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Great  
Communities  
Collaborative

# Mind the (Affordable Housing) Gap

*Great Communities Collaborative*

Elizabeth Wampler, Initiative Officer, GCC / TSFF  
May 15, 2018



GCC envisions a socially equitable, economically prosperous, and environmentally sustainable Bay Area where communities are engaged in shaping their own future.

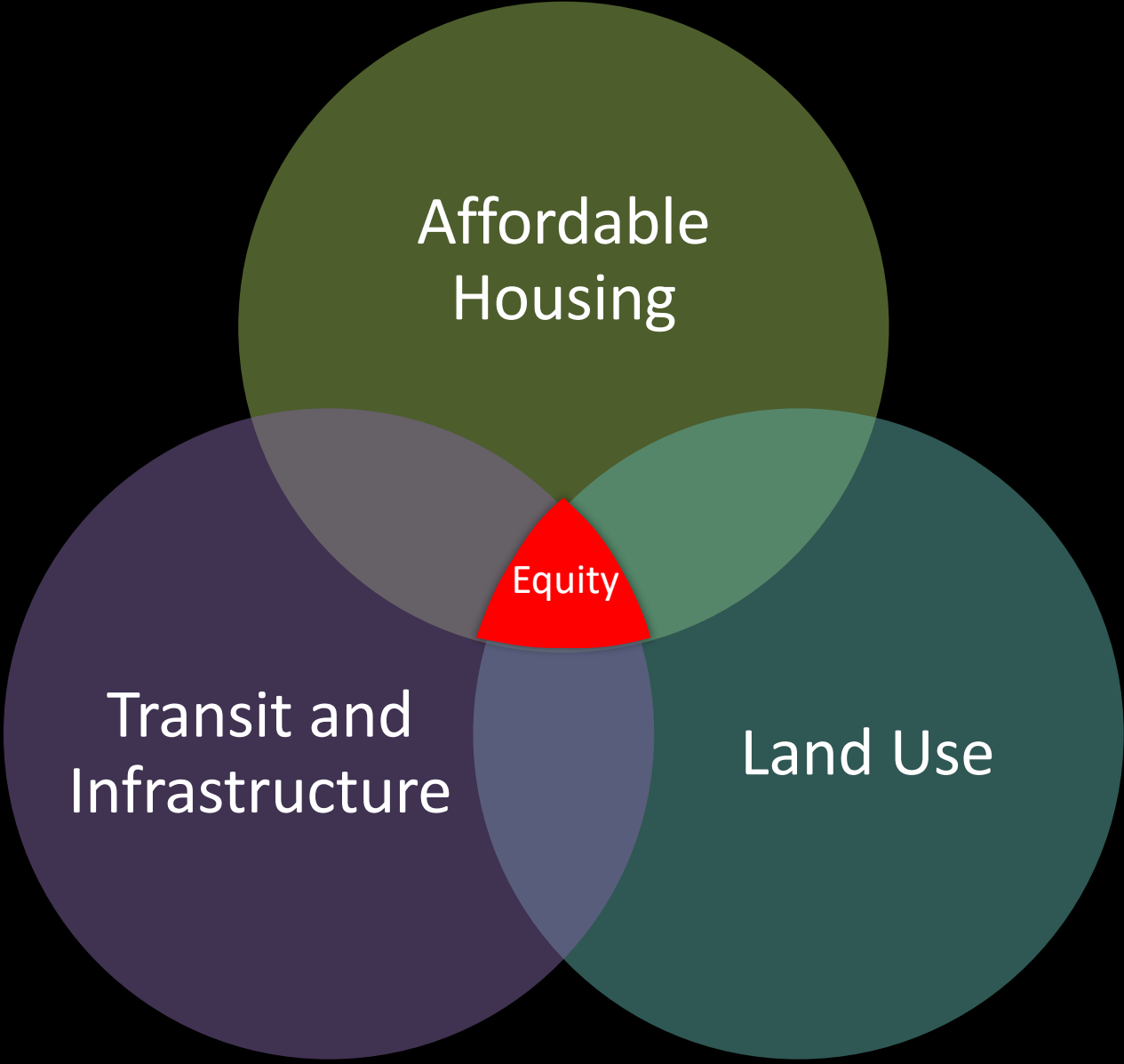


Policymakers

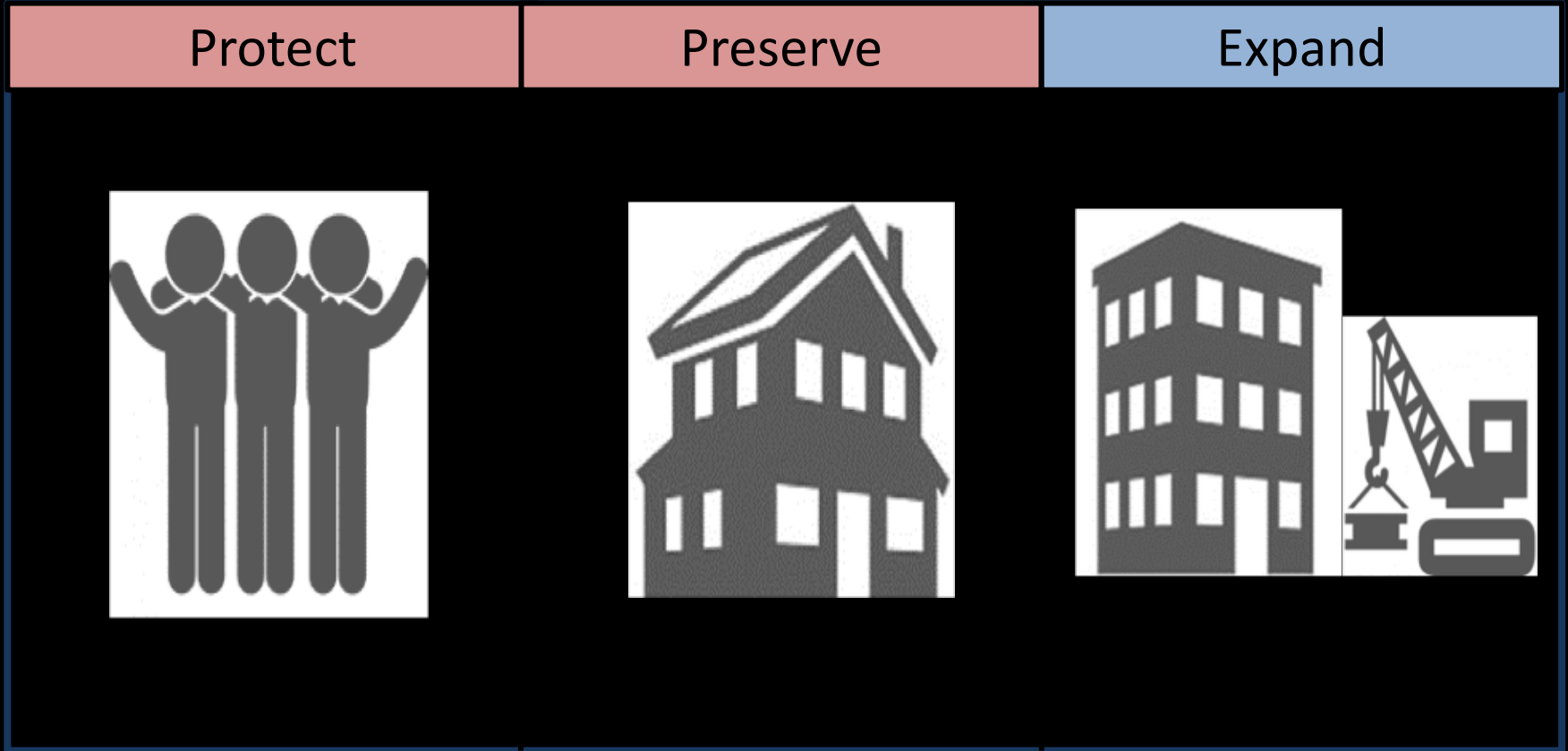
Funders

Community





# POLICY FRAMEWORK FOR COMMUNITY STABILIZATION



# GCC from planning to implementation

First decade:

- 27 station area plans, 18 multi-years campaigns
- ~40,000 units of housing, 5,500 affordable (13%)
- 2012 – no tools to implement
- Disconnect between district plans vs city –wide policy





Policy Wins! Two transit agencies require 20% of new housing on their land to be affordable.





# The Vision

400 acres = 30,000 units; 10,000 affordable  
Increased ridership and equitable growth



State  
Framework

Regional  
Incentives

Research &  
Partnership

Local  
Policy

# Resources:

Urban Displacement Project at UCB

<http://www.urbandisplacement.org>

Workshop Series: Investment without Displacement Workshop Series

<http://www.urbandisplacement.org/IWD2017>



Thank you!





# Funding Affordable Housing Near Transit in the Bay Area

May 15, 2018

Sujata Srivastava, Principal  
Strategic Economics

# Objectives

- 1. Measure the annual funding gap** for VLI and LI housing at a regional scale.
- 2. Identify local funding gaps and policy changes** that would facilitate meeting BART's and VTA's affordable housing goals on transit lands.
- 3. Identify strategies at federal, state, regional, and local levels** to promote the production of new affordable housing units, especially near transit (including VLI, LI, and MODI housing).

[http://www.greatcommunities.org/wp-content/uploads/Report\\_Final\\_Updated\\_20170803.pdf](http://www.greatcommunities.org/wp-content/uploads/Report_Final_Updated_20170803.pdf)

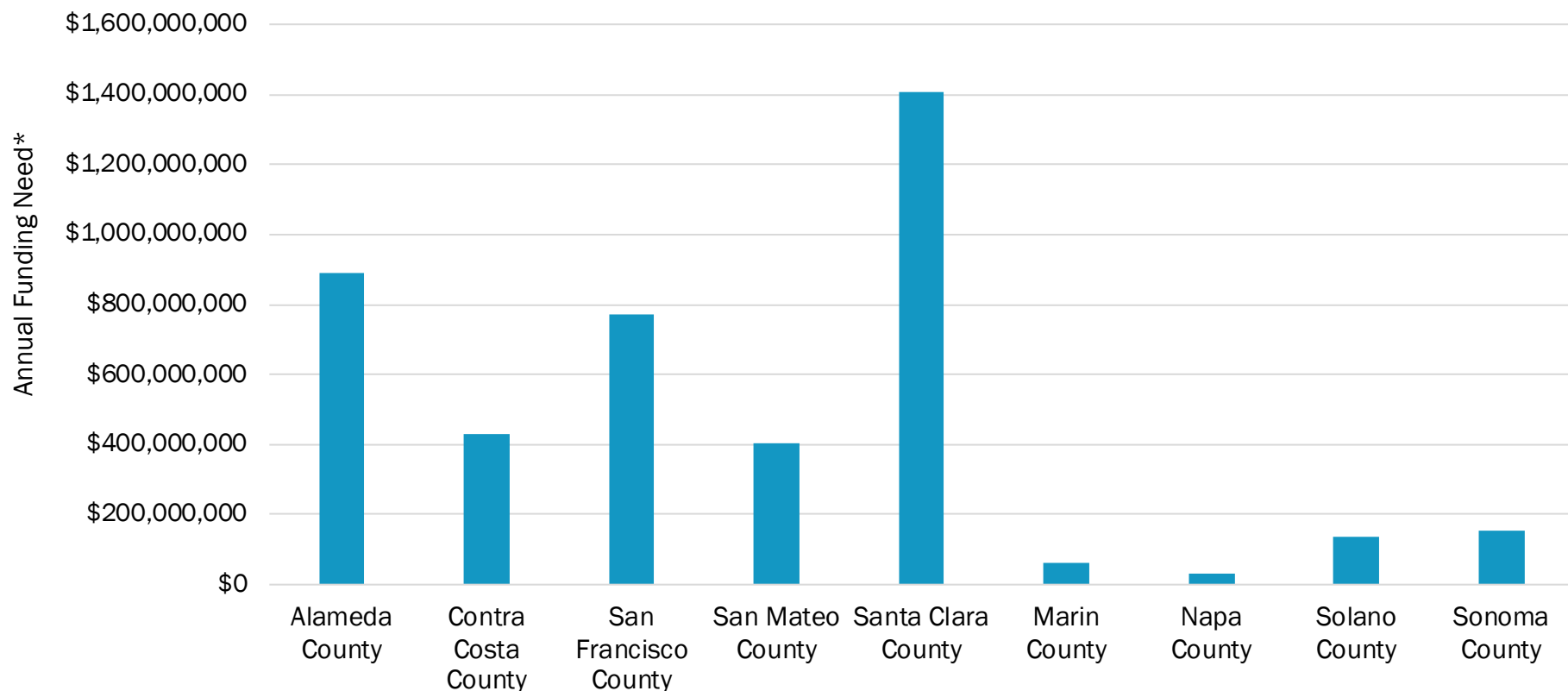


# **Affordable Housing Funding Gap in the Bay Area**

# Affordable Housing Funding Need, based on RHNA goals

- **Annual funding need** = Annual amount of funding required to meet affordable housing targets (*total amount of money needed, including subsidies*)

**Affordable Housing Annual Funding Need for Very Low and Low Income Housing in the 9-County Bay Area Region, 2016**

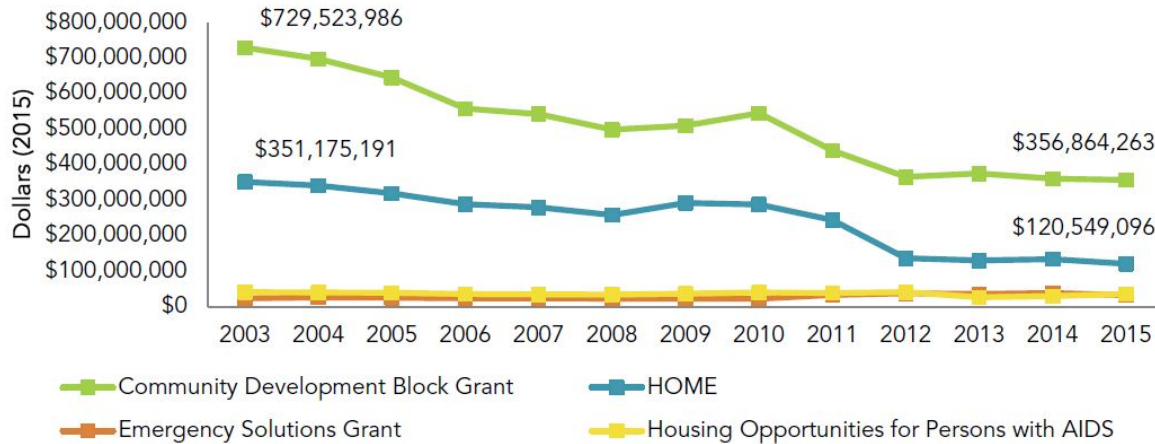


\* The funding need is the amount of total funding required to build affordable housing, inclusive of existing sources of federal, state, and local subsidies.  
Source: California Housing & Community Development Department, 2016; Pro formas for 46 affordable housing projects made available by the California Tax Credit Committee, 2013-2016; Association of Bay Area Governments, 2014; Novin Development and Strategic Economics, 2017.

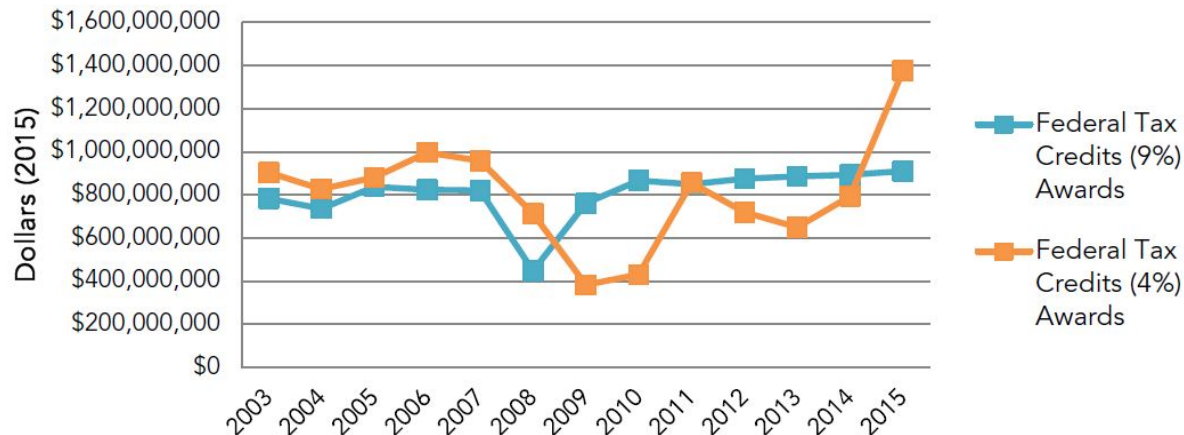


# Federal Funding Sources in Decline

## HUD Program Allocations to California, 2003-2015



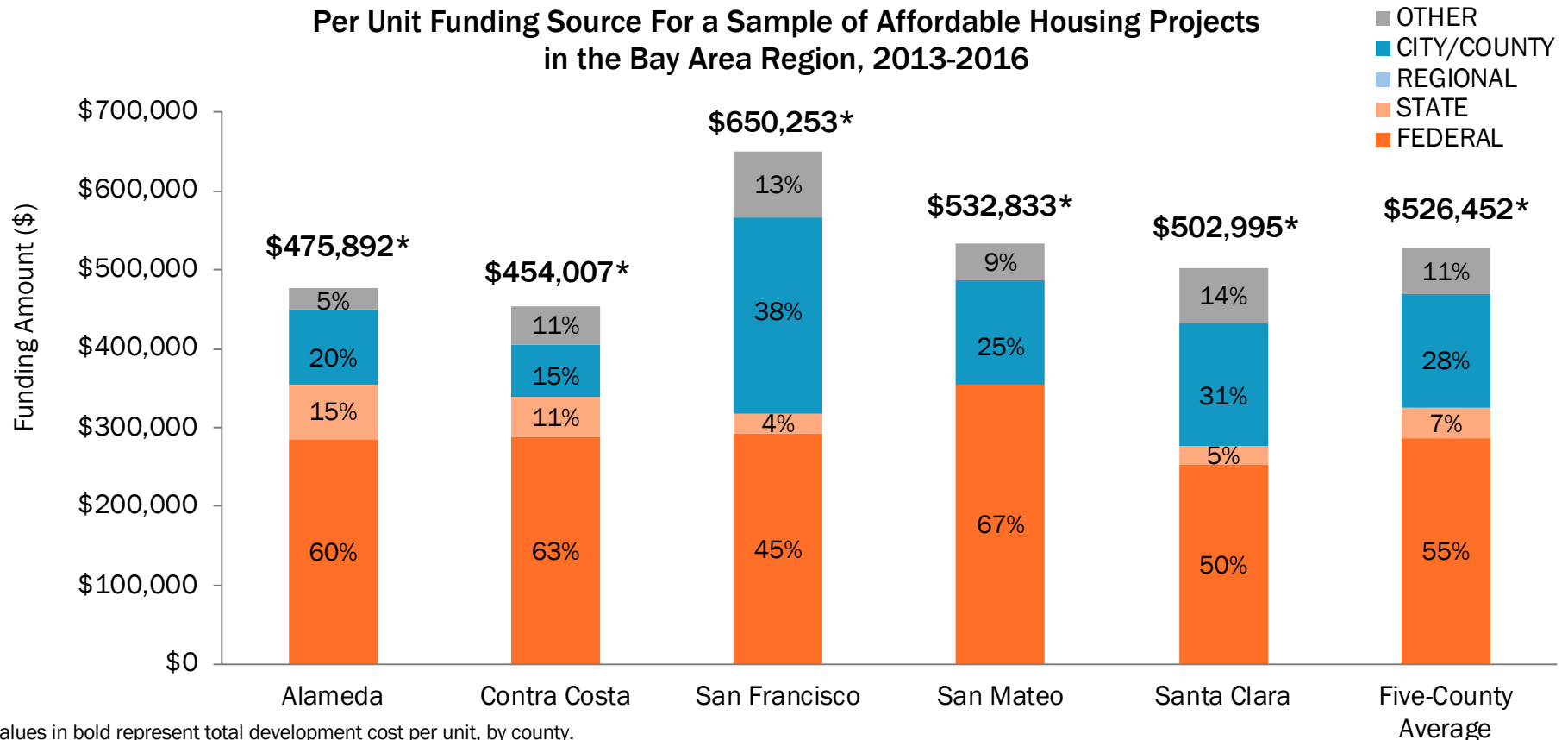
## Federal Tax Credit Awards to California, 2003-2015



# Sources of Funding for Affordable Housing (based on 46 projects)

- Per unit development costs vary significantly by county
- Local funding available varies by county
- Regional sources do not account for a significant share of funding

Per Unit Funding Source For a Sample of Affordable Housing Projects in the Bay Area Region, 2013-2016



\*Values in bold represent total development cost per unit, by county.

Source: Pro formas for 46 affordable housing projects made available by the California Tax Credit Committee, 2013-2016; Novin Development and Strategic Economics, 2017.

# New Local Funding Sources

- Cities/counties are renewing or raising new funding sources for affordable housing
- Some counties/cities remain “under-resourced,” especially post-redevelopment

## City/County Funding Sources for Affordable Housing from Recent Voter-Approved Bond Measures in the Bay Area

	Funding for Very Low and Low Income Housing	Funding for Moderate Income Housing
<b>Santa Clara County Measure A (2016)</b> <i>\$950 million bond/30 years</i>	\$100,000,000	\$18,750,000
<b>Alameda County Measure A1 (2016)</b> <i>\$580 million bond/20 years</i>	\$53,125,000	\$15,000,000
<b>San Mateo County Sales Tax Extension Measure K (2016)</b> <i>\$60-85 million/year</i>	\$30,000,000	-
<b>City of Oakland Infrastructure Bond Measure KK (2016)</b> <i>\$100 million/20 years</i>	\$12,500,000	-
<b>San Francisco Housing Bond Proposition A (2015)</b> <i>\$310 million/15 years</i>	\$28,750,000	\$10,000,000
<b>Total</b>	<b>\$224,375,000</b>	<b>\$43,750,000</b>

Source: Source: Enterprise Community Partners, Novin Development, and Strategic Economics, 2017.

# Annual Funding Gap in Bay Area

Bay Area must raise \$1.45 billion annually, in addition to existing federal, state, and local subsidies.

Affordable Housing Annual Funding Gap for Very Low and Low Income Housing, Given Federal, State, and Local Funding Sources in the 9-County Bay Area Region, 2016

	Annual Amounts for Very Low and Low Income
<b>Aggregate Annual Funding Need</b>	<b>(\$4,288,000,000)</b>
<b>Annual Funding Available (Estimated)</b>	
Typical Federal and State Subsidies	\$1,271,000,000
Typical Regional and Local	\$1,347,000,000
New County or City Bond Measures	\$224,000,000
<b>Subtotal</b>	<b>\$2,842,000,000</b>
<b>Remaining Funding Gap, Given All Subsidies</b>	<b>(\$1,446,000,000)</b>

Sources: Novin Development and Strategic Economics, 2017.

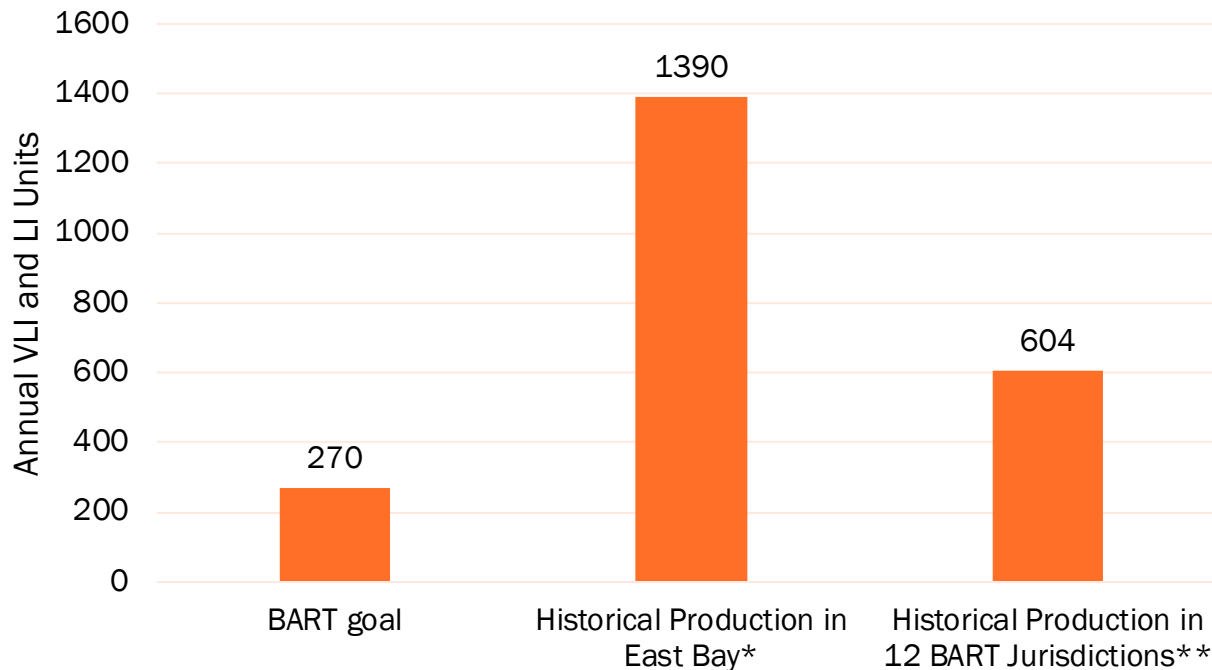




# TOD Policy Goals

# BART TOD Policy

- New BART TOD policy goal: 7,000 VLI and LI units on BART-owned properties by 2040.
  - Equivalent to ~270 new units annually between 2017 and 2040.
- Most of BART's opportunity sites are in Alameda and Contra Costa counties (12 jurisdictions)



\*Based on the average of affordable TCAC units built in Alameda and Contra Costa Counties in 2014 and 2015.

\*\*Based on ABAG's RHNA Progress, by city. This is the average annual number of permits issued in these 12 selected jurisdictions between 2007 and 2014: Berkeley, Concord, Daly City, El Cerrito, Fremont, Hayward, Oakland, Pittsburg, Richmond, San Leandro, Union City, and Unincorporated Alameda County

Sources: BART Personal Communication, 2017; ABAG, 2014; California Tax Credit Allocation Committee, 2016; Novin Development and Strategic Economics, 2017.

# BART Policy: Local Funding Gap

- BART TOD goal of 270 units requires \$36.5 million annually in local funding, assuming typical federal and state subsidies.
- Finding local funding is particularly challenging in Contra Costa jurisdictions, which lack local revenue sources post-redevelopment.

## Annual Local Funding Needed to Reach BART's Affordable Housing Goals

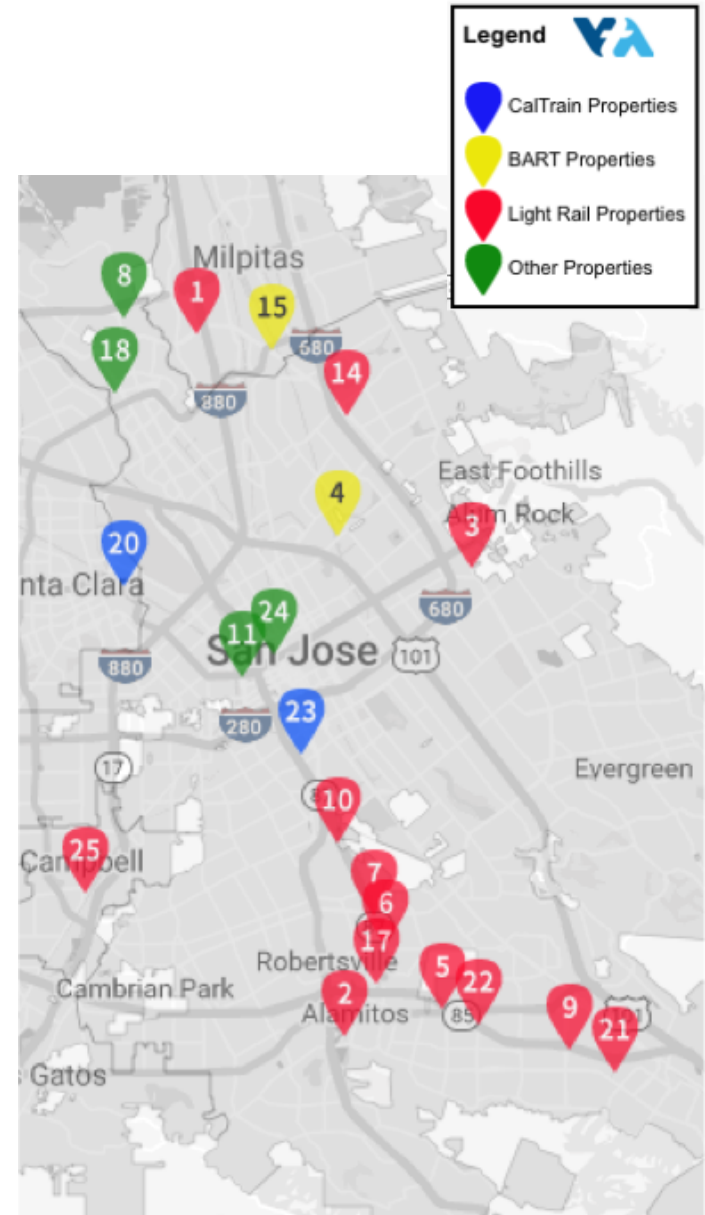
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	Amount for BART 4-County Region
BART VLI and LI Unit Goal, Annual	270 units
Per Unit Development Cost	\$528,246
Average Revenues and Subsidies per Unit	\$392,904
<b>Average Local Funding Need Per Unit</b>	<b>\$135,343</b>
<b>Total Local Funding Need, Annual</b>	<b>\$36,542,610</b>

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# VTA TOD Policy

- VTA TOD Joint Development Policy (2016): 35% of new residential units built on VTA properties are to be affordable to VLI and LI households.
- VTA lands have capacity to accommodate ~1,400 new VLI and LI units.
- Many of the sites owned by VTA in San Jose are located in areas designated for employment uses--multi-family housing is not permitted at some locations.
- Achieving VTA goals would require supportive local policies and regulations that enable higher density housing development.



# Opportunities for BART/VTA

- Reduce development costs by discounting land in places that lack local resources for affordable housing
- Reduce replacement parking requirements to lessen burden on new development
- Work with cities to implement more housing-friendly land use policies near stations

County	Number of case study projects	Total Cost Per Unit	Land Cost Per Unit*	Land Cost as a Share of Total Costs
Alameda	11	\$475,892	\$52,456	11%
Contra Costa	8	\$454,007	\$48,101	11%
San Francisco	11	\$650,253	\$80,793	12%
San Mateo	5	\$532,833	\$74,544	14%
Santa Clara	11	\$502,995	\$73,793	15%
<b>Total/Average</b>	<b>46</b>	<b>\$526,452</b>	<b>\$65,834</b>	<b>13%</b>

Sources: Pro formas for 46 affordable housing projects made available by the California Tax Credit Committee, 2013-2016; Novin Development and Strategic Economics, 2017.



# DEVELOPMENT LIFE CYCLE

**SITE IDENTIFICATION**

**FINANCING PLAN**

**ACQUISITION**

**DUE-DILIGENCE**

**ENTITLEMENTS**

**CONSTRUCTION**

**LEASE UP/SALES & OPERATIONS**



# SITE IDENTIFICATION

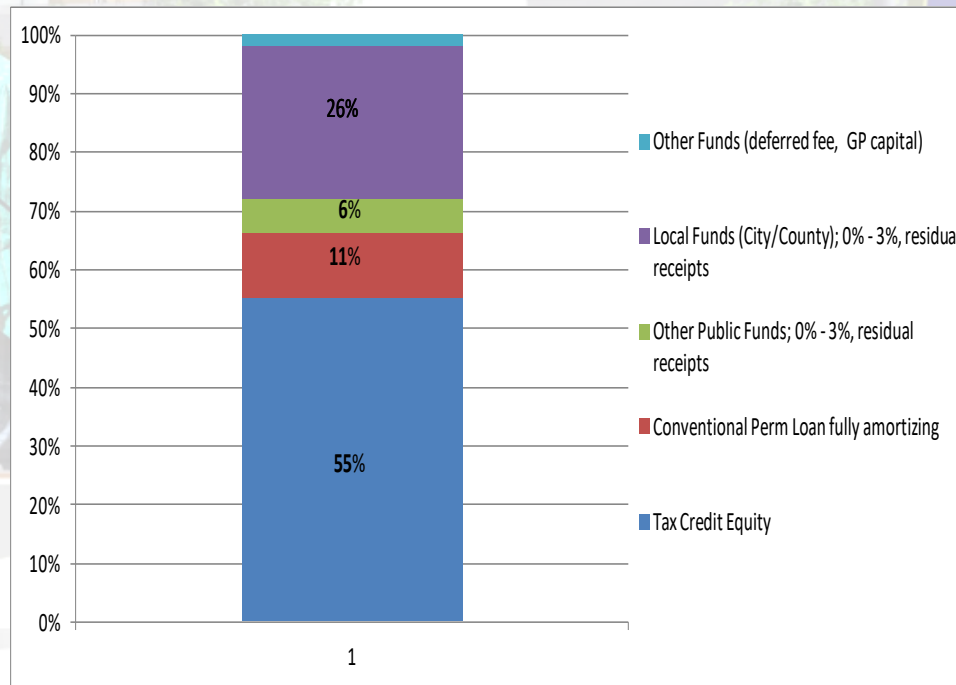
## Affordable Housing Approach



# FINANCING PLAN

## Capital Stack

### Affordable Housing Finance Typical Capital Stack





# FINANCING PLAN

## Affordable Proforma Sources & Uses

PERMANENT SOURCES		
Amortizing Perm Loan, Tranche A	\$ 5,858,000	77,079
Amortizing Perm Loan, Tranche B	\$ 6,023,700	79,259
City of Milpitas	\$ 5,000,000	65,789
Waived Impact Fees	\$ 2,000,000	26,316
AHP	\$ 750,000	9,868
Housing Trust Silicon Valley Loan	\$ -	-
County of Santa Clara HOME / CDBC	\$ 2,500,000	32,895
City of Milpitas HOME / CDBG	\$ 600,000	7,895
Tax Credit Investor Proceeds	\$ 17,475,269	229,938
GP Equity	\$ 100	1
Deferred Developer Fee	\$ -	-
<b>total</b>	<b>\$ 40,207,069</b>	<b>\$529,040</b>

PERMANENT USES			
ACQUISITION	total	per unit	per SF
Land	\$ 4,356,000	\$ 57,316	\$ 50
Other Acquisition Costs	\$ 401,360	\$ 5,281	\$ 5
<i>Total Acquisition Costs</i>	<i>\$ 4,757,360</i>		<i>\$ 54</i>
HARD COSTS			
Resid. Site Work and Structures	\$ 21,791,600	\$286,732	\$ 248
Commercial Costs	\$ -	\$ -	\$ -
Escalation Contingency	\$ -	\$ -	\$ -
Overhead & Profit/GC/Ins. Bond	\$ 3,301,410	\$ 43,440	\$ 38
Owner Contingency	\$ 1,265,541	\$ 16,652	\$ 14
<i>Total Hard Costs</i>	<i>\$ 26,358,551</i>	<i>346,823</i>	<i>\$ 300</i>
SOFT COSTS			
Architecture and Engineering	\$ 1,754,500	\$ 23,086	\$ 20
Construction Loan interest and fees	\$ 1,380,902	\$ 18,170	\$ 16
Permanent Financing	\$ 20,000	\$ 263	\$ 0
Legal Fees	\$ 110,500	\$ 1,454	\$ 1
Reserves	\$ 325,860	\$ 4,288	\$ 4
Permits and Fees	\$ 3,572,000	\$ 47,000	\$ 41
Other Soft Costs	\$ 527,397	\$ 6,939	\$ 6
Relocation	\$ -		
Developer Fee	\$ 1,400,000	\$ 18,421	\$ 16
<i>Total Soft Costs</i>	<i>\$ 9,091,159</i>	<i>119,621</i>	<i>\$ 103</i>
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$ 40,207,069</b>	<b>\$529,040</b>	<b>\$ 457</b>
SURPLUS / (GAP)	\$	(0)	

# FINANCING PLAN

## Example of Mixed-Income Development



434 Units Market Rate



90 units affordable



# Questions?



## Contact Info

Novin Development  
1990 N California Blvd Ste 800  
Walnut Creek, CA 94596  
p: (925) 344-6244  
f: (925) 344-6436  
[info@novindevelopment.com](mailto:info@novindevelopment.com)

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