

ULI SF
Affordable Housing
Presentation to the City of Santa Clara
Planning Commission
June 2020



Affordable Housing Finance Overview

What is Affordable Housing?



Pruitt Igoe, St. Louis
Demolished 1971
Density 54 du/acre



Delaway Pacific, San Mateo
Constructed 2015
Density 60 du/acre

Learning from the Past



Right Location

Great Design Matters

Close to Amenities

Mixed Income

Sound Underwriting

Who Develops Affordable Housing?

- Non Profit Housing Development Organizations
- Faith Based Organizations
- Neighborhood Based Community Development Corporations (CDC's)
- For-Profit Developers

More than Housing

Resident Services

Property Management

Real Estate Development

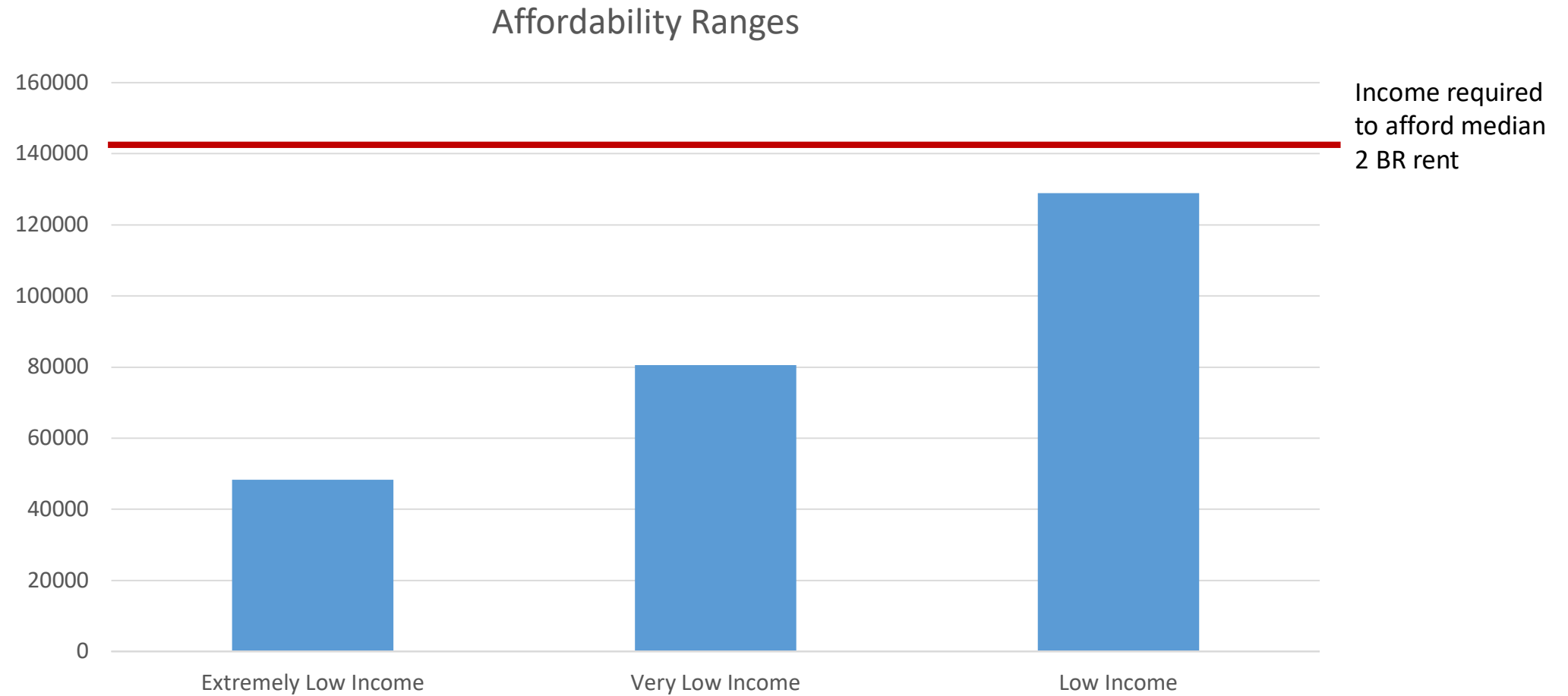
Economic Development



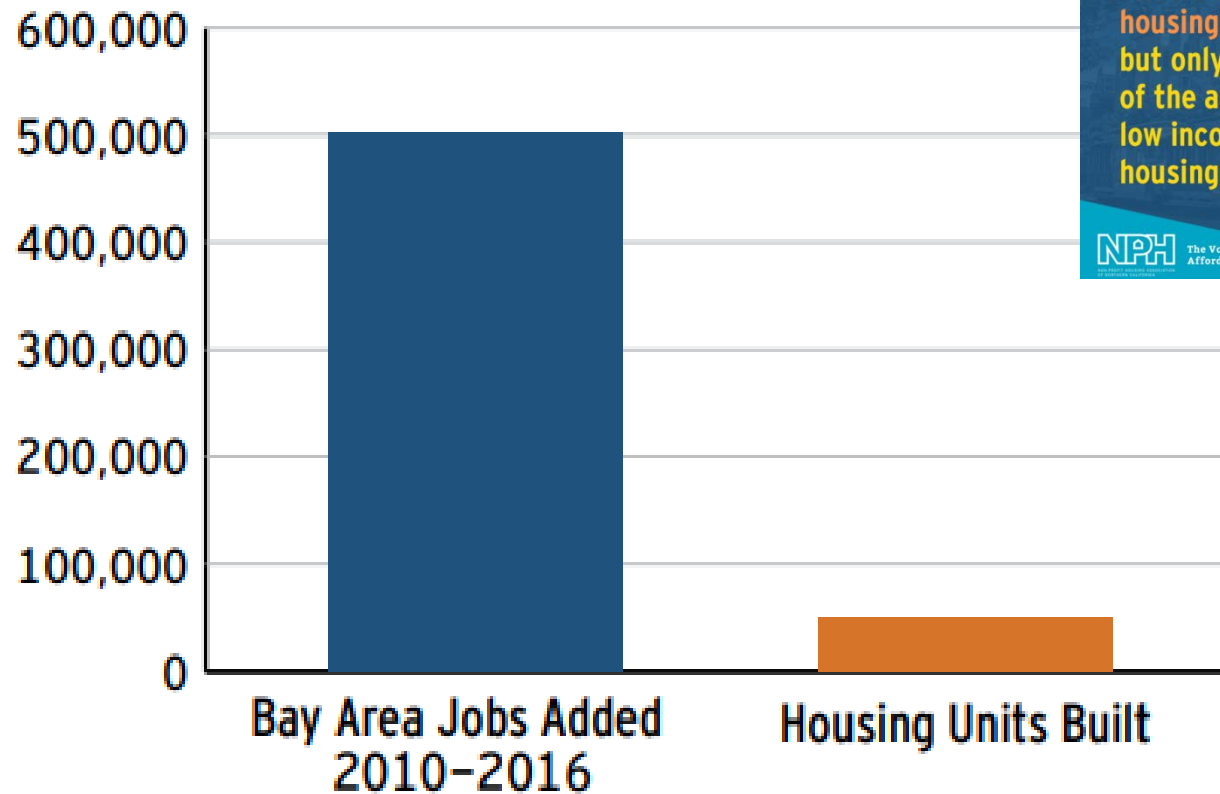
Who lives in Affordable Housing?



Housing Affordability Gap in Silicon Valley

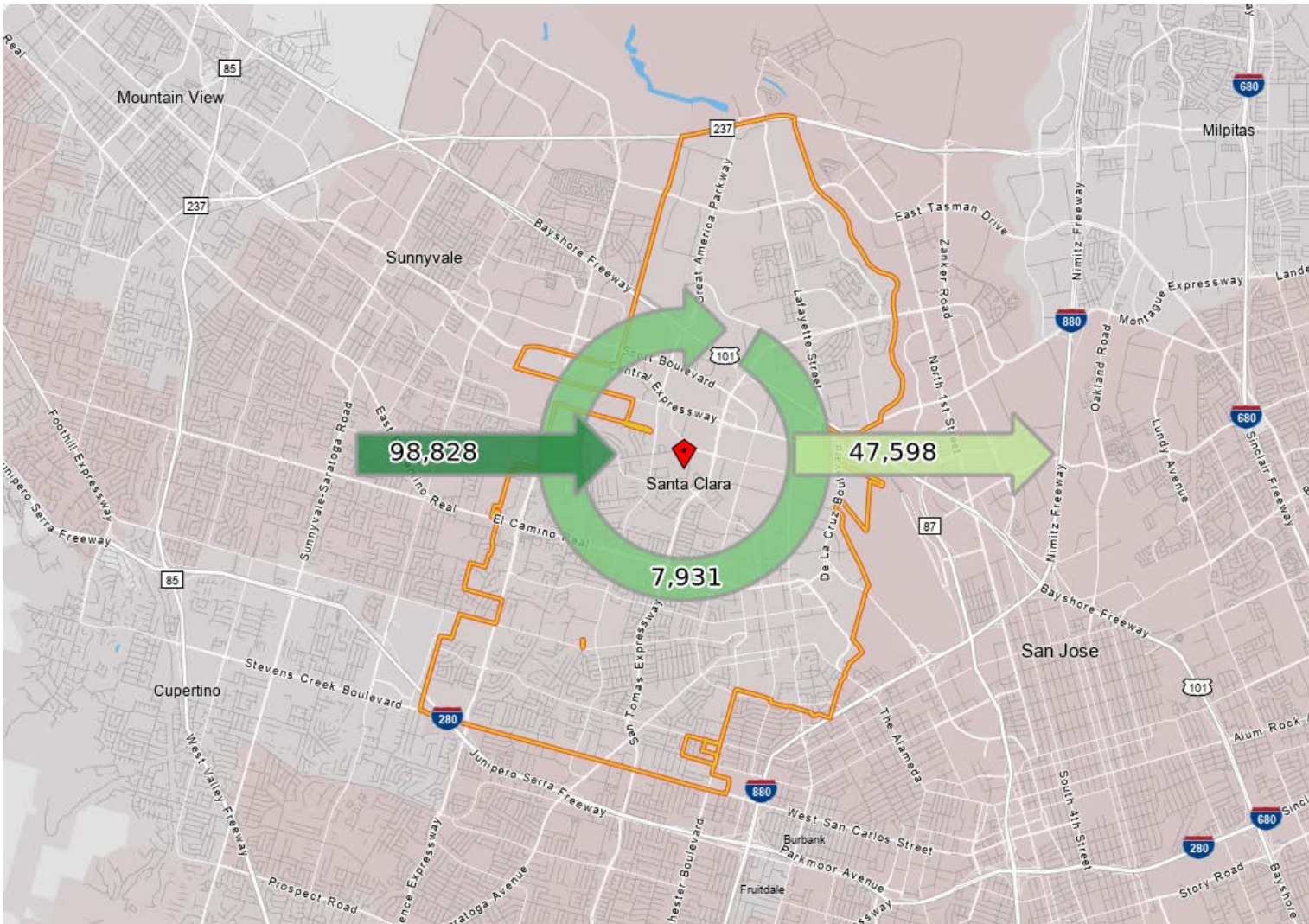


Bay Area Jobs and Housing Units Added 2010 - 2016



Source: Metropolitan Transportation Commission Memo "Regional Housing Policy" Dated December 8, 2016

This crisis effects all of us



107K jobs in the City of Santa Clara;
 99K people commute in to those jobs (90%)
 25% earn less than \$40K per year;
 27% commute more than 25 miles to work

Santa Clara's Regional Housing Needs Allocation

Table B
Regional Housing Needs Allocation Progress
Permitted Units Issued by Affordability

Income Level		RHNA Allocation by Income Level	2015	2016	2017	2018	2019	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Very Low	Deed Restricted	1050	0	1	0	0	130	131	919
	Non-Deed Restricted		0	0	0	0	0		
Low	Deed Restricted	695	0	1	0	0	15	16	679
	Non-Deed Restricted		0	0	0	0	0		
Moderate	Deed Restricted	755	0	0	0	5	8	54	701
	Non-Deed Restricted		19	16	6	0	0		
Above Moderate		1593	212	399	1609	1162	626	4008	0
Total RHNA		4093							
Total Units			231	417	1615	1167	779	4209	2299

The Bay Area produces more jobs than housing and doesn't produce the right type of housing that is affordable to the majority of the workforce.

Why doesn't the market produce Affordable Housing? It Doesn't Pencil

Affordable (aka below market) rents, comparatively high expenses

- Depress first mortgage loan proceeds
- Limited cash flow – limited cash on cash return

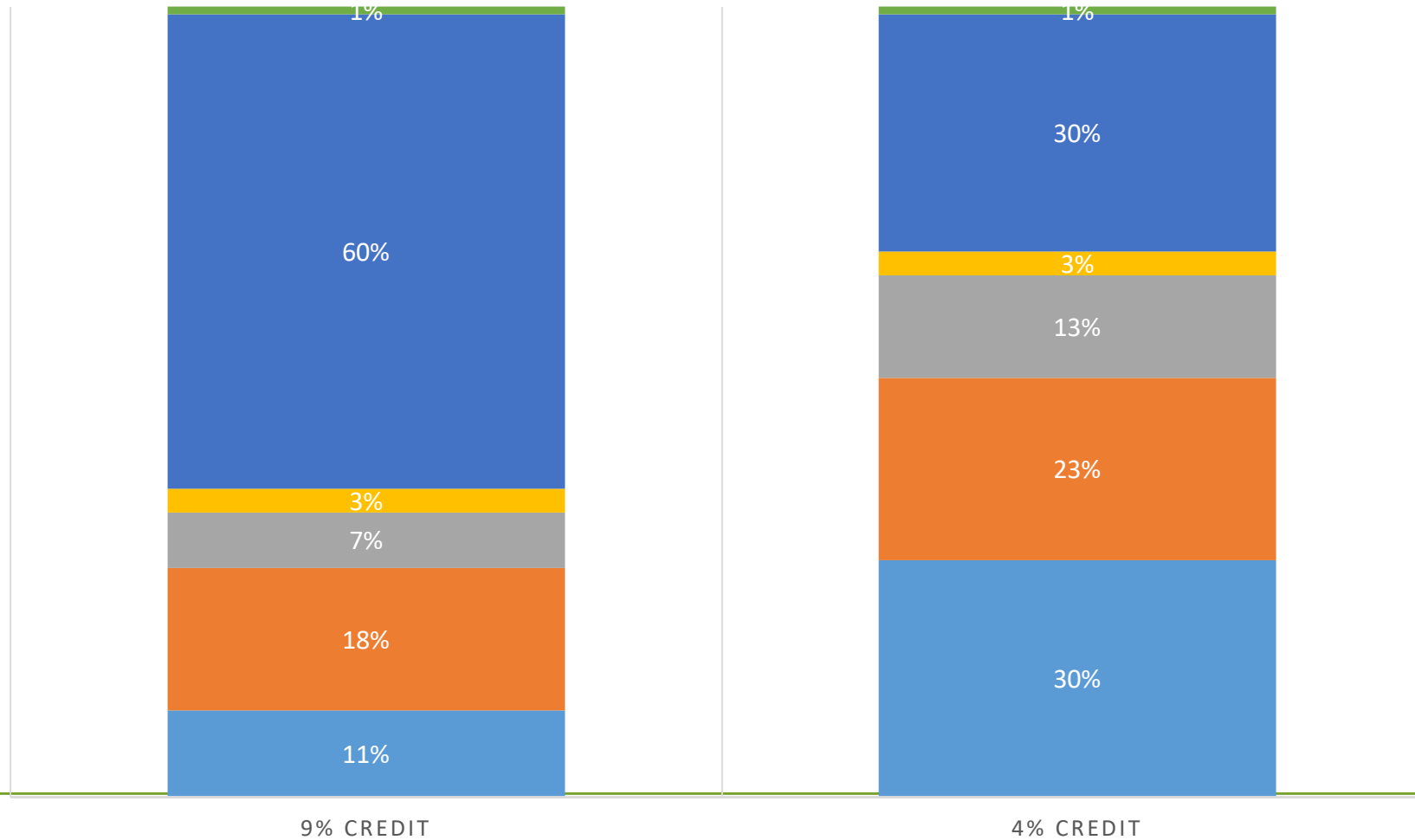


Bridging the Gap - How do we make it pencil?

- Equity generated from the sale of Low Income Housing Tax Credits – 4% and 9%
- Soft (aka deferred payment) loans
- Grants

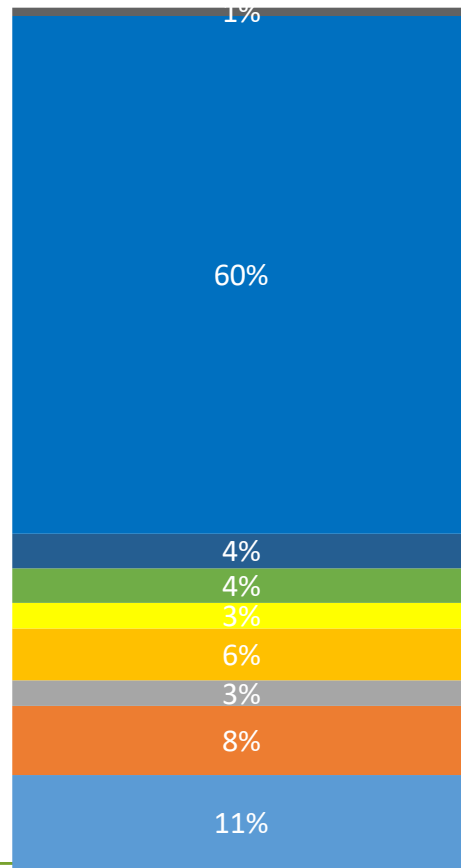
Typical Capital Stack - Simplified

■ Perm Debt ■ City \$ ■ County \$ ■ Other Public \$ ■ Tax Credit Equity ■ General Partner Equity

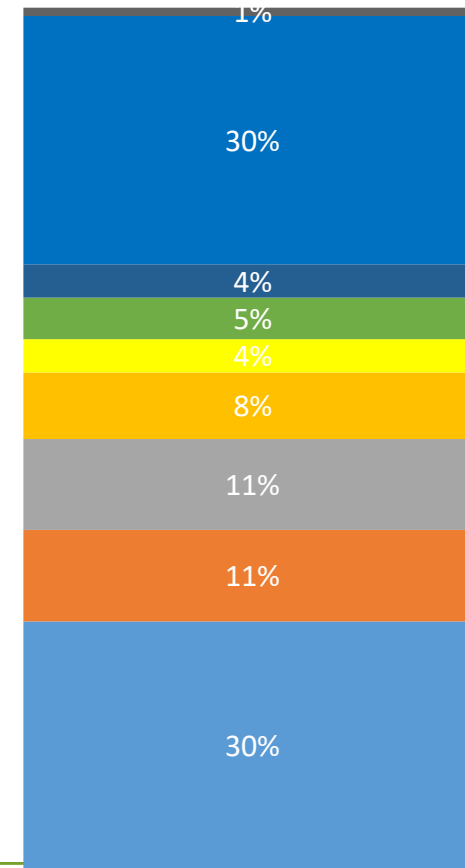


Typical Capital Stack – Not Simple!

■ Perm Debt ■ City Source 1 ■ City Source 2 ■ County Source 1 ■ AHP
 ■ Federal \$ ■ Other Public ■ Tax Credit Equity ■ GP Equity



9% CREDIT



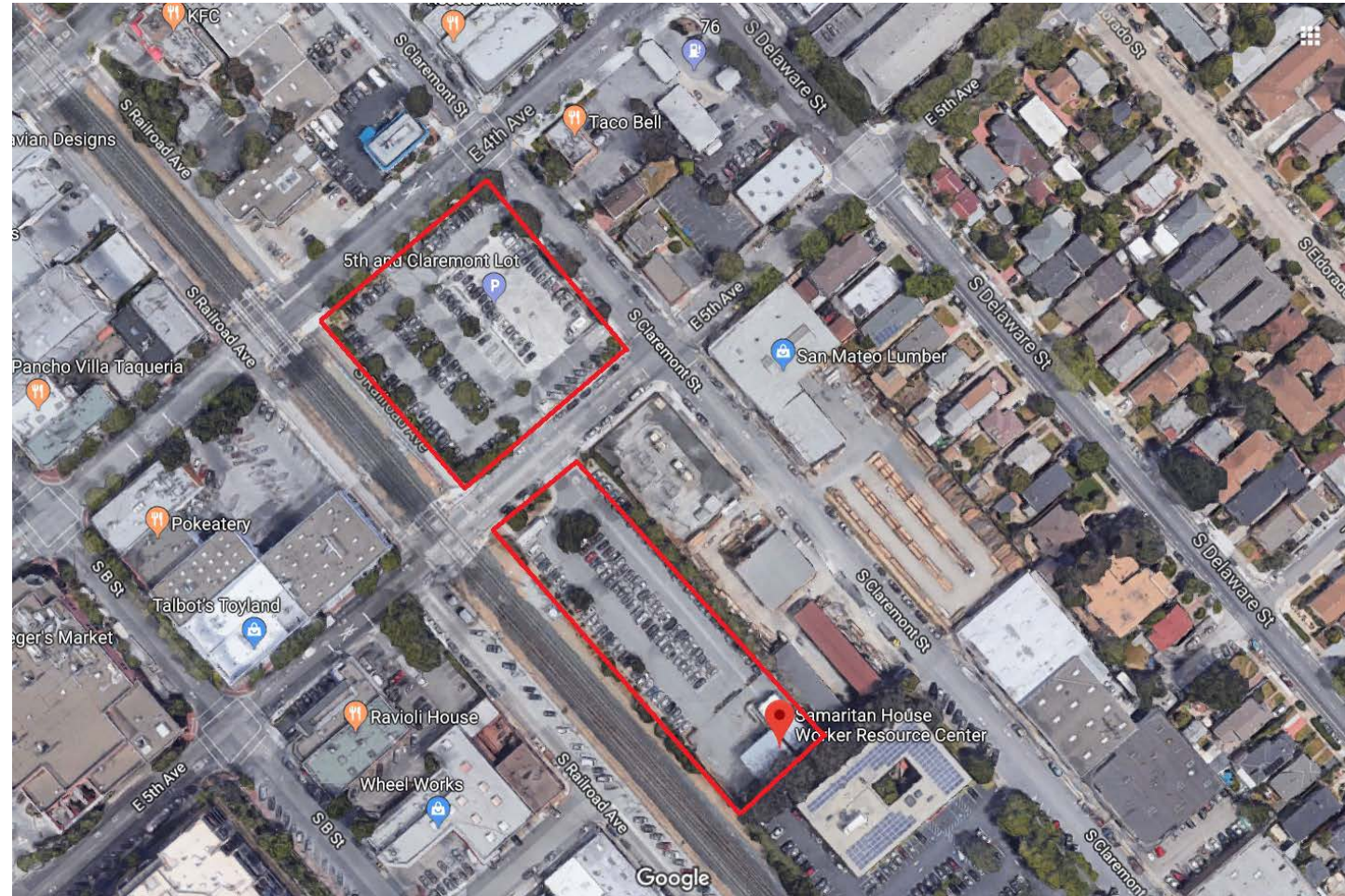
4% CREDIT

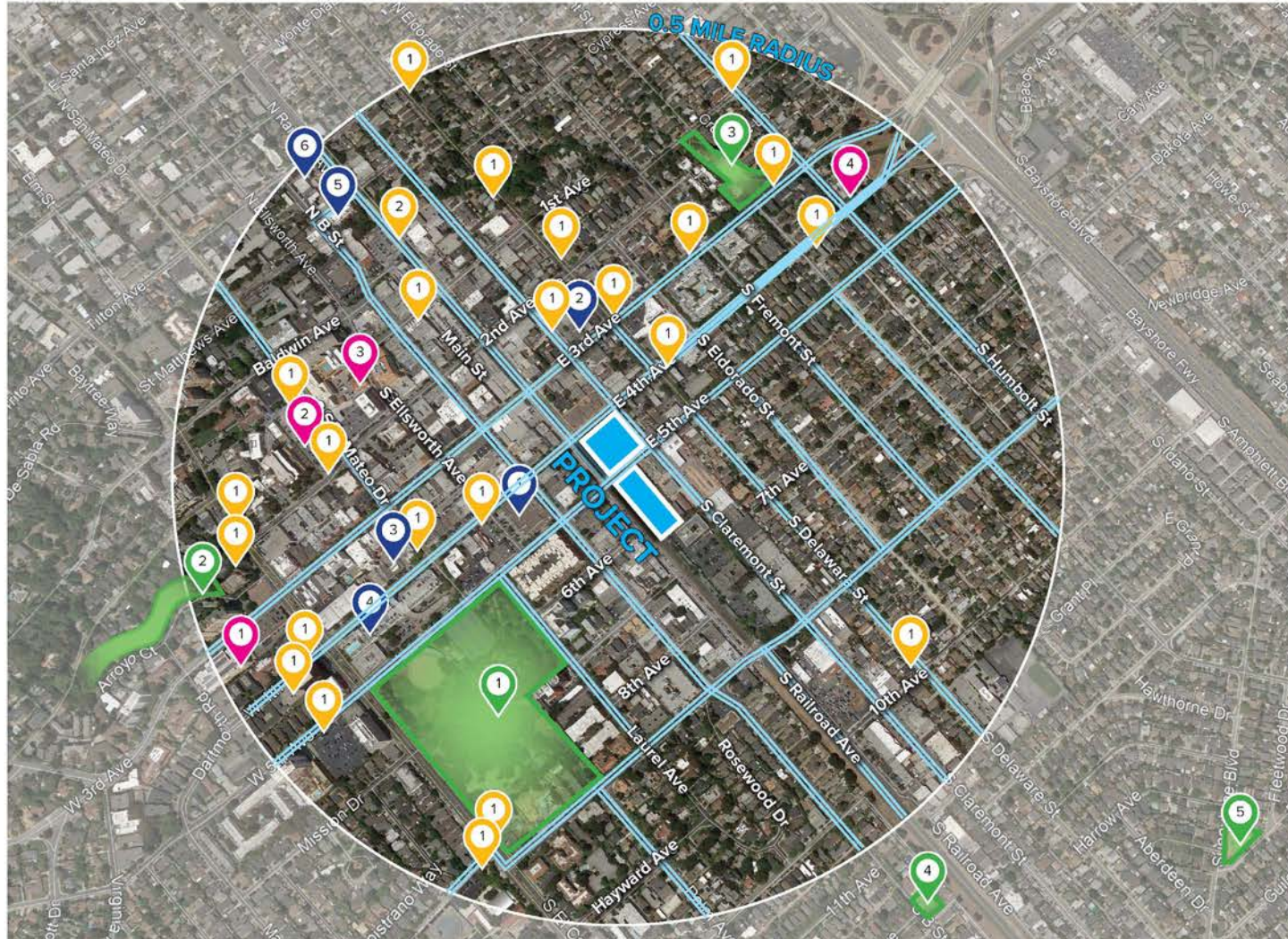
City Affordable Housing Programs

- Inclusionary Housing Programs
- Housing Fee Programs

Affordable Housing Case Study: Downtown San Mateo

- Redevelop existing public parking lots
- Mixed Use, Mixed Income
- Create affordable homes near transit
- Expand public parking
- Provide housing for public workers





- **PUBLIC PARKS/OPEN SPACE**
 1. Central Rec. Center and Park
 2. De Anza Historical Park
 3. Gateway Park
 4. Hayward Square
 5. Sunnybrae Park
- **SUPERMARKETS**
 1. Draeger's Market
 2. Takahashi Market
 3. Suruki Supermarket
 4. Dean's Produce
 5. Mi Rancho Supermarkey
 6. Magdali's Produce
- **PUBLIC SERVICES/HEALTHCARE**
 1. San Mateo Public Library
 2. Mill Health Center | Sutter Health
 3. Fire Stations No 21
 4. Fire Station No 24
- **PUBLIC TRANSPORTATION**
 1. SamTrans Bus Stops
 2. CalTran Station
- **GENERAL BIKE PATHS**
(Per the City of San Mateo's April 2020 Bike Master Plan)



164 to 225
Unit Increase





Impact of AB1763

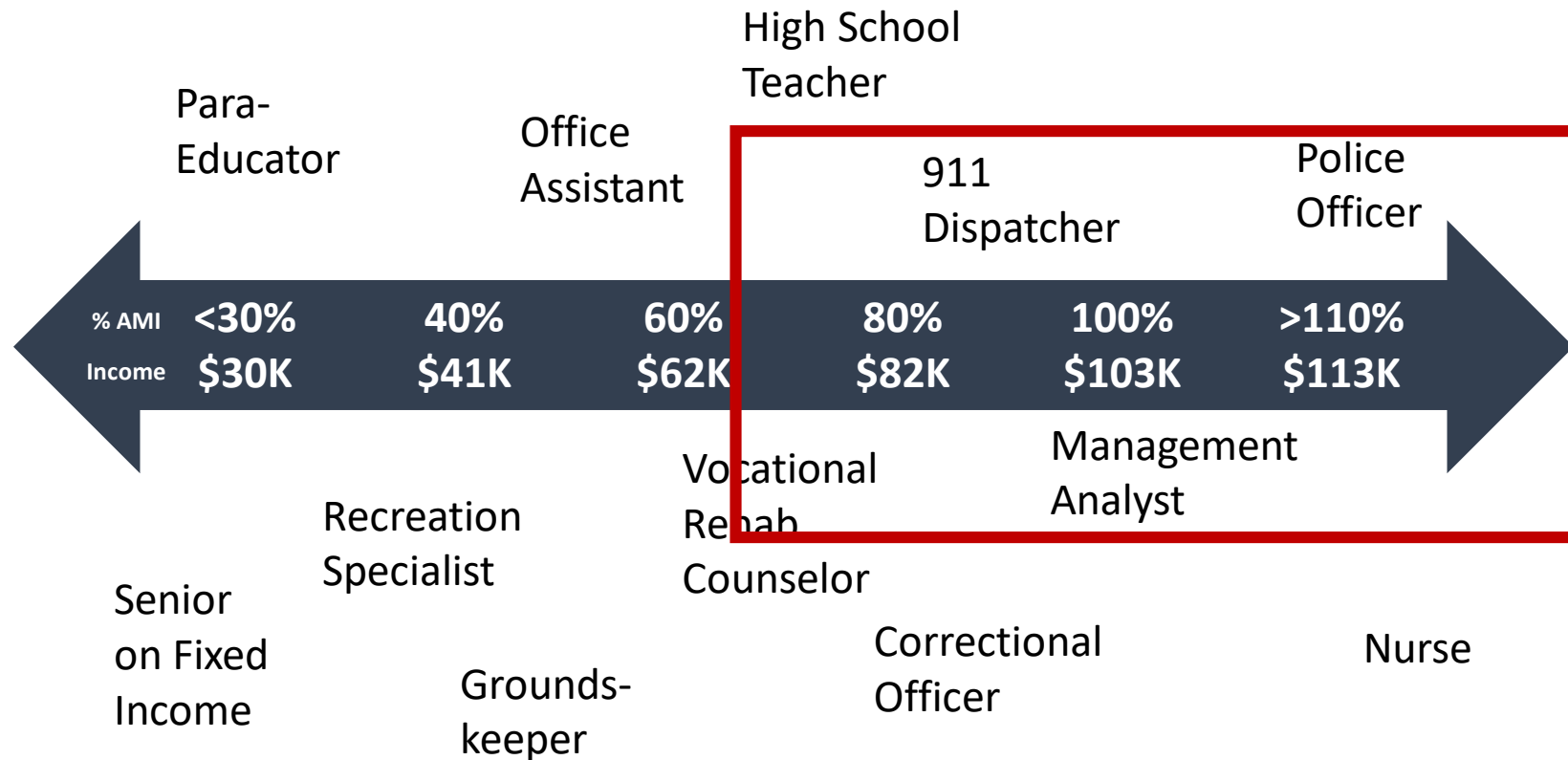


5 Story – Original Design – 164 homes



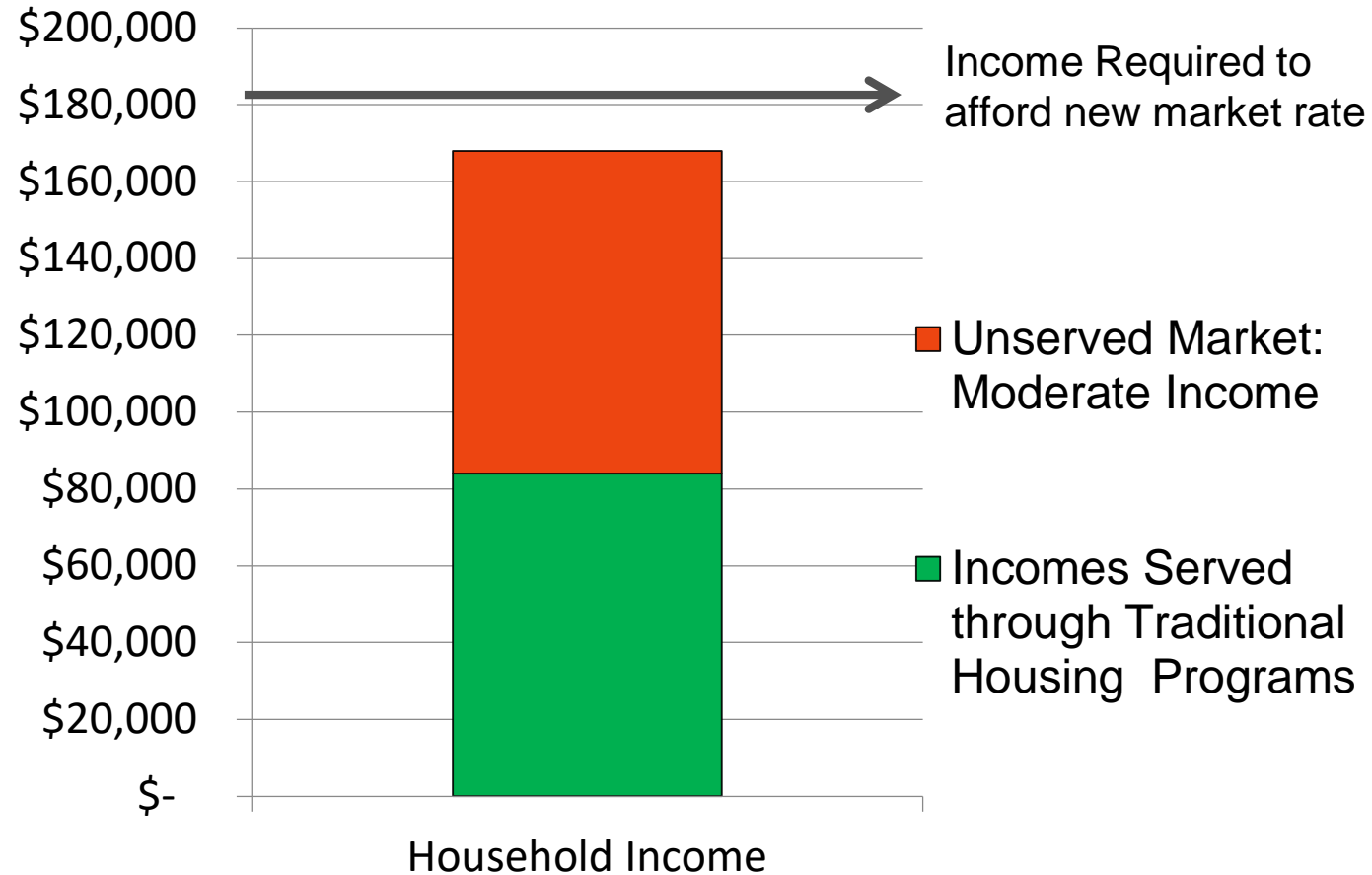
**7 Story – Revised Design – 225 homes
Additional 61 more homes**

2017: Who are we trying to serve?



2017 CTCAC Incomes for San Mateo County (1 person household)
 Job/salary information based on actual City and County job postings
 Median income increases comparable to Santa Clara and San Francisco counties

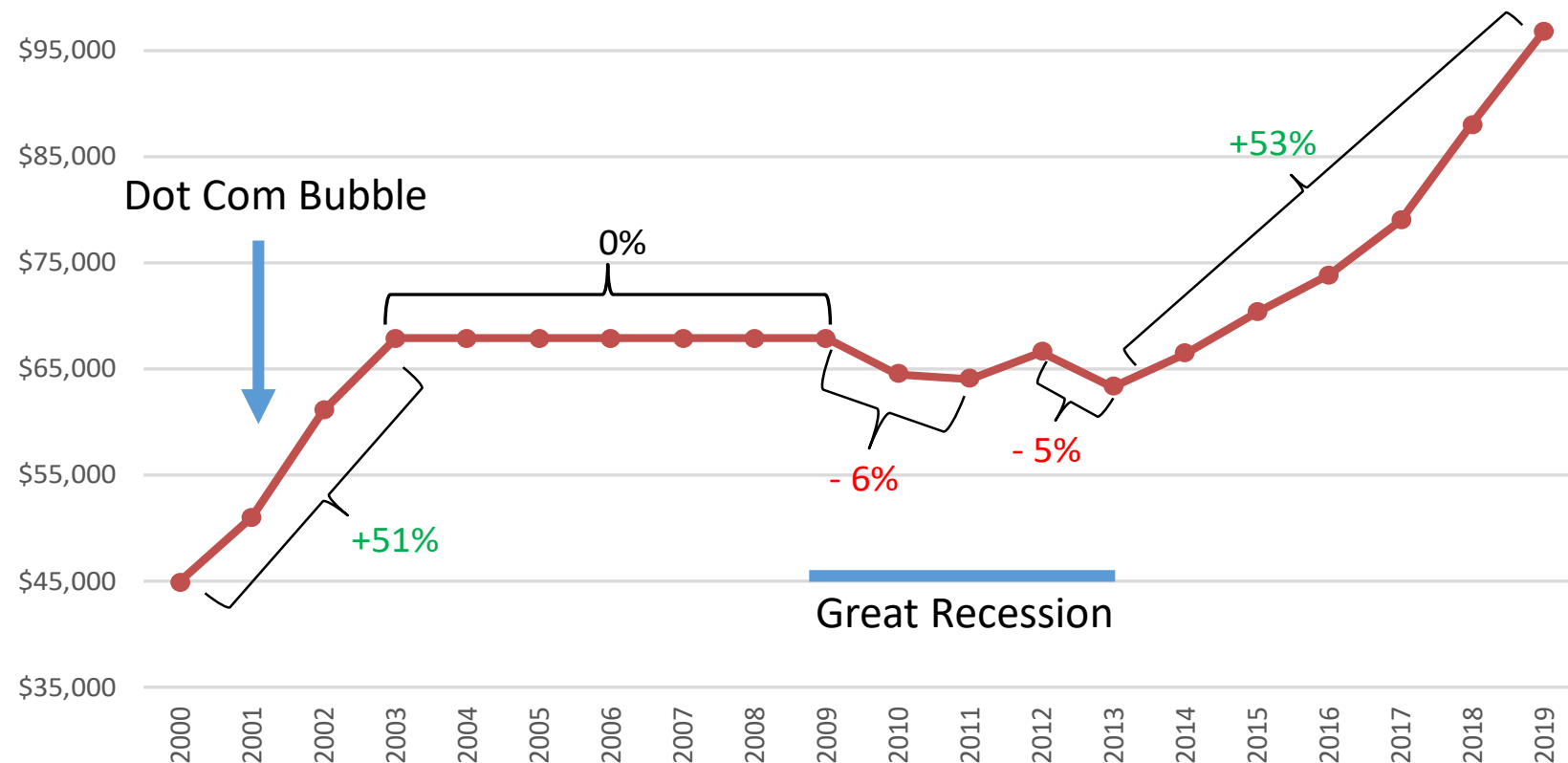
2017: The Missing Middle



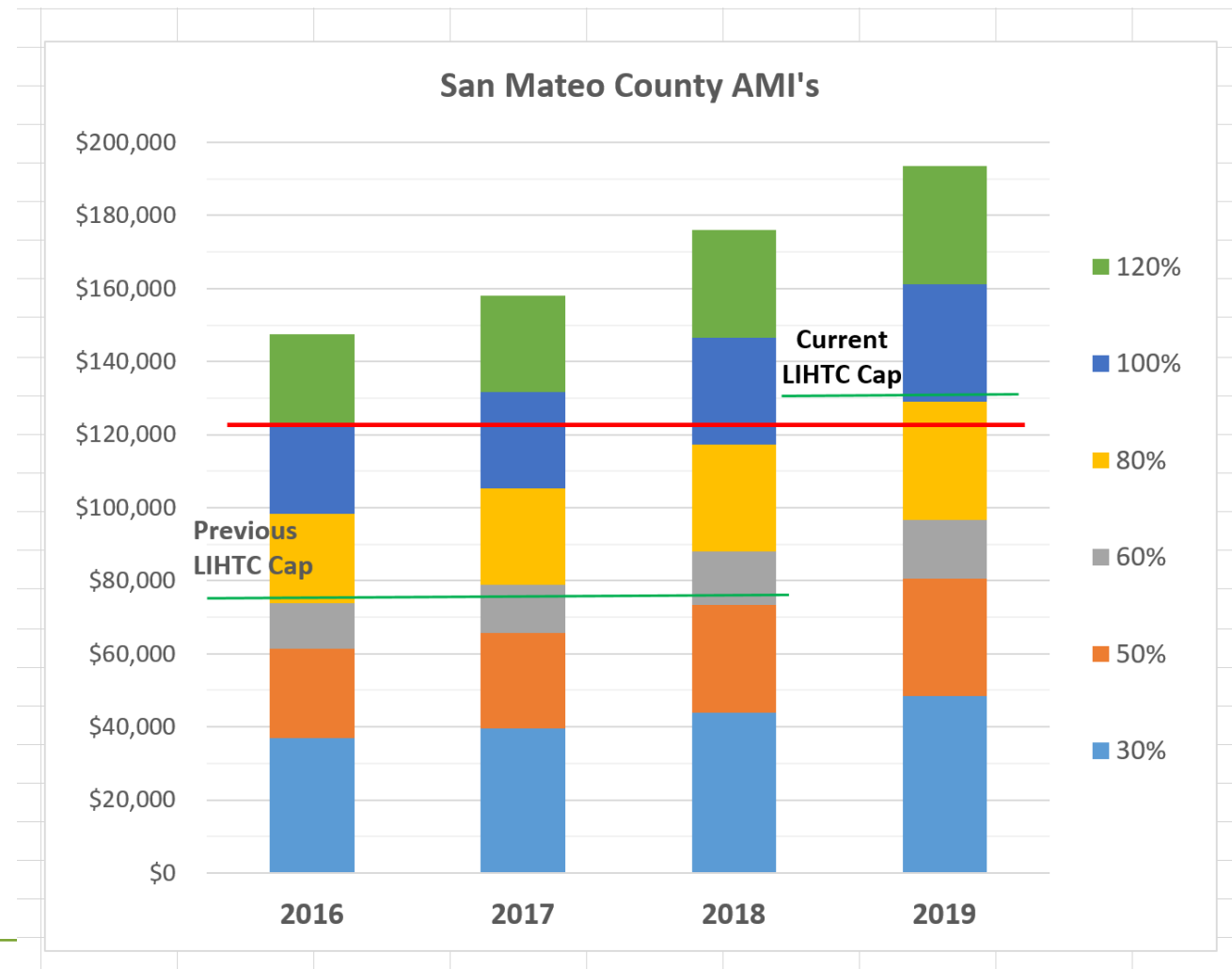
Note: Based on CTCAC published 2018 Median Household Income for a family of 4 as compared to average rent for a new market rate 2 BR apartment in San Mateo/Santa Clara Counties

Rising Area Median Incomes

HH Income at 60% AMI (4 person)



Expands Eligibility for Affordable Housing Programs



Missing Middle household incomes have not risen as fast as AMI's

2017					
	≤ 50%	≤ 60%	≤ 80%	≤ 100%	≤ 120%
Single Occupant	\$46,100	\$55,320	\$73,760	\$92,200	\$110,640
	Library Assistant I (45K) Office Assistant I (45K) Para-Educator I (34K)* Program Assistant I (45K)	Custodian (50K) Elementary Teacher (55K)* Landscape Laborer (50K) Maintenance Worker I (53K) Police RCD Spec. I (49K)	Accounting Assistant (60K) Building Inspector (73K) Comm. Service Off. I (57K) Executive Assistant (66K) Librarian I (60K) Police Dispatcher I (72K) Program Serv. Coord. (60K)** Pump Stn. Mechanic I (68K)	Business Sys. Analyst I (84K) Firefighter (88K) HR Analyst I (77K) Network Tech. (76K) Plan Checker I (78K) Planner Associate (87K) Public Works Sup. (92K) Supervising Librarian (77K) WWTP Operator I (77K)	City Atty. Dep. I (93K) Managing Arborist (98K) Police Officer (98K) Senior Mgmt Analyst (93K) + 120% AMI in 2017 Police Sergeant (118K) Principal Planner (119K) Senior Engineer (119K)
2019					
	≤ 50%	≤ 60%	≤ 80%	≤ 100%	≤ 120%
Single Occupant	\$56,450	\$67,740	\$90,320	\$112,900	\$135,480
	Accounting Asst I (54K) Central Services Water (44K) Custodian (55K) Landscape Laborer (55K) Library Assistant I (47K) Med Services Asst. II (32K)*** Office Assistant (32K)*** Para-Educator I (37K)* Police RCD Spec. I (53K) Program Assistant II (54K)	Accounting Assistant (65K) Comm. Service Off. I (61K) Elementary Teacher (58K)* Executive Assistant (66K) Librarian I (64K) Maintenance Worker I (58K)	Building Inspector (78K) Firefighter Trainee (84K) HR Analyst I (85K) Network Tech. (71K) Plan Checker I (84K) Police Dispatcher I (77K) Pump Stn. Mechanic I (68K) Special Ed Teacher (89K)* Supervising Librarian (88K) WWTP Operator II (86K)	Business Sys. Analyst I (93K) City Atty. Dep. I (102K) Firefighter (99K) Managing Arborist (109K) Planner Associate (95K) Police Officer (110K) Public Works Sup. (102K) Senior Mgmt Analyst (102K)	Fire Captain (132K) Police Sergeant (132K) Principal Planner (130K) Senior Engineer (130K)

Diversity of Homes and Households

Bedroom Mix	Rent Ranges	Public Employees
65 Studios	\$846- \$2,258	16
48 1-BR	\$907 - \$2,419	12
53 2-BR	\$1,088 - \$2,902	13
59 3-BR	\$1,257 - \$3,353	15

Downtown San Mateo Sources and Uses - Residential Only

SOURCES OF FUNDS

Permanent Mortgage	\$ 38,499,700	25%
Section 8 Supported Loan	\$ 24,895,300	16%
City Affordable Housing Funds	\$ 6,830,000	4%
County Affordable Housing Funds	\$ 16,500,000	11%
Social Impact Loan	\$ 7,000,000	5%
Tax Credit Equity	\$ 59,786,792	39%

Total Sources of Funds	\$ 153,511,792	
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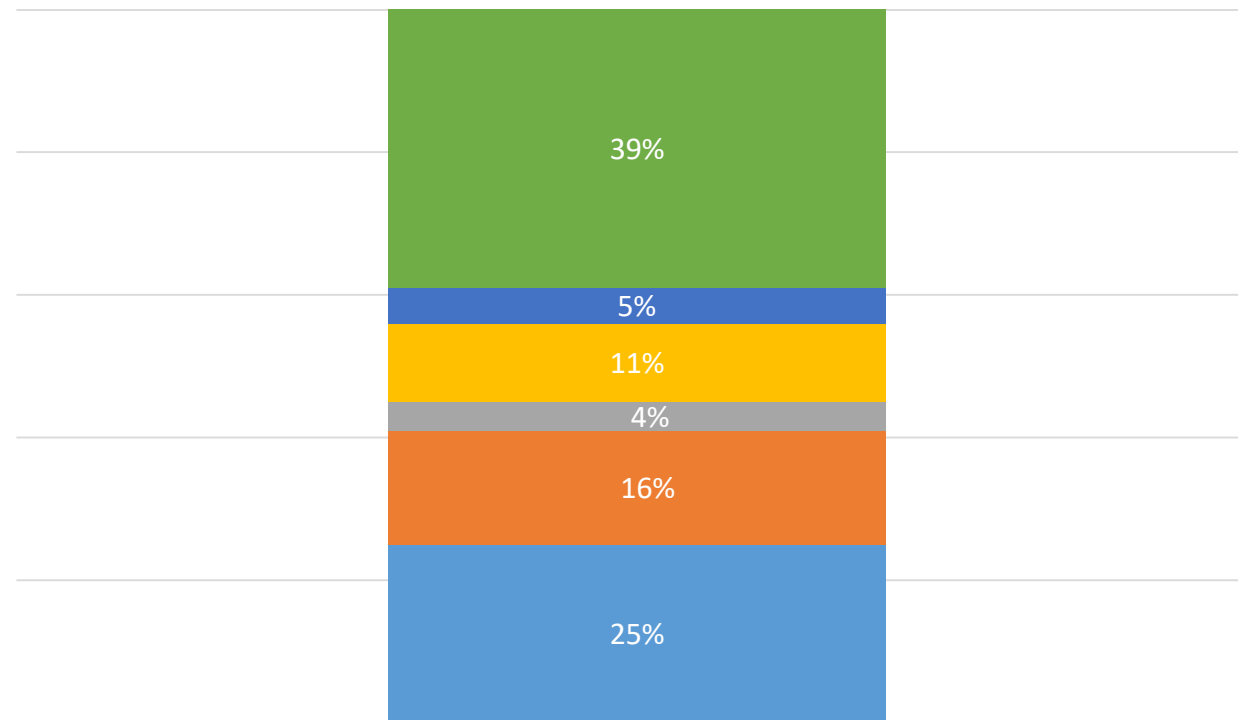
USES OF FUNDS

Land	1
Residential Construction	\$ 125,560,790
Architecture/Engineering	\$ 5,042,082
Financing Interest and Fees	\$ 9,723,584
Local Impact Fees	\$ 7,594,438
Reserves	\$ 1,308,963
Other Soft Costs	\$ 1,781,934
Developer Fee (Net)	\$ 2,500,000

Total Uses of Funds	\$ 153,511,792
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Affordable Housing Finance Overview

Downtown San Mateo Capital Stack

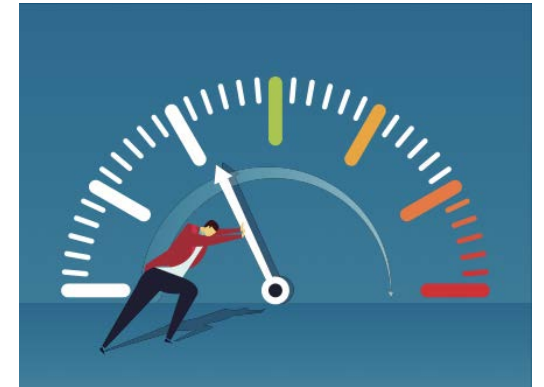


4% Structure

- Permanent Mortgage
- City Housing Loan
- Social Impact Loan
- Section 8 Mortgage
- County Housing Loan
- Tax Credit Equity

Challenges and Opportunities – Pre Covid-19

- Public Awareness of the Crisis
- New Pro-Housing State Governor
 - Opportunity for Regulatory Reform
 - New Financing Programs
 - Inexperienced, inadequate staff of State Housing Agency
 - Inefficient funding delivery systems – already broken
- Pent Up Demand brings unprecedented competition
 - Tax Exempt Bonds 3:1
 - Cap and Trade Program 2:1



Challenges and Opportunities – Post Covid-19

- \$11M in rental assistance in Santa Clara County used up in 3 days; 4500 people on waiting list for assistance
- Impact on Affordable Housing sector due to loss of rent - \$1.5B in 2020
- Statewide order to protect tenants from eviction and rent increases
- Federal Stimulus
 - Expanded unemployment benefits;
 - Aid to States
 - Small business loans



ULI Bay Area

Thank You!

