



# Ideas for Stimulating New Unit Production In the 4% CTCAC / CDLAC Programs

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# Historical Production and Current Environment

## New Unit Production in the 4% Tax Credit Program

6,057 units / year from 2000 to 2008 (average)

3,243 units / year from 2009 to 2013 (average)

Includes impact from ARRA of 2009 (stimulus funding)

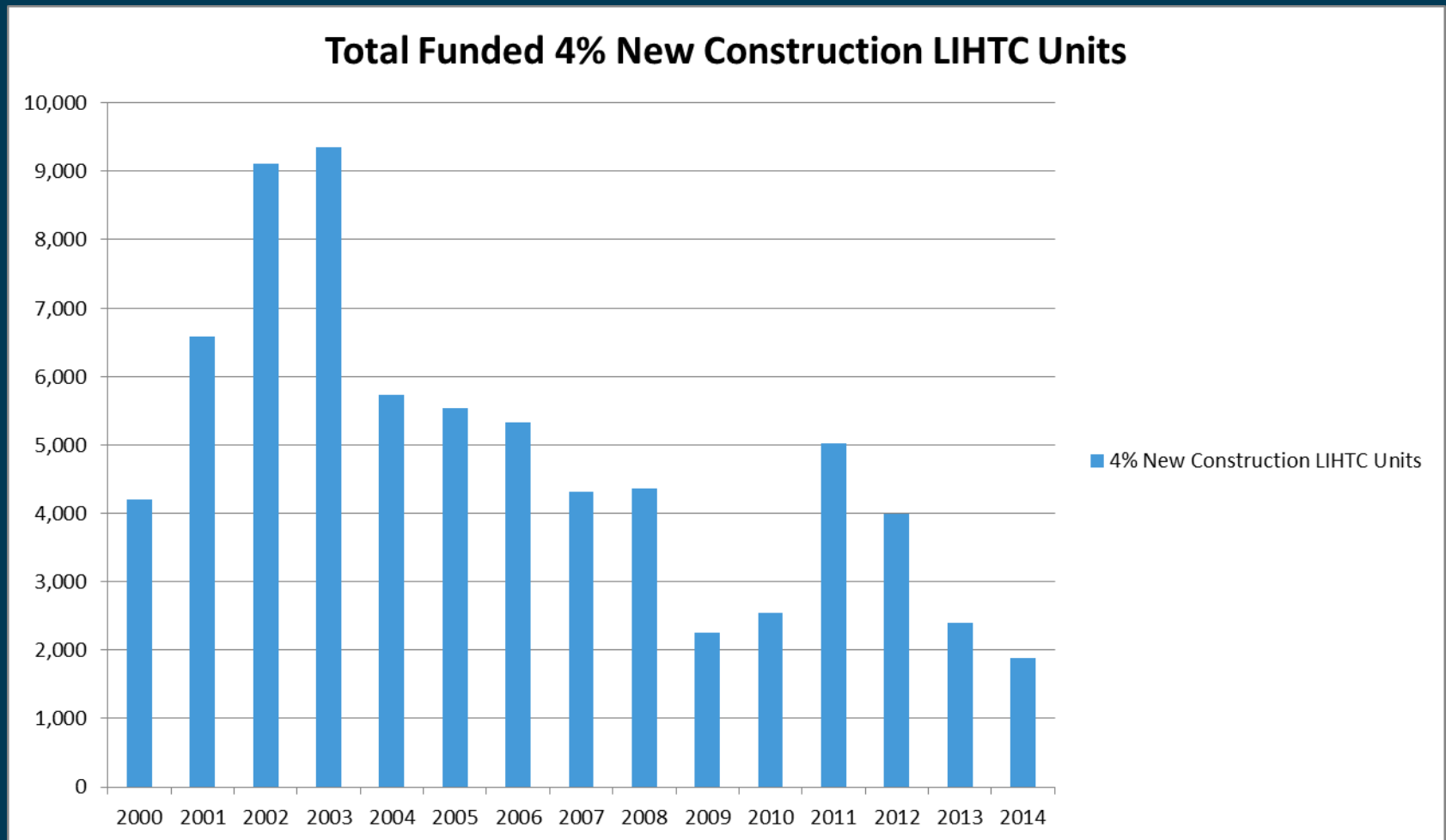
2,402 units in 2013

1,880 units in 2014\*

\*Through July funding round, projected finish of 2,400 units



# Historical Production and Current Environment



# Historical Production and Current Environment

- Current production gap of 2,800 to 3,000 units/year
- 16,800 low-income households didn't receive affordable housing since 2008....and counting
- New financing sources will not be sufficient to close the production gap
- Billions in unused bond volume cap and federal low-income housing tax credits
- Hundreds of millions in untapped tax revenues
- Thousands of jobs unfulfilled



# 4% CTCAC / CDLAC Regulation Changes

## #1 – Modify 10% at 50% AMI Targeting Requirement

- If 60% AMI rents are 15% below market, 100% of units may be at 60% AMI
- Effect is to increase supportable debt while broadening the population of low-income people to be served
- Impact on South Gate Project: +\$600,000



# 4% CTCAC / CDLAC Regulation Changes

## #2 – Modify Developer Fee Limit

- Remove \$2.5MM limit that can be included in project costs and eligible basis
- Allow a 15% fee in eligible basis and project costs
- Cap the “cash portion” of the fee using a new formula of \$2.5MM for the first 150 units and \$10,000 per unit thereafter
- Effect is to generate equity from deferred fee
- Impact on South Gate Project: +\$2,700,000



# 4% CTCAC / CDLAC Regulation Changes

## #3 – Modify Energy Efficiency Requirements

- Eliminate >Title 24 requirements as a minimum construction standard
- Add to scoring incentives if desired
- Effect is to reduce project hard and soft costs
- Impact on South Gate Project: +\$351,000  
((\$648,000 total savings at \$3,000 / unit less reduction in tax credit equity)





# 4% CTCAC / CDLAC Regulation Changes

## Other Changes

- Increase points for new construction
- Award points for extended affordability regardless of whether the round is competitive
- Encourage and incentivize mixed income projects
- Allow 100% at 60% AMI projects to earn the full 35 affordability points if the rents are 15% below market



# State Tax Credit Legislative & Program Changes

- \$200 million in additional state tax credit authority, prioritized for 4% projects
- Allow all 4% projects to earn the 130% boost if in an eligible area, like special needs projects
- Allow all 4% projects to earn a 30% credit, like the 9% program
- Remove the minimum CTCAC point score requirement for 4% + state credit applications



# Other Ideas to Drive Production

- Remove requirement to have a bond application pending when applying for 4% tax credits
  - Difficult to develop designations to be overhauled in 2016
- Add a new 9% tie-breaker that has % goals that favor new construction vs. acquisition / rehabilitation
  - Similar to the housing type goals
  - Effect is to push preservation deals to 4% program
- Modify the 9% tie-breaker to favor more efficient use of tax credits
- Prioritize 4% projects in new gap financing programs



# The Real Question

We all want to develop affordable housing that

- Is highly energy efficient,
- Has rents well below market rates, and
- Advances other public policy goals,

But are we willing to watch low-income citizens

- Remain rent-burdened and overcrowded,
- Live in substandard, outdated housing,
- Sit on waiting lists for years,
- Endure long commutes to their jobs,
- Have almost no chance to live where they work, and
- Experience the other effects of a lack of decent, safe, affordable housing

*For the sake of these objectives?*

