that it is difficult for LIHTC developers to collect the maximum rents allowed without the assistance of rental assistance.

Table 7: Monthly Rents Collected and LIHTC Maximum Rents Allowed, Units with No Rental Assistance

<table>
<thead>
<tr>
<th></th>
<th>Total $</th>
<th>Average $ (per Unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Rent Payments</td>
<td>$4,545,697</td>
<td>$802</td>
</tr>
<tr>
<td>Total Rent Received</td>
<td>$4,545,697</td>
<td>$802</td>
</tr>
<tr>
<td>LIHTC Max Rent</td>
<td>$4,760,839</td>
<td>$858</td>
</tr>
<tr>
<td><strong>DIFFERENCE</strong></td>
<td><strong>-$215,142</strong></td>
<td><strong>-$56</strong></td>
</tr>
</tbody>
</table>

In addition to the analysis of properties in these five states, NLIHC also conducted an analysis of the full portfolio of a nonprofit developer in Maine, at the developer’s request. Data on 28 LIHTC properties containing 851 units were collected. The results showed that 57% of these LIHTC units had rental assistance and that the developer collected approximately $35,000 per month more than the LIHTC maximum rents. This additional revenue allowed the developer to set lower rents at some units, or provide rent concessions to households without rent assistance. Further research should be done on this issue to determine how other developers are using this additional revenue. Are others serving more ELI households, as this developer does, or are these funds being used for other purposes?
LIHTC Property Financing

The second part of this analysis explores the sources of funding used for the development of these properties. The intent is to determine what, if any, resources are used in addition to, or instead of, rental assistance to improve affordability. NLIHC contacted developers to determine the type and amount of financing used in conjunction with LIHTC equity.

According to those who provided information,11 these properties were developed using other housing tax credits, USDA Rural Development programs such as Section 514 and Section 515, HOME, CDBG, AHP loans, HOPE VI, state trust funds, deferred development fees, tax-exempt bonds, equity gap contributions, and private loans.12 The five most common sources of funding used with LIHTC equity were the Federal Home Loan Bank AHP (31% of properties), HOME (31% of properties), deferred development fees (31% of properties), equity gap contributions (23% of properties) and general or limited partner contributions (19% of properties). As seen in Figure 4, debt through loans and bonds continues to be the primary form of financing, contributing more than half of financing for the properties analyzed.

![Figure 4: Funding Sources as Percent of Sample LIHTC Properties](image)

On average, developers used four funding streams in addition to LIHTC equity. Two properties used just one additional source of funding (bonds). The most complicated funding structure had eight additional sources, a combination of federal and state programs as well as local bonds. Terms of affordability ranged by funding source from 10 years to 60 years.

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11 The overall response rate to this survey was 25%. There was an overrepresentation of responses in Virginia and Oregon compared to Florida, Maine, and Ohio.

12 See Appendix A for a Glossary of Terms, including program descriptions.
An analysis of property funding and average household income as a percentage of AMI shows that as the number of funding sources increases, the household income as a percentage of AMI drops. For example, the average household income as a percentage of AMI of households in properties with just one or two funding sources is 39%, compared to an average of 37% in properties with three to four funding sources, and 32% in properties with five or more funding sources. Further, if a property had HOME funds the average household income as a percentage of AMI of the households served was 32%, compared to an average of 38% in properties without HOME funds.

Nearly three-quarters (74%) of the properties surveyed had operating reserves (all were required to do so at closing). The presence of operating reserves is also correlated with the income of households served: the average household income as a percentage of AMI of those with an operating reserve was 33%, compared to 43% in properties without operating reserves.

**Summary**

With this analysis, NILHC sought to build on previous research regarding the incomes and cost burdens of households living in LIHTC properties. NLIHC found that approximately 36% of households in this sample of LIHTC properties are ELI and that nearly 70% of these ELI tenants have some type of rental assistance. The overwhelming majority of rental assistance present in these properties is HCVs. Fifty-six percent of ELI households living in these LIHTC properties without rental assistance face a severe housing cost burden. These findings are similar to those published by the Furman Center for Real Estate and Urban Policy (2012).

Looking more closely at ELI households with rental assistance, 69% are living in units set at the 60% of AMI income limit. This implies that LIHTC owners are willing to rent to ELI households with rental assistance, but also suggests that some developers may experience difficulty filling those units without tenants who have HCVs because in many markets the units set at 60% of AMI rents are in competition with market rate units for households that can afford that level of rent. Renting these units to households with vouchers assures sufficient revenue to operate the property.

In fact, the analysis of rental revenues shows that developers are actually receiving additional rental income from households with rental assistance. Developers are allowed to collect higher rents from units with rental assistance than they can from units without rental assistance because they can collect rents up to a payment standard based on the Fair Market Rent, which may be higher than the 50% or 60% LIHTC rent. Developers in this sample, collected an extra $196,340 per month, or $31 per unit per month, from units with rental assistance.

Generally developers are only able to serve households with relatively low household incomes as a percentage of AMIs because of federal rental assistance programs. This highlights how important the HCV program is to the success of LIHTC properties. More research should be done to determine the extent developers are using this additional revenue to provide rent concessions to households, or to lower rents in other units.

NLIHC offers this analysis as an important contribution to the small but growing literature on the federal LIHTC program. Findings suggest that while this large federal affordable housing program may be reaching some lower income households, it is relying heavily on the shrinking voucher program to do so. Further analysis is needed, especially as more states modify their QAPs to target lower income households.

The report now turns to the results from NLIHC’s survey of affordable housing developers and from in-depth interviews with 47 of these developers.
How Developers Serve ELI Households

As the data analysis in previous sections of this report makes clear, existing federal housing programs rely heavily on the HCV program to serve ELI households. However, relying on vouchers to ensure affordability to ELI households is not a sustainable development model because the voucher program has experienced severe budget cuts in recent years, and is threatened by further cuts in the future. Under sequestration, voucher funding was cut by nearly $1 billion and an estimated 100,000 vouchers were lost (Rice, 2014). In this unstable federal budget environment, developers can no longer count on federal subsidies to support projects serving ELI households. It is imperative that new and innovative models are developed so that the ELI population can be served effectively and efficiently.

In order to gain a better understanding of the diverse strategies employed by affordable housing developers serving ELI households, NLIHC surveyed and interviewed a convenience sample of affordable housing developers. The survey was designed to identify developers using unique development models to serve ELI households. Based on survey responses, NLIHC identified a number of developers to interview to explore successful development strategies, focusing on developers providing housing affordable to ELI households without relying on federal subsidies and vouchers.

Methodology

In May 2013, NLIHC sent a survey to more than 1,500 contacts, including housing developers, NLIHC’s state and local partners, and other affiliates. NLIHC sought to identify developers of affordable rental housing. A total of 363 people started the survey. Of this number, a pool of 241 self-identified affordable housing developers proceeded to respond to additional survey questions. The other survey respondents did not develop affordable housing, and therefore were not prompted to answer further survey questions.

The survey asked developers to provide basic information on the geographic breadth of their work, the number of units produced between 2010 and 2012, the income levels of households in those projects, and the financing mechanisms used to fund their work during the same time period. Developers serving ELI households were asked to describe in greater detail the strategies used to finance and operate their properties.13

Using the survey results as a guide, NLIHC conducted phone interviews with 47 affordable housing developers. The interviewees were selected because they indicated that they served ELI households and used innovative strategies to finance and develop their properties. The interviews provided further insight into the financing strategies behind successful affordable housing projects.

Interviewees also were selected to represent a diverse range of affordable housing developers. They worked in both rural and urban areas, as well as suburbs of major cities. The interviewees were located across the country, in states with robust local affordable housing funding programs, as well as in states with few supplemental funding streams beyond federal programs.

Interviewees were asked to describe in greater detail the demographics of the tenant population served by their organization, with a focus on ELI tenants served by the developments in their portfolio. In addition, the interviewees provided a closer look at the financial structure of specific projects serving ELI households. Finally, they were asked to describe the challenges they faced in producing housing that serves the ELI population.

13 See Appendix B to read the survey questions.
How Developers Serve ELI Households

From the selection of interviews, NLIHC chose five development projects to highlight as case studies. These projects serve ELI households without solely relying on federal subsidies to fund development or operating costs. The case studies include a breakdown of units by household income level, a detailed list of funding sources, and a description of strategies used to cover operating expenses for the project.

**Findings**

The survey, interviews, and case studies revealed many different approaches used by affordable housing developers. There is no single strategy that can be applied to all affordable housing developments because circumstances vary widely across housing markets, and often may change rapidly over time.

Despite the many distinct development strategies employed, several common themes emerged from the survey, interviews, and case studies:

- Developers layer multiple funding sources while adapting to rapidly changing political and fiscal environments. Many also rely on non-traditional resources, such as private donations, to fill funding gaps.
- Reducing or eliminating mortgage debt is critical to be able to serve ELI households.
- Cultivating strong local partnerships is a key factor affecting developers’ ability to serve ELI households. Often, local jurisdictions that have prioritized affordable housing are willing to donate land or property at a low cost.
- Cross-subsidization is an important strategy used by many developers committed to inclusive properties that serve ELI households. This strategy incorporates units affordable to ELI households into projects containing other units occupied by households with a broader mix of incomes. The rents paid by higher income households supplement the overall operating expenses of the project, compensating for the lower rents that ELI households can afford.
- While the case studies highlighted some very effective strategies for serving ELI households without the use of vouchers, there is not one model that can be easily replicated.

**Survey of Affordable Housing Developers**

**Survey Respondents.** Survey respondents represented a broad range of affordable housing organizations, from small organizations with one or two paid staff members to multi-faceted organizations providing low income households with a range of services in addition to housing. Geographically, survey respondents represented large cities such as Chicago or Minneapolis, suburban communities on the edge of metropolitan areas, and rural counties.

The majority of the survey respondents self-identified their organizations as a nonprofit organization (81%). A smaller percentage of the survey respondents represented public entities (8%), and for-profit developers (7%) (Figure 5).
A large number of the 241 affordable housing developers worked at the local level, serving a city or a county (45%), or a region of their state (22%). A smaller proportion of developers worked at the neighborhood level (13%). Only 4% of affordable housing developers surveyed worked nationally. Just 7% were regional, working across several states. Approximately 16% worked state-wide (Figure 6).

Survey respondents said they developed between 1 and 5,900 units of affordable housing between 2010 and 2012. The median number of units developed over the three-year period was 60, while the average number of units reported was 191. Overall, most respondents produced fewer than 250 units over the three-year period. Only 6% of the respondents produced more than 500 units over the time period (Figure 7).
Question 4: How many rental housing units did your organization develop in 2010, 2011, and 2012?

**Funding Sources Supporting the Development of Affordable Housing.** The single most commonly reported subsidy program used by affordable housing developers was the HOME Investment Partnerships Program (HOME). Three-quarters of survey respondents reported using HOME funds to subsidize the development of affordable housing units. Other commonly used sources of funding included the 9% Low Income Housing Tax Credit (LIHTC) (57%), loans or grants from private entities (57%), the Community Development Block Grant (CDBG) program (50%), and the Federal Home Loan Bank’s Affordable Housing Program (AHP) (45%) (Figure 8).

**Figure 8: Common Funding Sources**

- HOME funds: 75%
- Private funding: 57%
- 9% LIHTC: 57%
- CDBG funds: 50%
- AHP funds: 45%
- 4% LIHTC: 37%
- Other (including federal, state or local programs): 37%
- State Housing Trust Fund: 34%
- Tax-Exempt Bond Financing: 32%
- City or County Housing Trust Fund: 29%
- Federal Historic Tax Credits: 23%
- USDA Rural Development Rental Housing Programs: 17%
- Section 202 Capital Advance Program: 17%
- State Historic Tax Credits: 16%
- Section 811 Capital Advance Program: 15%

Total Number of Respondents = 155

Question 5: From the list below, please select the sources of funding your organization has used to develop affordable rental housing (select all that apply).

*Note:* The percentages do not add up to 100% because respondents could select more than one answer.
Other subsidies used by affordable housing developers include the 4% LIHTC (37%), state Housing Trust Funds (34%), local Housing Trust Funds (29%), federal Historic Tax Credits (23%), and USDA Rural Development Rental Housing loans and grants (17%). Developers also noted using local mental health funds, city donated land, state tax credit programs, state revolving loan funds, and funding from programs targeting veterans.

**Income of Tenants Served by Survey Respondents.** Because a primary goal of this survey was to focus on developers that serve ELI households, a number of survey questions focused on the income levels of tenants, and the financing used to develop housing for ELI households. In sum, 116 affordable housing developers provided further details on the income levels of the tenants in properties developed between 2010 and 2012. Of this group, 67% reported developing properties serving ELI tenants.

![Figure 9: Developers by Percentage of Units Serving ELI at Properties Developed Between 2010 and 2012](image)

Total Number of Respondents = 116

Question 6: Of the total number of units that your organization developed from 2010-2012, please provide the percentage of units that were affordable to renters in the following income categories. (Respondents selected between varying income categories including ELI.)

Of the developers serving ELI households, 16% focused their efforts on exclusively serving ELI tenants. More commonly, developers reported either not serving any ELI households (33%), or reported that no more than 50% of the total units developed between 2010 and 2012 served ELI households (36%) (Figure 9).

In total, 75% of developers reported serving VLI households. Ten developers reported serving VLI tenants exclusively. Finally, 54% of developers reported serving low income households. Only five of these developers exclusively served low income households.

There were 99 developers that provided an estimate of the proportion of tenants at their properties using vouchers as an additional subsidy source. In total, 45% of developers noted that at least 90% of ELI tenants living in their properties utilized federal vouchers to cover rent, and 36% of developers reported that all ELI tenants living in their properties used vouchers (Figure 10).

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14 Low income households have income between 50% and 80% of AMI.
How Developers Serve ELI Households

Development Strategy for Serving ELI Households. Developers were asked to indicate how frequently they employed the following strategies when developing affordable housing for ELI households: cross-subsidization, state or locally funded rental assistance programs, operating reserves, and state or local tax credits.15

Thirty-four developers indicated using cross-subsidization as part of their strategy to serve ELI households.16 Properties with cross-subsidization have a mix of units serving a broad range of incomes. To meet the overall operating costs of a property, the rents paid by higher income tenants supplement the lower rents ELI tenants are able to afford.

Nine developers, responding to the opportunity to provide open-ended elaboration, discussed cross-subsidization as one component of a broader financing strategy. For example, one respondent noted the importance of having units at the 50-60% of AMI levels to provide sufficient rental income to cover operating expenses associated with units affordable to households with income no more than 30% of AMI. However, another developer commented that cross-subsidization alone was an insufficient strategy because the rental income generated by units at 60% of AMI was not enough to support the operating costs associated with units serving ELI households.

Thirty-eight developers indicated using state or local rental assistance programs to reach ELI households. In addition, responding to the opportunity to provide open-ended elaboration, nine developers mentioned the importance of state-funded housing programs that provide rental or capital assistance to affordable housing serving ELI households. Programs mentioned include: the Illinois Rental Support Program, Oregon Affordable Housing Tax Credits, Rhode Island’s Road Home Program, Minnesota’s Housing Trust Fund, and the State of Washington’s Operating and Maintenance Fund.

15 Question 8: Of the units that are affordable to renters with incomes at or below 30% of AMI and do not rely on federal tenant- or project-based vouchers, which of the following methods are used to make these units affordable to the ELI population and how often are they used? Possible responses: use all the time, use most of the time, use some of the time, rarely use, or N/A.

16 This includes respondents who selected the following responses: use all the time, use most of the time, or use some of the time.
How Developers Serve ELI Households

A small minority of developers cited private fundraising efforts as a primary source of funding. Others described private fundraising as a small, but increasing, source of funds. For example, a survey respondent discussed providing rental assistance on a decreasing basis over time as low income families improve their financial situation. The rental assistance is funded through community-based donations.

Ninety-two percent of respondents offering open-ended comments cited federal subsidy programs, particularly tenant-based vouchers (25) or project-based vouchers (17) as critical components to their financing strategy. Other federal programs cited included HUD’s Supportive Housing Program (SHP) and Shelter Plus Care (S+C) programs for homeless people, Housing Opportunities for Persons with AIDS (HOPWA), and USDA Rural Development rental assistance.

Interviews with Affordable Housing Developers

Through the survey, NLIHC identified affordable housing developers with a clear commitment to serving ELI households, and conducted detailed phone interviews with 47 developers to gather additional details on the development models they employed.

Nearly all affordable housing developers spoke eloquently about the impact of tightened and reduced budgets on the feasibility of developing new affordable housing projects. One interviewee explained, “there’s not enough money to do all the projects we want to do...it’s just grim.”

Despite the challenging environment, developers are still actively pursuing new development opportunities and moving projects ahead. The sections that follow describe the challenges faced by affordable housing developers, as well as the solutions used by developers to overcome these challenges in order to complete their projects.

Challenges Faced by Developers. The developers interviewed talked at length about how difficult it can be to produce housing units for the lowest income individuals in their communities. The seven challenges outlined here are the ones mentioned most frequently, but other challenges mentioned include difficulties finding partners to work with and finding sites that can accommodate the type of development they want to build. Furthermore, no developers listed just one of these challenges; they all detailed some combination of these issues.

■ Challenge: Ongoing Sources of Revenue Insufficient to Meet Operating Costs Over Time

Except for the limited resource of federal vouchers, and the even more limited resource of state or local rental assistance, there are no sources of funds that can make up the difference in what ELI households can afford to pay for rent and the long-term operating costs of rental housing. Operating costs include maintenance, insurance, real property taxes, utilities, and scheduled payments to a reserve for replacement of major building systems such as roofs and elevators. Even if there is no debt encumbering a project because other programs have provided grants for property acquisition and development, ongoing operating costs can still present a burden if tenant rents are not sufficient to meet those costs. This is the overarching challenge that affects every single developer trying to serve ELI households.

■ Challenge: Difficulties Associated With the Need to Layer Resources

Most of the people interviewed agreed that there is no single financing strategy that works across all affordable housing projects. One interviewee characterized the financing of affordable housing projects as a “lasagna of finance” to describe the layers of funding sources that each project required. Each development project requires combining resources from many different federal, state, and local sources. Many developers described using several financing strategies in tandem when pursuing a project. Relying on any one single source of funding does not sufficiently cover the costs of developing and operating housing for the poorest households, so taking multiple approaches concurrently was common.

Cobbling disparate sources of funding, often tied to different timelines, within a tight time frame, presents a serious
challenge for developers. The complexity of piecing together many different subsidies adds significant administrative costs to each project. Another developer explained that the length of time between applying for a state grant and receiving funding was problematic because while waiting to close on the grant, state-level political changes created uncertainty, and the delay added to the cost of the project.

Challenge: Constantly Changing Circumstances

Developers often encounter rapidly changing circumstances that affect the programs they rely on for funding. These changes arise due to political shifts, budgetary constraints, or changes in policy direction. For example, the City of Los Angeles recently began to receive its own apportionment of 9% LIHTCs. Now, developers in Los Angeles face a new process when competing for tax credits, creating uncertainty because the city’s priorities for allocating tax credits may differ from well-known state priorities.

In California, the demise of the Redevelopment Authority (RDA) has had a significant impact on affordable housing developers, because RDA funding had been a critical piece of the puzzle for many affordable housing developers. Now developers are scrambling to find alternatives.

One resource that some California developers mentioned was funding through the California Mental Health Services Act, which specifically targets supportive housing development. Other developers sought funding through First Five, a California program that targets the health of children. However, according to a developer using First Five, “sometimes money just pops up and then disappears, making it difficult to formulate any funding strategy.”

Another developer discussed the unpredictability of their state tax credit allocating agency. The state agency created a new application process involving a different approach to evaluating projects, an approach applicants thought nebulous. In addition, funding priorities were completely reworked, making it “totally unpredictable” to estimate the types of projects likely to get tax credits.

Challenge: Budget Cuts

Many interviewees described the impact of severe budget cuts. With these cuts, despite access to tax credits, developers often struggle to access gap financing to make a project come together. Time constraints are also problematic.

A developer described “severe” cuts to the state’s Housing Trust Fund in recent years, adversely affecting the developers’ ability to pursue projects. This developer noted that the state’s Housing Trust Fund was a critical piece of capital funding for affordable housing projects across the state. According to the developer, sustaining projects long term is challenging because of fluctuating funding.

Another developer bemoaned the fact that “we’re always struggling.” Due to decreases in the state budget alongside federal cuts, the developer described upcoming challenges and uncertainty associated with covering operating costs for existing projects. The developer described the frustration of visiting Washington, DC and discussing the need to end homelessness with various elected officials alongside a group of affordable housing advocates from New England. Despite the efforts of these advocates, the developer continues to experience the challenges of working in an environment with fewer federal housing resources available.

Challenge: Accessing and Utilizing Tax Credits

Many developers tried to make use of the Low Income Housing Tax Credit program (LIHTC), with mixed success. The equity obtained through the LIHTC was critical for many of the projects discussed. Smaller developers, however, often faced challenges accessing this resource. They noted that many QAPs favored large-scale projects, putting smaller nonprofit developers at a disadvantage during the application process. In addition, they cited the difficulty of navigating their state housing finance agency’s application process, and the expense of applying for tax credits, which
cannot be recouped if an application does not succeed amidst the intense competition for tax credits.

A developer with properties across the country observed that cuts to the federal Section 202 program for elderly people and the federal Section 811 program for people with disabilities have “pushed developers into the tax credit program,” creating more competition for funding. With such competition, many strong applications for funding are rejected.

Some developers questioned the federal policy that provides developers with a “basis boost” (which increases the amount of equity available to a project) if they develop properties in Qualified Census Tracts (QCTs). According to interviewees, this often incentivizes development in areas of high poverty. These developers recommended policy shifts that would provide a “basis boost” to developers serving the most vulnerable households, by income, regardless of the project’s geographic location. Other developers also echoed this sentiment, recommending QAP processes that establish set-asides according to the income of households served.

■ Challenge: Cost Containment

Several developers discussed the adverse impact of local requirements and fees. Local requirements include environmentally-friendly building requirements, parking requirements, and other building requirements. Developers often described the delicate balancing act of meeting these requirements while ensuring that a project remained financially feasible.

For example, a California-based developer described the tension that emerged when the local municipality required “all kinds of cool features,” yet also expected the developer to keep costs “under $200,000 a unit.” The developer described intense public pressure to reduce costs, which was complicated by other requirements that inevitably drove up capital costs. Underground parking requirements were commonly cited by other developers across the country as an unnecessary feature driving up the costs of several affordable housing projects.

In Minnesota, developers have been encouraged by the state to focus on properties near transit by the state. However, land costs near transit tend to be higher, and until this year, funding had not been made available to offset the higher development costs associated with Transit-Oriented Development (TOD) projects.

■ Challenge: Community Resistance to Affordable Housing Projects

Developers described facing resistance from community members who are opposed to affordable housing projects. Neighbors argued that affordable housing projects would bring crime or unsightly buildings to their community. A developer in Illinois described “zoning battles” with local cities, and particularly strong resistance from suburban communities.

Another developer discussed the general community perception of poverty and homelessness. According to this developer, backlash from the community is common when proposals are floated to develop projects serving formerly homeless or ELI populations. Neighbors express a strong negative reaction to such projects due to the stereotypes and stigmatization of homeless individuals.

A developer in the Pacific Northwest also described the constant struggle of working with community members. He recalled, as a local government staff member, receiving many letters from community members opposed to projects specifically because the projects could bring “those people” into their community. Opposition to affordable housing seemed to frequently stem from negative perceptions of poor people, racial minorities, and immigrants. Despite the opposition, once projects were complete, the community often came around to accepting and even praising the development.

17 A QCT is census tract designated by HUD as a low income tract, meaning in general that at least 50% of the households have income less than 60% of AMI, or the poverty rate is at least 25%.
How Developers Serve ELI Households

A New England developer described a “constant problem of people fighting against affordable housing being located near them.” In contrast to opposition associated with building new housing in communities, the developer experienced less intense NIMBYism to redevelopment and renovation projects. This developer also described the tensions within communities that are both “anxious for [additional] affordable housing,” yet resistant to any new housing being built directly in their neighborhood.

Strategies for Addressing These Challenges. It takes an extremely dedicated, mission-driven organization to persevere through the various obstacles encountered while trying to produce deeply affordable housing. Such developers exist in all parts of the country, and they are finding ways to complete projects and serve formerly homeless people, seniors, persons with disabilities, and many other ELI people. Some of the ways they overcome these challenges are discussed in the following section.

■ Solution: Cross-subsidization

An increasing number of developers have adopted a cross-subsidization model, subsidizing the operating costs of units serving ELI tenants through the rents generated by the higher income units. However, cross-subsidization has its limits.

Cross-subsidization was a key strategy used by a Midwestern developer. While the developer had access to state and county funding, he explained that developing any property targeting ELI households exclusively was extremely difficult. Rents affordable to ELI tenants do not cover the expenses of operating a property or making mortgage payments. In order to include units targeting ELI households, additional operating subsidies at the state-level remain crucial.

A Mid-Atlantic developer described the process of cross-subsidizing units across projects according to community needs. She described studying market assessments to determine the need for units at various income levels. By starting with the lowest income units that reflect community need, she would then work to determine what other higher income units were needed to offset the operating costs of including units serving ELI households.

Another developer expressed the importance of cross-subsidization among projects that serve low income tenants exclusively. This developer charges rents that are slightly more than the total operating costs for the units affordable to tenants with income at 50% of AMI. These rents are set at a level affordable to this group of tenants, yet provide a critical supplement that covers the cost of operating units affordable to households with income at 30% of AMI. The developer discussed determining specific income targets on a project-by-project, unit-by-unit basis.

A large developer with properties across the country described using cross-subsidization, but units serving ELI tenants remained a very small proportion of the overall unit mix. In those properties, ELI units made up less than 10% of units overall, and the rest of the units served households with income up to 60% of AMI. Often, this approach results in a fairly modest set-aside for ELI units. In one project, the split between ELI units and VLI units was fifty-fifty, and the developer found that the rents generated were insufficient to cover operating costs.

■ Solution: Eliminating Mortgage Debt

One of the tactics often mentioned by developers committed to serving ELI households is to reduce any hard debt, ideally eliminating mortgage debt entirely. According to a Texas developer, their basic financial model entails carrying “no mortgage debt.” In addition to eliminating debt service, the Texas developer also used a cross-subsidization strategy, setting 10% of the units aside for ELI households. Several developers noted that cross-subsidization worked best in tandem with a strategy of eliminating capital debt.

A developer in Washington State described the importance of eliminating hard debt. To make projects serving ELI tenants work, both cross-subsidization and “extensively subsidized capital upfront” was necessary. Simply having units pegged at 50% of AMI to support the operational costs associated with units targeting tenants at 30% of AMI
How Developers Serve ELI Households

was insufficient. In order to make projects happen, a wide range of capital financing subsidies are necessary, from both state and federal sources.

A developer from California stressed the importance of not carrying any debt tied to the costs of purchasing land. According to the developer, even with a cross-subsidy strategy, there is typically a financing gap. In order to cover this gap, the cost of acquiring land has to be minimal and is often the result of a “contribution by the city.” As an example, one urban property combined both funding from the local housing authority as well as funding from the local Housing Trust Fund. However, according to the interviewee, the project would not have come to fruition without the donation of land from the city.

Solution: Cultivating Partnerships with Government Entities

At the local level, developers frequently remarked that “politics are involved.” One developer cited an extremely “political process,” where engaging local leadership was critical to the success of projects. Another developer described a “political strategy of gaining additional...power” to ensure that housing moves to the top of the agenda among policy makers. This developer described an environment in which other issues often garnered more attention than affordable housing.

A Pacific Northwest developer was very optimistic about the financial condition of her portfolio. She attributed a significant portion of her organization’s success to the engagement of the city and county, and collaboration between housing providers and community leadership.

In many cases, successful partnerships with local municipalities resulted in below market (or donated) land or property, significantly reducing capital costs and eliminating mortgage payments. In Florida, one affordable housing project would not have been able to move forward without the city commitment.

In Kansas, a developer described the importance of initially working with local municipalities to acquire property and land at no cost. In addition, the developer worked with cities to issue taxable bonds tied to property tax exemptions. These tax exemptions saved between $14,000 and $22,000 per year per property. The savings covered some of the expenses of operating housing for ELI households.

In Missouri, a developer discussed the potential value of developing a regional network. The network could be comprised of housing developers with a commitment to low income populations as well as service providers. The developer, a service provider, was reluctant to independently develop projects. Moving forward, the developer hoped to partner with other developers that had the capacity and expertise to navigate the development process, described as a “bear.”

Solution: State and Local Programs

Many interviewees stressed the importance of state resources. State Housing Trust Funds in multiple states were frequently cited as key funding sources for developers. City Housing Trust Funds are also crucial. For one Chicago-based development project, the majority of operating expenses associated with its ELI units were covered by the Chicago Low-Income Housing Trust Fund, which has provided almost $800 per ELI unit each month.

The funding supporting this particular project came through the Chicago Low-Income Housing Trust Fund’s Multi-year Affordability through Upfront Investment (MAUI) program. MAUI provides long-term financing to support projects over a multi-year term. Through the program, developers are able to access interest-free forgivable loans, allowing the loans to replace up to 50% of a developer’s private first mortgage loan. The intention of the program is to facilitate deeper income targeting, particularly units affordable to ELI households. The Chicago Low-Income Housing Trust Fund is in part funded through the city’s Affordable Housing Zoning Bonus. Downtown developers receive a density bonus in exchange for either constructing units on site or contributing to the city’s Housing Opportunity Fund.
How Developers Serve ELI Households

State-level tax credit programs, such as the Illinois Affordable Housing Tax Credit (Donations Tax Credit) and the Oregon Affordable Housing Tax Credit, were also cited as important sources of equity. In Illinois, the Donations Tax Credit is being used by developers across the state. For example, an Illinois developer uses this credit as part of what they termed “bargain sales,” through which land is purchased at a discounted price from a city or private entity. The proceeds from the tax credits are typically used as gap financing.

In addition, state programs that provide a rental subsidy make it possible for projects to serve ELI households. For example, the Neighborhood Opportunities Program in Rhode Island has helped cover the operating costs of serving ELI households. Without this program, developers struggled to target households with income less than 50% of AMI.

See Patchwork: State and Locally Funded Rental Housing Programs, another NLIHC report that is part of the Alignment Project.

■ Solution: Establishing Preferences or Set-Asides for ELI Populations in State QAP

In many states, affordable housing developers, particularly those serving ELI populations, reported that they were unable to compete successfully for tax credits. However, successful campaigns in several states secured tax credit set-asides or policies favorable to developers of housing affordable to ELI households in their state's QAP. In states where there are either set-asides specifically for ELI households or for populations with special needs, developers noted the importance of other resources from the state that provide funds for the continued operation of these properties. Without other resources, these developers must rely almost completely on HCVs to serve ELI households.

Developers also discussed the importance of establishing an operating reserve to support projects housing ELI tenants. In Florida, the Housing Finance Agency developed a policy to support development projects serving homeless households by allowing a higher developer fee if projects served this special population. The developer fee must be reinvested in the project, specifically for the purpose of creating an additional reserve to support operating costs. The specific eligibility criteria for the increased developer fee is part of the state's QAP.

In Missouri, a policy campaign resulted in the state’s QAP giving priority to projects serving persons with special needs. The special needs population includes physically, emotionally, or mentally impaired individuals; developmentally disabled people; homeless people; and youth aging out of foster care. This policy shift has made it easier for developers of housing for ELI populations to gain access to equity financing.

■ Solution: Private Fundraising

An increasing number of developers have turned to private fundraising to cover the operating expenses of units that serve ELI households. For example, grants, typically from local community foundations or bank foundations, are utilized to cover emergency rental assistance for households with income far less than 30% of AMI unable to pay rents on a short-term basis. However, these grants are only a short-term solution.

A developer of a small, 23-unit property described a $1 million funding shortfall and the efforts it took to fill this gap. Despite access to both federal and state low income housing tax credits, as well as historic tax credits, other sources of funding were needed. To fill the gap, the developer turned to the Federal Home Loan Bank, as well as the state’s Department of Mental Health. Ultimately, private fundraising proved vital. The private fundraising created a financial cushion that the developer planned to use in case of an operating shortfall.

A Midwestern developer also said that private fundraising often filled financing gaps. The nonprofit developer’s board of directors played a key role in fundraising efforts; consequently, additional funding was secured from local foundations and the United Way. The developer also mentioned the importance of family foundations as a source of gap financing. However, the presence of family foundations is a unique factor limited to a developer’s location and
the wealth of the surrounding community. Nonetheless, the importance of working with family foundations was mentioned by several other developers.

Another developer described using many creative sources of funding. For example, one project was funded in part through small donations from local individuals. Each individual invested about $2,000 in the project.

**Summary**

Overall, the survey revealed that a mixture of federal, state, and local housing programs, often in combination with other strategies, enable affordable housing developers to serve ELI households. It is encouraging that so many of the respondents who answered the question about the income levels they serve in their developments reported that they serve ELI households. Less encouraging is how often these developers must rely on federal housing vouchers in order to serve this population. Fifty-six percent of the developers who provided estimates on the number of vouchers used at their property stated that more than half of the ELI tenants living at their developments have vouchers. A full 45% of that group said that at least 90% of the ELI tenants use vouchers.

Among developers who are able to serve ELI households who do not have vouchers, a variety of strategies were employed to do so. The most common strategies appear to be using other federal programs, cross-subsidization, using state and local funding, and private fundraising. With many federal, state, and local programs facing budget cuts and future financial uncertainty, the need to identify alternative approaches to developing housing for ELI households is pressing.

The interviews largely confirmed that developing affordable housing is extremely challenging, particularly for small, nonprofit developers with a mission of serving the most vulnerable, low income households. Developers serving ELI households face increased competition for limited resources, community resistance, and increasing operating costs. Despite these challenges, interviewees persisted in developing successful projects.

For each individual project, strategies were tailor-made, with development strategies varying greatly from project to project. The commitment of state and local entities to affordable housing made a significant difference in the ability of projects to move ahead. However, state and local programs alone are not able to support the development of affordable housing. Federal financing mechanisms remain critical. For both federal and state programs, set-asides for vulnerable populations and ELI households ease the way for developers to serve those most in need of housing assistance.

To probe even deeper into the question of how developers are able to serve ELI households without vouchers, NLIHC conducted case studies of five properties that rent units to ELI households without benefit of HCVs.
LIHC selected five developments to examine further as case studies. All five projects serve ELI households; two of the five serve ELI households exclusively. They are located in California, Florida, Missouri, Washington, and Maryland. The developments serve formerly chronically homeless individuals and families, persons with mental illness, persons with disabilities, individuals transitioning from institutional environments, and other vulnerable populations. While these projects utilize federal resources, none use federal resources exclusively, nor do they rely solely on vouchers to ensure affordability to ELI populations.

The case studies include a description of the development entity; a project description, including a breakdown of units by household income level; a detailed listing of funding sources; and a description of strategies used to cover operating expenses for the project.

## Case Study #1

**FORD ROAD FAMILY HOUSING**

<table>
<thead>
<tr>
<th>Project Name:</th>
<th>Ford Road Family Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location:</td>
<td>San Jose, California</td>
</tr>
<tr>
<td>Developer:</td>
<td>Eden Housing</td>
</tr>
<tr>
<td>Date of Opening:</td>
<td>Summer 2014</td>
</tr>
<tr>
<td>Number of Units:</td>
<td>74</td>
</tr>
<tr>
<td>Number of Units Serving Extremely Low Income Households:</td>
<td>20</td>
</tr>
<tr>
<td>Average Income of Tenants:</td>
<td>Not Available</td>
</tr>
<tr>
<td>Monthly Rents Paid by Tenants:</td>
<td>$285-$950 for one-bedroom units. $342-$1140 for two-bedroom units. $790-$1317 for three-bedroom units.</td>
</tr>
</tbody>
</table>
Developer Description:

Founded in 1968 by community activists in Alameda County, California, Eden Housing’s mission is to build and maintain quality affordable housing communities for low income families, seniors, persons with disabilities, and the formerly homeless. Eden’s work began by rehabilitating six homes in Oakland for first-time homebuyers. Since 1968, Eden has provided housing to 65,000 people across 100 properties with 7,500 units of affordable housing. Eden’s housing includes rental apartments, homeownership units, cooperatives, and supportive housing for persons with disabilities. Eden’s work has spread beyond Alameda County, and the organization now works in 30 cities across 11 counties in northern and southern California.

Project Description:

Ford Road Family Housing (Ford Road) features affordable rental units targeting families with incomes between 15% and 50% of the area median income (AMI) for Santa Clara County, California (Table 1). The property is adjacent to Monterey Villa, another Eden Housing development, which serves individuals with special needs. Ford Road consists of three buildings, and includes both townhomes and single-story apartment flats. The site is located south of San Jose’s downtown, in the Silver Leaf neighborhood.

A community center and computer center are available on-site, and Eden Housing Resident Services provides programming for children, education classes for families, and social activities at the community center. The site is also within walking distance of a Cal-Train station and several bus routes, connecting residents to job and educational opportunities across the region.

Of the 74 affordable rental units targeting families, 20 target extremely low income (ELI) households, with incomes at or below 30% of AMI (Table 1). Residents in five units will be provided additional supportive services through the Santa Clara County Mental Health Department, and the residents in two other units will receive supportive services through the City of San Jose’s Care Coordination Project.

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%-15% AMI</td>
<td>2</td>
</tr>
<tr>
<td>16%-20% AMI</td>
<td>5</td>
</tr>
<tr>
<td>21%-30% AMI</td>
<td>13</td>
</tr>
<tr>
<td>31%-50% AMI</td>
<td>54</td>
</tr>
<tr>
<td><strong>TOTAL UNITS</strong></td>
<td><strong>74 + ONE MANAGER UNIT</strong></td>
</tr>
</tbody>
</table>

Financing Strategy:

The Ford Road site is owned by San Jose, and was made available to Eden for the development of affordable housing through a 75-year lease, for $1 per year. Acquiring the land at low cost and reducing the serviceable debt associated with the project was critical to the project’s ability to serve ELI households. The City of San Jose also provided...
permanent and construction financing for the Ford Road project, using funding available through the Neighborhood Stabilization Program.

Permanent financing was provided through the California Community Reinvestment Corporation (CCRC). CCRC, a non-profit multi-bank lending consortium, provides loans specifically to affordable housing developers across the state of California. Eden also received a loan through the Federal Home Loan Bank’s Affordable Housing Program (AHP) and equity through the Low Income Housing Tax Credit (LIHTC) program (Table 2).

A significant commitment to the Ford Road project was made by the Housing Authority of the County of Santa Clara, using federal funds made available to the agency through HUD’s Moving to Work (MTW) demonstration program. Households on the Housing Authority’s waitlist are prioritized for apartments during the initial lease-up period at Ford Road.

Additionally, the Housing Trust of Santa Clara County made a commitment of $500,000. Initially established in 2000, the Housing Trust of Santa Clara County was renamed Housing Trust Silicon Valley. The Housing Trust provides short-term financing for the development of affordable rental property.

**Table 2: Project Financing**

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Community Reinvestment Corporation</td>
<td>$4,666,100</td>
</tr>
<tr>
<td>Housing Authority of the County of Santa Clara</td>
<td>$5,760,000</td>
</tr>
<tr>
<td>Housing Trust of Santa Clara County</td>
<td>$500,000</td>
</tr>
<tr>
<td>Santa Clara County Mental Health Services Act (MHSA)</td>
<td>$500,000</td>
</tr>
<tr>
<td>MHSA Operating Subsidy</td>
<td>$500,000</td>
</tr>
<tr>
<td>Federal Home Loan Bank Affordable Housing Program (AHP) Loan</td>
<td>$740,000</td>
</tr>
<tr>
<td>City of San Jose, Redevelopment Agency funds</td>
<td>$344,455</td>
</tr>
<tr>
<td>City of San Jose, Neighborhood Stabilization Program funds</td>
<td>$1,770,000</td>
</tr>
<tr>
<td>City of San Jose, value of land donation</td>
<td>$4,199,925</td>
</tr>
<tr>
<td>Low Income Housing Tax Credit (LIHTC) equity</td>
<td>$13,850,336</td>
</tr>
<tr>
<td><strong>TOTAL, EXCLUDING OPERATING SUBSIDY</strong></td>
<td><strong>$32,330,816</strong></td>
</tr>
</tbody>
</table>

**Strategy for Serving ELI Households:**

There are 20 units in the Ford Road project that serve ELI households. Two of these units received additional capital funding available through the City of San Jose’s Neighborhood Stabilization Program (NSP) funding, reducing the debt service. This additional funding is also used to capitalize a reserve account with $30,000 for these two units. The two units serve formerly homeless tenants, with incomes of no more than 15% of AMI. The reserve account ensures a stable income stream from these units if the lease-up period is longer than anticipated.
Five ELI units at the property receive an operating subsidy through the Mental Health Services Act (MHSA) in California, and this funding is distributed by Santa Clara County (Table 3). In November 2004, California voters passed Proposition 63, which established a 1% tax on personal income over $1 million to support expanding mental health services statewide under the MHSA. The funds raised through the tax are distributed to California county mental health programs, and can be used for capital and operational expenses associated with the development of affordable rental housing. At Ford Road, the operating expenses associated with the five units will be reimbursed on an annual basis by the Department of Mental Health, up to $500,000 over a 20-year compliance period.

Eden focuses on a mixed-income strategy to cover overall operating costs, balancing the inclusion of units affordable to ELI households with units serving higher income households. At the Ford Road development, 54 units target households with incomes up to 50% of AMI. The rents generated by these units partially cover operating expenses associated with the 20 units affordable to the lowest income ELI households.

Table 3: Operating Strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Source</th>
<th>Amount</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-subsidization Strategy</td>
<td>n/a</td>
<td>n/a</td>
<td>13</td>
</tr>
<tr>
<td>Lease-Up Reserve</td>
<td>City of San Jose</td>
<td>$30,000</td>
<td>2</td>
</tr>
<tr>
<td>Rental Subsidy</td>
<td>State of California, Mental Health Services Act (MHSA) funding</td>
<td>$500,000 over 20-year period</td>
<td>5</td>
</tr>
</tbody>
</table>
Case Study #2

Hudson Townhomes

Project Name: Hudson Townhomes
Location: Cambridge, Maryland
Developer: Homes for America
Date of Opening: August 2013
Number of Units: 48
Number of Units Serving ELI Households: 10
Average Income of Tenants: $21,180
Average Monthly Rent Paid by Tenants: $505

Developer Description:

Homes for America (HFA) is a non-profit housing development organization, headquartered in Annapolis, Maryland, that has created and preserved affordable housing across the mid-Atlantic region for twenty years. HFA is the 11th largest non-profit developer of affordable housing nationally, with units in Maryland, Pennsylvania, Virginia, and Delaware. The organization specializes in housing that serves seniors, persons with special needs, and low income households. Since HFA’s founding in 1994, HFA has developed 5,400 units across 69 rental development projects.

Project Description:

Hudson Townhomes is located in Cambridge, Maryland, a rural area with a shortage of high quality affordable housing. The property was developed by HFA, which partnered with PIRHL Development, a developer and general contractor focused on affordable housing. Hudson Townhomes was built on a 3-acre site that is part of a larger planned unit development (PUD). The other housing units on the PUD site serve households with incomes at 60% of
the area median income (AMI), so Hudson Townhomes was developed in order to serve a lower income population. HFA is the managing partner of the property, and provides both resident services and asset management. A third party company provides day-to-day management of the property operations.

Of the 48 units at the property, ten serve extremely low income (ELI) households, with incomes of no more than 30% of AMI (Table 1). Currently, none of the ELI tenants hold Housing Choice Vouchers (HCV). The average rent within the Hudson Townhomes community is $505 a month.

### Table 1: Units by Income Level

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% - 15% of AMI</td>
<td>2</td>
</tr>
<tr>
<td>16% - 30% of AMI</td>
<td>8</td>
</tr>
<tr>
<td>31% - 40% of AMI</td>
<td>27</td>
</tr>
<tr>
<td>41% - 50% of AMI</td>
<td>11</td>
</tr>
<tr>
<td>TOTAL UNITS IN PROPERTY</td>
<td>48</td>
</tr>
</tbody>
</table>

### Financing Strategy

The property is located in a Qualified Census Tract (QCT). HUD designates census tracts with a poverty rate of at least 25%, or census tracts with 50% or more of households with incomes of no more than 60% of AMI as a QCT. Projects developed within the boundaries of QCTs are eligible to claim additional Low Income Housing Tax Credit (LIHTC) equity. The additional equity was critical to this project.

In addition, the City of Cambridge provides a payment in lieu of taxes, essentially a tax credit of $200 per unit, per year, for real estate taxes. The ability to secure local commitments (in the form of payments in lieu of taxes, or waived permit fees) is a key strategy used by Homes for America.

Finally, the loan programs offered by the state of Maryland are also important to the project, as loans available through the Rental Housing Funds program in Maryland are typically zero-interest. The loan terms make it possible for developers like HFA to serve ELI households.

### Table 2: Project Financing

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland Department of Housing and Community Development Rental Housing Funds</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>The Harry and Jeanette Weinberg Foundation</td>
<td>$140,000</td>
</tr>
<tr>
<td>Low Income Housing Tax Credit (LIHTC) Equity</td>
<td>$11,907,000</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$250,000</td>
</tr>
<tr>
<td>Developer Equity to Fund Support Services</td>
<td>$75,000</td>
</tr>
<tr>
<td>TOTAL COSTS</td>
<td>$13,772,000</td>
</tr>
</tbody>
</table>
Strategy for Serving ELI Households:

HFA structured the income distribution across units in order to maximize the number of ELI households at the property. Higher rent units at the property are often rented to voucher holders, with rents capped to 30% of income. The voucher covers the difference between what the household is able to pay, and the actual rent of the unit. These higher rent units, supported by vouchers, facilitate the inclusion of units affordable to ELI households at the property. The 10 units affordable to ELI households are occupied by ELI households without vouchers.

Two of the ELI units at the property are set aside for households earning no more than 15% of AMI. These units target persons with disabilities, and were supported by a grant from Maryland’s Affordable Rental Housing Opportunities Initiative. This initiative is funded by the Harry and Jeanette Weinberg Foundation.

The project received a $140,000 grant through the Affordable Rental Housing Opportunities Initiative. Of this amount, $110,000 supported development costs, and $30,000 was set aside in an escrow account to be used over 30 years as a reserve to cushion against operating cost increases.

Table 3: Operating Strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Source</th>
<th>Amount</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-subsidization Strategy</td>
<td>n/a</td>
<td>n/a</td>
<td>8</td>
</tr>
<tr>
<td>Reserve</td>
<td>State of Maryland; Harry and Jeanette Weinberg Foundation</td>
<td>$30,000</td>
<td>2</td>
</tr>
</tbody>
</table>
Case Study #3

MAYFAIR VILLAGE APARTMENTS

Project Name: Mayfair Village Apartments
Location: Jacksonville, Florida
Developer: Ability Housing of Northeast Florida, Inc.
Date of Opening: 1951 (built); 2011 (Rehabilitated)
Number of Units: 83
Number of Units Serving ELI Households: 42
Average Income of Tenants: $10,741
Average Monthly Rent Paid by Tenants: $342 (30% AMI); $595 (50% AMI)

Developer Description:

Ability Housing began in 1992 as a small group home for adults with developmental disabilities. Seeing the need for quality affordable housing, Ability Housing expanded its work to include permanent housing for homeless families and individuals. Their mission is to provide quality, affordable, community inclusive housing for individuals and families at risk of homelessness, and for adults with a disability. Ability Housing works to redevelop vacant properties into affordable housing, and to preserve existing affordable housing in the community. All Ability Housing residents have incomes at or below 80% of the area median income (AMI).
**Project Description:**

Mayfair Village Apartments is an 83 unit, 12 building apartment complex located in Jacksonville’s Southside St. Nicholas neighborhood. The property is located on a major bus route, and across the street from a grocery store. In 2008, Ability Housing purchased the 60-year-old property, using interim financing provided by Bank of America and Local Initiatives Support Corporation (LISC). Ability Housing’s goal was to turn the deteriorating property into a high quality, affordable housing development serving formerly homeless families.

Mayfair Village’s rehabilitation was complete in September 2011. The substantial rehabilitation project included new mechanical and plumbing systems, and new kitchen, baths, windows, floors, and roofs.

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%-30% of AMI</td>
<td>42</td>
</tr>
<tr>
<td>31%-50% of AMI</td>
<td>41</td>
</tr>
<tr>
<td><strong>TOTAL UNITS</strong></td>
<td><strong>83</strong></td>
</tr>
</tbody>
</table>

**Table 1: Units by Income Level**

Approximately half of the current tenants at Mayfair Village are extremely low income (ELI), with incomes of no more than 30% of AMI (Table 1). The remaining tenants have incomes of no more than 50% of AMI. Of the 131 residents living at the property, 70 were formerly homeless, including 21 children. In 2014, half of Mayfair tenants held a federal housing voucher, but the proportion of tenants with vouchers has been as low as 20% historically.

**Financing Strategy:**

In order to serve ELI households, Ability Housing focuses on securing multiple layers of financing, without a debt service obligation. According to Ability Housing, reducing or entirely eliminating debt service obligations is crucial to serving ELI households. All of the financing sources used to support the rehabilitation of Mayfair Village had forgivable, zero-interest, or deferred debt service obligations. The project was funded using a forgivable loan from the Florida Housing Finance Corporation, alongside Low Income Housing Tax Credit (LIHTC) equity, and funding through the federal HOME Investment Partnerships Program (HOME) (Table 2).

The Mayfair Village project also received funding from the Florida Department of Children and Families through the Homeless Housing Assistance Grant (HHAG) program. This program provided funding for the development of transitional and permanent housing for the homeless. Projects received up to $750,000 per project. The funding was awarded to county-level Continuum of Care lead agencies, and the funding was derived from state general revenue. The last grants were awarded through the HHAG program in 2010-2011. This program is no longer funded in Florida.
### Table 2: Project Financing

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Housing Tax Credit (LIHTC) Equity from National Equity Fund</td>
<td>$6,442,398</td>
</tr>
<tr>
<td>Tax Credit Exchange Loan Program (Forgivable)</td>
<td>$2,485,000</td>
</tr>
<tr>
<td>HOME Investment Partnership Program (HOME)</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Florida Department of Children and Families, Homeless Housing and Assistance Grant Program</td>
<td>$728,984</td>
</tr>
<tr>
<td>Deferred Developer Fee &amp; Developer Equity</td>
<td>$680,876</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$14,337,258</strong></td>
</tr>
</tbody>
</table>

### Strategy for Serving ELI Households:

At Mayfair, 42 units are occupied by ELI households. Ability Housing was able to capitalize an operating reserve, key to supporting 42 ELI households. This operating reserve is funded through an increased developer fee (Table 3). In Florida, projects serving homeless households are eligible for an increased developer fee, provided that the developer agrees to commit an amount of funding equal to the increase as an operating subsidy reserve. Projects eligible for the increased developer fee are determined annually, and described in Florida’s Qualified Allocation Plan (QAP).

The increased developer fee is part of Florida Housing Finance Corporation’s strategy to support projects serving homeless households. This policy was developed as a result of advocacy work by the Florida Supportive Housing Coalition and its partner coalitions across the state.

Lastly, Mayfair has a safety net to cover operating deficits, called an Operating Deficit Reserve. This reserve is typical in most tax credit funded projects, and is paid for with the equity received from the investor. The developer has to pledge to replenish the reserve, should it be utilized for eligible expenses.

Moving forward, the greatest challenge for Ability Housing is unanticipated increased operating expenses. Specific to the region, insurance premiums remain a concern. The risk of hurricanes can cause insurance costs to spike, and this can threaten the operating budget of the project as a whole.

### Table 3: Operating Strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Source</th>
<th>Amount</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-subsidization Strategy</td>
<td>n/a</td>
<td>n/a</td>
<td>42</td>
</tr>
<tr>
<td>Reserve</td>
<td>Increased Developer Fee</td>
<td>$540,541</td>
<td>42</td>
</tr>
</tbody>
</table>
Case Study #4

PLACES AT PAGE

Project Name:  
Location:  
Developer:  
Date of Opening:  
Number of Units:  
Number of Units Serving ELI Households:  
Average Income of Tenants:  
Average Monthly Rent Paid by Tenants:  

Developer Description: 

Places for People (PfP) was created in 1972 to serve people discharged from long term institutionalization. The organization has evolved to serve individuals with disabilities, with a focus on providing safe and stable housing as a prerequisite to recovery. Today, PfP serves individuals recovering from mental illness, homelessness, trauma, and substance abuse disorders. PfP provides caring, effective services to help those with the greatest challenges recover from mental illness and associated chronic illnesses. PfP also provides a variety of rental subsidies, and manages 70 units of supportive housing.
**Project Description:**

Places at Page is a 23-unit historic building in St. Louis, Missouri, developed collaboratively with ND Consulting. The project aims to provide supportive housing for individuals with severe mental illness. Places at Page serves formerly homeless adults, as well as individuals exiting institutional settings. The project is located in the Sherman Park-Academy neighborhood of north St. Louis. Places for People worked closely with the neighborhood association and alderman in developing the project.

The project scope included a gut-rehabilitation of a historic building, built in 1908 as the Blind Girls' Home. PfP acquired the property in 2008. By that time, the property was vacant and had been subject to vandalism. The property is on the National Register of Historic Places, and historic tax credits were used to fund the rehabilitation work. Places at Page is also one of the first affordable housing projects in Missouri to use Low Income Housing Tax Credits (LIHTC) to develop a project specifically serving a special needs population.

All residents at the property are extremely low income (ELI), with incomes of no more than 30% of area median income (Table 1). Half of the current residents at Places at Page are formerly homeless, many of them experiencing chronic homelessness. Others are transitioning from institutionalized settings. Some tenants enter with no income, and others solely rely on Supplemental Security Income (SSI).

Places for People leases a clinical space at the project, and provides on-site supportive services. There is a 24-hour on-site team to assist with crisis intervention. Places for People's clinical services are funded through the Missouri Department of Mental Health and Medicaid reimbursement. Clinical support on-site includes symptom management, substance abuse recovery services, case management, and mental health services. Tenants are also connected to off-site services, such as employment training.

**Table 1: Units by Income Level**

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% - 15% of AMI</td>
<td>5</td>
</tr>
<tr>
<td>16% - 30% of AMI</td>
<td>18</td>
</tr>
<tr>
<td><strong>TOTAL UNITS IN PROPERTY</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

**Financing Strategy**

The $5.8 million project was funded by combining federal and state historic tax credits with Low Income Housing Tax Credits (LIHTC), awarded by the Missouri Housing Development Commission (MHDC). In addition, the project also received funding through the Federal Historic Rehabilitation Tax Credit program and Missouri’s Historic Preservation Tax Credit program (Table 2).

The project layered multiple sources of funding for development, including the federal HOME Investment Partnerships Program (HOME) and funds from the Federal Home Loan Bank of Des Moines. Lastly, Tax Credit Exchange Funds were also utilized. This funding source was a part of the American Recovery and Reinvestment Act. Private fundraising was key to filling a financing gap after other sources of funding were exhausted.

Securing LIHTCs was crucial to the development of the project. Initial efforts to secure LIHTCs were not successful,
as the small project struggled to compete with larger development proposals. However, advocacy by Places for People, other nonprofits, and state officials, including then-Treasurer Clint Zweifel, led to the establishment of a special needs set-aside for LIHTC by MHDC. The set-aside prioritizes projects where at least 10% of units serve special needs populations. The special needs designation includes persons who are physically, emotionally or mentally impaired, or suffer from mental illness. It also includes persons with developmental disabilities, homeless, and youth aging out of foster care.

Today, MHDC has a goal of setting aside a third of LIHTC credits for projects serving special needs populations. Developers are expected to work alongside social service agencies to identify referrals to these units. The special needs set-aside remains critical to the development of affordable housing affordable to ELI households in Missouri.

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Income Housing Tax Credit (LIHTC)</td>
<td>$2,156,000</td>
</tr>
<tr>
<td>Federal and Missouri Historic Tax Credits</td>
<td>$1,674,848</td>
</tr>
<tr>
<td>Federal HOME Program</td>
<td>$749,000</td>
</tr>
<tr>
<td>Missouri Department of Mental Health discretionary funding</td>
<td>$476,500</td>
</tr>
<tr>
<td>Federal Home Loan Bank of Des Moines Affordable Housing Program (AHP)</td>
<td>$300,000</td>
</tr>
<tr>
<td>Tax Credit Exchange Funds</td>
<td>$236,000</td>
</tr>
<tr>
<td>Private Foundation Support</td>
<td>$200,000</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$64,974</td>
</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td><strong>$5,857,322</strong></td>
</tr>
</tbody>
</table>

**Strategy for Serving ELI Households:**

Of the 23 ELI residents at Places at Page, 12 receive a subsidy through HUD’s Shelter Plus Care program, and 11 residents receive a rental subsidy through the Missouri Department of Mental Health. The Missouri Department of Mental Health subsidy is available through the Supportive Community Living Program (SCL). This program is administered by the Comprehensive Psychiatric Service Division, and uses a network of contract providers to offer assistance with rent, room and board, and other related expenses. Through this program, individuals are issued vouchers modeled on the federal Housing Choice Voucher program (Table 3).

As a result of deinstitutionalization in the 1960’s and 1970’s, many individuals with severe mental illness were placed in the community with few resources to live independently. The SCL program was created using Missouri’s general revenue funds to provide a rental subsidy and other financial assistance to Missourians with severe mental illness seeking to live independently in the community. The program makes it possible for Places at Page to serve a greater number of ELI individuals with severe mental illness.
### Table 3: Operating Strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Source</th>
<th>Amount</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Subsidy</td>
<td>Shelter Plus Care</td>
<td>$3,500/month</td>
<td>12</td>
</tr>
<tr>
<td>Rental Subsidy</td>
<td>Supportive Community Living</td>
<td>$1,300/month</td>
<td>11</td>
</tr>
</tbody>
</table>
Case Study #5

QUIXOTE VILLAGE

Project Name: Quixote Village
Location: Olympia, Washington
Developer: Community Frameworks
Date of Opening: December 24, 2013
Number of Units: 30
Number of Units Serving ELI Households: 30
Average Income of Tenants: $2,947 per year
Average Monthly Rent Paid by Tenants: $62

Developer Description:

Community Frameworks is a non-profit organization based in Washington. Community Frameworks was founded in 1974, by Spokane citizens organizing around spending of federal Community Development Block Grant (CDBG) funds in their community. Today, Community Frameworks develops supportive housing and multi-family housing, and provides families with budgeting and financial counseling. Community Frameworks also provides technical support and assistance to other non-profit affordable housing organizations.
Project Description:

Quixote Village is a permanent supportive housing development in Olympia, Washington that grew out of Camp Quixote, a self-governed community of homeless adults. In February 2007, Camp Quixote emerged in downtown Olympia to protest a city ordinance that forbade sitting on the sidewalk. After police evicted the homeless from their original encampment, churches in the area began to offer the campers space for their tents.

The churches also formed Panza, a non-profit organization established to develop a permanent housing project for Camp Quixote residents. Panza worked to organize the community in support of the Quixote Village permanent housing development. Camp Quixote, and now Quixote Village, are self-governed by the residents, with an elected leadership. Panza owns the project and a management plan details the relationship and responsibilities of both Panza and the Resident Council.

The Village consists of 30 “cottages” built around a large community center. Each 128-square foot cottage is a non-traditional micro-unit, containing a half-bath, furnished bedroom, and front porch. The Village’s community center contains a large shared kitchen, laundry facilities, showers, and a furnished common space for residents to gather. The design concept reflects the ideas and suggestions of the residents themselves.

All Quixote Village residents are extremely low income (ELI), with incomes of no more than 30% of area median income (AMI) (Table 1). All residents are formerly homeless, and many were chronically homeless. None of the residents currently have Housing Choice Vouchers (HCV). There is no time-limit for how long residents may stay at Quixote Village.

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%-30% AMI</td>
<td>30</td>
</tr>
<tr>
<td>Total Units</td>
<td>30</td>
</tr>
</tbody>
</table>

Financing Strategy:

The unique design model of Quixote Village contributed to the project’s viability by lowering overall project costs. Unit costs break down to approximately $88,000 per unit, including the cost of common facilities and the community center, far lower than the development costs of comparable affordable housing projects completed by Community Frameworks in recent years.

During the early stages of the project, obtaining pre-development financing proved difficult for Panza. Private fundraising was crucial to cover pre-development expenses, and leveraged larger public capital funding sources. Private funds raised included a single large donation from an anonymous individual; donations from local Native American tribes; donations of professional services from legal and architectural firms; and dozens of donations from individual community members (Table 2).

The project was also made possible through the partnerships built between the residents of Camp Quixote, Panza, the city of Olympia, Thurston County, and the state government. Thurston County provided a two-acre plot of land for the project, through a 40-year lease for $1 per year. However, the unconventional site is located in an area zoned for industry, rather than for residential use. Panza worked closely with City of Olympia officials to amend the zoning...
Aligning Federal Low Income Housing Programs With Housing Need

Case Studies

code, allowing the development project to proceed.

Panza’s outreach campaign won public support for the project. Volunteers lobbied state legislators, ultimately securing significant funding from Washington’s State Housing Trust Fund. Washington State’s Housing Trust Fund has funded 40,000 units since its inception in 1987. While the Trust Fund supports projects serving households earning up to 80% of AMI, most projects receiving funding serve ELI households.

Table 2: Project Financing

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington State Housing Trust Fund</td>
<td>$1,550,000</td>
</tr>
<tr>
<td>Balance-of-State Community Development Block Grant (CDBG)</td>
<td>$644,002</td>
</tr>
<tr>
<td>Thurston County Land Donation</td>
<td>$333,000</td>
</tr>
<tr>
<td>Thurston County Funding</td>
<td>$170,000</td>
</tr>
<tr>
<td>City of Olympia Community Development Block Grant</td>
<td>$55,000</td>
</tr>
<tr>
<td>Private Grants and Donations</td>
<td>$304,000</td>
</tr>
<tr>
<td>TOTAL COSTS</td>
<td>$3,056,002</td>
</tr>
</tbody>
</table>

Strategy for Serving ELI Households:

Identifying operating subsidies to support the low rents at Quixote Village remains a challenge. Panza capitalized $100,000 in replacement reserves and $50,000 in operating reserves to cushion the project from operating shortfalls, should they occur. In addition, the state of Washington committed $50,000 per year, for fifteen years, from its Operating and Maintenance Trust Fund (Table 3). Washington’s Operating and Maintenance Fund provides operating subsidies to rental projects serving ELI households, and it is funded through county-level fees charged on recording of legal documents. Funding awarded through the Operating and Maintenance Fund is renewed on an annual basis.

To supplement these sources of funding, the City of Olympia contributed $40,500 in Community Development Block Grant (CDBG) funds to support the cost of operations for the first year only, and Thurston County committed $80,000 towards operational expenses. The county contribution may be renewed, based upon county priorities in coming years. Panza has secured approximately $30,000 for first year operating expenses from private donations, and plans to continue grassroots fundraising for operations expenses. However, realistically, Panza cannot sustain a fundraising effort of more than $30,000 per year. Securing long-term, steady operating subsidies will be the biggest priority and challenge for the Quixote Village project moving forward.
### Table 3: Operating Strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Source</th>
<th>Amount</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>Washington State Housing Trust Fund and private donations</td>
<td>$150,000</td>
<td>30</td>
</tr>
<tr>
<td>Rental Subsidy</td>
<td>Washington Operating and Maintenance Fund</td>
<td>$50,000 per year, for 15 years</td>
<td>30</td>
</tr>
<tr>
<td>Rental Subsidy</td>
<td>City of Olympia</td>
<td>$40,500, for one year</td>
<td>30</td>
</tr>
<tr>
<td>Rental Subsidy</td>
<td>Thurston County</td>
<td>$80,000, for one year</td>
<td>30</td>
</tr>
</tbody>
</table>
Conclusions and Recommendations

This first report of NLIHC’s Alignment Project offers important insights into the ability of federal affordable housing programs to meet the needs of ELI renters. The data are clear that there is an acute shortage of 7.1 million rental homes for these households and no apparent market solution to address the shortage. The older HUD programs, primarily public housing, project-based Section 8 housing, and housing choice vouchers, do provide the deep affordability needed by ELI households, but these programs have not grown to serve more people in many years, and indeed, are losing ground with recent budget cuts. Moreover, they have never been fully funded and are estimated to reach less than a quarter of eligible households. Because they are discretionary programs, funded through the annual appropriations process, their potential for growth in the foreseeable future is next to zero.

The federal affordable programs that do have new money each year are Low Income Housing Tax Credits (LIHTC), HOME, and the Affordable Housing Program of the Federal Home Loan Banks (AHP). None are required by federal statute to produce rental housing that is affordable for ELI households. The primary purpose of this inquiry is to determine the degree to which these programs do serve ELI households, and if they do, are ELI households paying more than 30% of income for housing and therefore housing cost burdened. If ELI households served by these programs are indeed paying 30% or less for rent and utilities, how are developers able to achieve this deep affordability?

LIHTC and Vouchers.

The central finding of this analysis is that the LIHTC program does serve ELI households, but rarely on its own. In most cases, ELI households are able to afford LIHTC units if they are also tenant-based voucher recipients or if there are project-based vouchers attached to LIHTC-assisted units. Particularly intriguing is the finding that LIHTC developers are renting 60% AMI units to voucher holders in places where the 60% rents cannot compete with private market rents. Even more noteworthy is the finding that voucher payment standards may be higher than LIHTC rents and therefore developers are able to collect higher rents by renting to voucher holders than to people without rental assistance.

This raises at least two important questions. First, there is the basic question of how many federally assisted rental housing units are there? HCVs and LIHTC units are counted separately, but some percentage of each program is serving the same household. What is the unduplicated count? Second what are the implications of LIHTC developers collecting rents from voucher holders that are higher than the regular rents on LIHTC units? How are developers using these surplus funds? Are developers using the surplus to help reduce rents for other ELI households, essentially using vouchers to cross-subsidize? The first question can be answered with more and better data, covered below. The second question requires more research.

It is clear, however, that the many organizations and companies that put considerable lobbying resources into protecting and expanding the LIHTC program would have a lot to gain if they invested similarly in protecting and expanding the HCV program.

Serving ELI Households.

While most rental property developments that serve ELI households are able to do so only with access to federal vouchers, there are some developers across the country who have employed a broad range of strategies to serve households in the greatest need of affordable housing, without relying on federal vouchers. However, a main finding from this research is that these strategies vary greatly and cannot be easily replicated. Each project is unique. To achieve deep affordability without vouchers more broadly will require developing models that can be tested and replicated.
Conclusions and Recommendations

This study did uncover several strategies that contribute to the potential for developers to serve ELI households affordably without HCVs.

- Qualified Allocation Plans (QAP) in which states adopt policies that encourage and incentivize developers to serve ELI or special needs households. It is especially helpful if, in conjunction with these policies, the state provides other resources that can assist developers in the operation of properties with units for ELI or special needs households.18

- Layering multiple funding sources. The more funding sources in a project, the deeper the income targeting that can be achieved. This means taking advantage of state and local resources, specifically state and local Housing Trust Funds and state tax credits, and gaining funds from private entities and non-traditional resources, such as private foundations, to fill funding gaps.

- Reducing or eliminating mortgage debt.

- Strong partnerships with local governments that donate or sell for a nominal cost land or property to use for affordable housing.

- Capitalizing an operating reserve to offset costs.

- Cross-subsidizing units affordable to ELI households in projects containing other units occupied by households with a broader mix of incomes. The rents paid by higher income households are intended to supplement the overall operating expenses for the project, compensating for the lower rents ELI households can afford.

- More and better data.

A critical finding from this inquiry is the lack of complete, publically available data about the characteristics of tenants of LIHTC, HOME, and AHP assisted housing developments. Each program is administered under different auspices with different rules and systems of accountability. However, many projects use two or three of these funding sources. A common system of public and regular reporting that answers basic questions about who lives in these units that matches the data collected about the tenants who live in the older HUD programs would improve local planning and needs assessment processes, and increase transparency of the programs. More and better data would also increase political support for the three programs, which could translate into more funding.

Also necessary are data about what sources of financing are in each project. NLIHC and the Public and Affordable Housing Research Corporation have produced the Preservation Database19 that combines the multiple databases of the HUD and USDA rental housing programs, as well as LIHTC. It does not include AHP assisted properties. This searchable database has all federally assisted properties by address. The purpose of the Preservation Database is to provide local advocates with up-to-date information about expiring contracts and other threats to continued affordability before it is too late to prevent properties from leaving the affordable stock. It also has the benefit of creating an unduplicated count of all federally assisted properties.

However, it does not show which properties have either federal tenant-based or project-based vouchers or state, local, or private funds. There is no central database that shows where federal vouchers are used, and collections of state, local, or private subsidies is hit or miss at best. These data are critical to understanding the true level of subsidy needed to sustain LIHTC, HOME, and AHP assisted properties. Voucher data is also necessary to get a true unduplicated count of federal assisted housing.

18 A few state agencies are adopting integrative permanent supportive housing financing models into their plans and are shifting from a model with high debt and a need for high subsidy to a model that is more capital intensive and has lower cost subsidies. A forthcoming report from Technical Assistance Collaborative will explore these models in depth.

Conclusions and Recommendations

Based on the findings in this study, NLIHC makes the following recommendations:

1. **Income Averaging in LIHTC.** While NLIHC initially did not support the proposal to allow LIHTC developers to serve households above 60% AMI in exchange for serving more lower income households (known as “income averaging”), the evidence of effective use of cross subsidization in this study provided the impetus for NLIHC to adopt a new position. NLIHC’s 2015-2016 Policy Agenda now includes a proposal to change the federal LIHTC statute to provide for a third income targeting criterion. This option would require that at least 40% of the units in a project would have to be occupied by residents with incomes that average no more than 60% of AMI, with at least 30% of the units rent restricted and occupied by tenants with incomes at or below 30% AMI. No rent-restricted units would include households with incomes above 80% of AMI. For purposes of computing the average, any unit with an income limit that is less than 20% of AMI would be treated as having a 20% limit. Rents would be based on 30% of the income limit in that unit, i.e., the rent in a 20% AMI unit would be 30% of 20% of AMI.

2. **Basis Boost in LIHTC.** Based on this report, NLIHC also adopted a second policy position regarding LIHTC to change the federal LIHTC statute to provide a 30% basis boost for properties that use NLIHC’s proposed new third criterion of income averaging.

3. **QAPs.** NLIHC encourages more state housing finance agencies to prioritize projects that serve special needs populations or ELI households in their QAPs. They could do this by allowing higher developer fees for projects that serve ELI households, establishing set-asides, or requiring a certain percentage of all developments to reserve units for ELI or special needs populations.

4. **State and local housing rental housing funding.** NLIHC encourages states and localities that are using their own general revenue or have created dedicated funds for rental housing to prioritize serving ELI households if they are not already doing so.

5. **Intersection between LIHTC and HCVs.** NLIHC encourages greater inquiry by multiple researchers to better understand how LIHTC developers are using HCVs and the degree to which HCVs are subsidizing LIHTC properties. This includes knowing how widespread the use of HCVs to cross subsidize other ELI households is.

6. **More and better data.** NLIHC will pursue policy changes to require that HUD, Treasury, and the Federal Home Loan Banks expand and improve the regular collection and public availability of data on:
   - characteristics, including income, age, race, gender, family status, and disability, of tenants in LIHTC, HOME, and AHP assisted properties, and
   - all forms of financial subsidy in every federal assisted property, including the number and value of tenant-based and project-based vouchers.

7. **More research.** This study reported the known available data on income targeting for LIHTC, HOME, and AHP, and did original data collection to learn more about ELI households living in LIHTC properties. Time and research constraints prevented the same kind of in-depth research of HOME and AHP. NLIHC encourages more project level research to understand the intersection between these programs and HCVs, and their ability to achieve deeper income targeting without vouchers. Also, NLIHC encourages and supports analysis of how states can use Medicaid expansion to create more supportive housing across the country.

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20 An NLIHC study of state and local funding for affordable rental housing is forthcoming.
A Closing Note on the National Housing Trust Fund

As this report was nearing its final editing, Federal Housing Finance Agency Director Mel Watt announced that, at long last, funding for the National Housing Trust Fund (NHTF) and the Capital Magnet Fund (CMF) would begin in early 2016. Establishing and funding the NHTF has been NLIHC’s core goal for over a decade. The primary purpose of the NHTF is to produce, preserve, rehabilitate, and operate rental housing that is affordable for ELI households. Although the initial funding will be modest, it is the first new production money targeted to ELI households in 40 years. NLIHC and its many partners continue to seek more robust funding for the NHTF from several dedicated sources.

With the advent of funding for the National Housing Trust Fund and the Capital Magnet Fund in 2016, collection of the data in recommendation #6 above for these two new programs should be built into the reporting requirements from the outset.

The NHTF is important to this inquiry because once it is capitalized with significant funds, it will address many of the challenges developers face in serving ELI households. It will offer debt free financing that must be used for ELI renters that can be coupled with other resources to create true mixed income communities. States and developers can use NHTF dollars (within some limits) to capitalize operating reserves. At least 20% of NHTF dollars can be used for operating costs.

Most important is that the NHTF offers developers the flexibility to experiment with new financing models that are necessary to eliminate the housing shortage for ELI households. The funds will be distributed to the states as block grants, and states will again be the laboratories for innovation.

21 Visit www.NHTF.org to learn more about the NHTF.
Appendices

Appendix A: Glossary of Terms

**Affordable Housing Program (AHP)**: A program of the Federal Home Loan Bank system, AHP provides subsidized cash advances to member institutions to permit them to make below-market loans for eligible housing activities.

**Area Median Income (AMI)**: The midpoint in the income distribution within a specific geographic area. By definition, 50% of households, families, or individuals earn less than the median income, and 50% earn more. HUD calculates family AMI levels for different communities annually, with adjustments for family size. AMI is used to determine the eligibility of applicants for both federally and locally funded housing programs.

**Community Development Block Grant (CDBG)**: The annual formula grants administered by HUD that are distributed to states, cities with populations of 50,000 or more and counties with populations of 200,000 or more. CDBG funds are to be used for housing and community development activities, principally benefiting low and moderate income people. The CDBG program is authorized by Title I of the Housing and Community Development Act of 1974.

**Cost Burden**: Spending more than 30% of income on housing costs.

**Deferred Development Fees**: A portion of the agreed-upon developer’s fee that the developer is not paid as a development expense, and instead remains in the rental project to cover the costs of development.

**Equity Gap or Bridge Financing**: Locally provided public funding for a rental or mixed-use project that provides a public benefit and is owned by a non-profit. It is intended to fund the difference between projected project costs and the available sources of construction and permanent financing available.

**Extremely Low Income (ELI)**: Households with incomes at or below 30% of area median income.

**Fair Market Rent**: HUD’s estimate of the actual market rent for a modest apartment in the conventional marketplace. Fair market rents include utility costs (except for telephones). Every year, HUD develops and publishes FMRs for every MSA and apartment type. FMRs are currently established at the 40th percentile rent, the top of the range that renters pay for 40% of the apartments being surveyed, with the exception of some high-cost jurisdictions, where it is set at the 50th percentile.

**Historic Tax Credits**: This tax credit encourages the preservation and reuse of structures, including properties developed as affordable housing, by offering federal tax credits to owners of historic properties. The tax credits represent a dollar-for-dollar reduction of federal taxes owed. Certified historic structures are eligible for a credit equal to 20% of the cost of rehabilitation. The program is jointly managed by the Internal Revenue Service and the National Park Service, working with State Historic Preservation Offices.

**HOME Investment Partnership Program (HOME)**: Administered by HUD’s Office of Community Planning and Development, this program provides formula grants to states and localities to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership, or to provide direct rental assistance to low income people. The HOME program is authorized by Title II of the 1990 Cranston-Gonzalez National Affordable Housing Act.

**Housing Choice Vouchers (HCV)**: Also known as Section 8 vouchers, this is a rental assistance program funded by HUD. Administered by state and local housing authorities, HCVs are allocated to households and provide a rental subsidy, limiting the tenant’s contribution to 30% of their income. HCVs help low income households find affordable housing in the private housing market by reimbursing the landlord for the difference between the household’s portion of the rent and the FMR for that area as determined by HUD.

**Housing Trust Funds**: Distinct funds, usually established by state or local governments, which receive ongoing public revenues that can only be spent on affordable housing initiatives, including new construction, preservation of existing housing, emergency repairs, homeless shelters, and housing-related services.

**Low Income (LI)**: Households with incomes between 50 and 80% of area median income.

**Low Income Housing Tax Credits (LIHTC)**: Enacted by Congress in 1986 to provide the private market with an incentive
to invest in affordable rental housing. Federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents. Provided the property maintains compliance with the program requirements, investors receive a dollar-for-dollar credit against their Federal tax liability each year over a period of 10 years. The amount of the annual credit is based on the amount invested in the affordable housing.

- **9% LIHTC**: These credits are available for new construction and substantial rehabilitation projects that do not have other federal funds. Rehabilitation projects are eligible if the greater of an average of $3,000 is spent on each rent-restricted low income housing unit, or 10% is spent on the eligible basis during a 24-month period.

- **4% LIHTC**: These credits are available for the acquisition of properties for substantial rehabilitation, new construction or rehabilitation subsidized with other federal funding, and projects financed using tax-exempt bonds.

**Project-Based Section 8**: This housing is subsidized through long term contracts between HUD and private property owners. The owner agrees to provide housing to eligible tenants in exchange for a long-term subsidy from HUD. Project-based assistance limits tenant contributions to 30% of a household’s income. Assistance is attached to the unit, and stays with the housing when the tenant moves.

**Public Housing**: Public housing is housing that is owned and operated by local public housing agencies. HUD provides federal funds to local housing agencies that manage the properties and rent units to eligible low income households. Rents are restricted to 30% of a household’s income.

**Section 202 Supportive Housing for the Elderly**: This HUD program provides government loans or grants to nonprofits to develop housing for low income people who are elderly. The program provides both capital grants and rental assistance contracts.

**Section 811 Supportive Housing for Persons with Disabilities**: This HUD program provides funding to nonprofits to develop housing with supportive services for very low income adults with disabilities. The program provides rent subsidies to the projects, making them affordable.

**Severe Cost Burden**: Spending more than 50% of income on housing costs.

**Tax Exempt Bond Financing**: States are allowed to issue tax-exempt bonds each year for a variety of economic development purposes and public projects, including for affordable housing development. State and local housing finance agencies (HFAs) have authority under the Internal Revenue Code to issue housing bonds to support affordable housing activities in their states. Issuing bonds is a way for HFAs to access private financing. HFAs sell the tax-exempt bonds to individual and corporate investors, who are willing to purchase bonds paying lower than market interest rates because of the bonds’ tax-exempt status.

**USDA Rental Programs**: The U.S. Department of Agriculture’s (USDA’s) Rural Development (RD) arm runs several rental housing programs (and homeownership programs) through its Rural Housing and Community Facilities Service. USDA makes loans to developers of rental housing for elderly persons and families through the Section 515 program, and for farm workers through the Section 514 program (usually used in combination with Section 516 grants). It provides project-based rental assistance to some of the properties it finances through the Section 521 Rental Assistance (RA) program.

**Very Low Income (VLI)**: Households with incomes between 30 and 50% of area median income.
# Appendix B: Income Targeting of Select Federal Low Income Housing Programs

<table>
<thead>
<tr>
<th>Housing Program</th>
<th>Income Targeting Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Housing</td>
<td>At least 40% of units are for households with incomes less than 30% of AMI, with the remainder for households earning up to 80% of AMI.</td>
</tr>
<tr>
<td>Housing Choice Vouchers</td>
<td>At least 75% of vouchers are for households with incomes less than 30% of AMI, with the remainder for households earning up to 80% of AMI.</td>
</tr>
<tr>
<td>Project-Based Rental Assistance</td>
<td>At least 40% of units are for households with incomes less than 30% of AMI, with the remainder for households earning up to 80% of AMI.</td>
</tr>
<tr>
<td>Section 202 and Section 811</td>
<td>All units are for households with incomes less than 50% of AMI.</td>
</tr>
<tr>
<td>HOME Investment Partnerships</td>
<td>If used for rental, at least 90% of units assisted throughout the jurisdiction must be for households under 60% AMI, with the remainder for households up to 80% AMI. If there are more than 5 HOME-assisted units in a building, then 20% of the HOME-assisted units must be for households under 50% AMI. All assisted homeowners must be below 80% AMI.</td>
</tr>
<tr>
<td>Community Development Block Grant</td>
<td>At least 70% of households served must have low or moderate incomes, less than 80% AMI. Remaining funds can serve households of any income group.</td>
</tr>
<tr>
<td>McKinney-Vento Homeless Assistance Grants</td>
<td>All assistance is for participants who meet HUD’s definition of homeless (those who lack a fixed, regular, and adequate nighttime residence).</td>
</tr>
<tr>
<td>Housing Opportunities for People with AIDS (HOPWA)</td>
<td>All housing is for households with incomes less than 80% of AMI.</td>
</tr>
<tr>
<td>Low Income Housing Tax Credit</td>
<td>All units are for households with incomes less than 50% or 60% of AMI (depending on how the development was financed).</td>
</tr>
<tr>
<td>Federal Home Loan Banks’ Affordable Housing Program</td>
<td>All units are for households with incomes less than 80% of AMI. For rental projects, 20% of units are for households earning less than 50% of AMI.</td>
</tr>
<tr>
<td>Section 515 Rural Rental Housing</td>
<td>All units are for households with incomes less than $5,500 above 80% of AMI. Priority is first for households in substandard housing and second to households earning less than 50% of AMI.</td>
</tr>
<tr>
<td>Section 521 Rural Rental Assistance</td>
<td>In new projects, 95% of units are for households with incomes less than 50% of AMI. In existing projects, 75% of units are for households earning less than 50% of AMI.</td>
</tr>
<tr>
<td>National Housing Trust Fund</td>
<td>At least 90% of funds must be for rental housing, and at least 75% of rental housing funds must benefit households with incomes below 30% AMI or poverty level, whichever is greater; remaining funds can assist households with incomes below 50% AMI. Up to 10% may be for homeowner activities benefitting households with income below 50% AMI.</td>
</tr>
</tbody>
</table>

*Source: National Low Income Housing Coalition, March 2014*
Appendices

Appendix C: Survey Questions

1. Does your organization develop affordable rental housing? Note: Affordable housing in this survey is defined as housing that is targeted to households in a particular income group.
   - Yes
   - No

2. What is your organization type?
   - Non-Profit
   - Public
   - For-Profit
   - Other (please specify):

3. At what geographic level does your organization operate?
   - Neighborhood-level
   - City- or County-wide
   - Regional within a State
   - State-wide
   - Regional within the United States
   - National
   - Other (please specify)

4. How many rental housing units did your organization develop in 2010, 2011, and 2012?
   - 2010:
   - 2011:
   - 2012:
   - 2010-2012 Total:

5. From the list below, please select the sources of funding your organization has used to develop affordable rental housing (select all that apply):
   - 9% Low Income Housing Tax Credits
   - 4% Low Income Housing Tax Credits
   - Tax-Exempt Bond Financing
   - HOME
   - CDBG
   - Section 202 Capital Advance Program
   - Section 811 Capital Advance Program
   - USDA Rural Development Rental Housing Programs
   - Federal Home Loan Bank - Affordable Housing Program (AHP)
Appendices

- Federal Historic Tax Credits
- State Historic Tax Credits
- State Housing Trust Fund
- City or County Housing Trust Fund
- Loans or grants from private entities
- Other (include federal, state or local programs)

5. Of the total number of units that your organization developed from 2010-2012, please provide the percentage of units that were affordable to renters in the following income categories:
   - At or Below 30% Area Median Income (AMI)
   - 31-50% AMI
   - 51-80% AMI
   - 81-120% AMI
   - Above 120% AMI

6. Of the units your organization develops that are affordable to renters with incomes at or below 30% of AMI, what percentage of these units are affordable due to the use of federal tenant- or project-based housing vouchers?

7. Of the units that are affordable to renters with incomes at or below 30% of AMI and do not rely on federal tenant- or project-based vouchers, which of the following methods are used to make these units affordable to the ELI population and how often are they used?

<table>
<thead>
<tr>
<th>Method</th>
<th>Use all the time</th>
<th>Use most of the time</th>
<th>Use some of the time</th>
<th>Rarely Use</th>
<th>Never Use</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-subsidization</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Operating reserve</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>State or locally funded rental assistance program</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>State or local renter tax credits</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>

8. Can you please describe in more detail the primary method or subsidy programs your organization uses to serve households with incomes at or below 30% of AMI?

9. Of those units that serve households with incomes at or below 30% of AMI and do not use federal project- or tenant-based vouchers, what percent have rents that are restricted to 30% of a household’s income?

10. Please provide your contact information so that we can get in touch with you for more information on the methods you described for serving extremely low income households.
References


Acknowledgements

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