



CALIFORNIA'S AFFORDABLE HOUSING FUNDING NEEDS AND SOLUTIONS

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California Housing Partnership Corporation

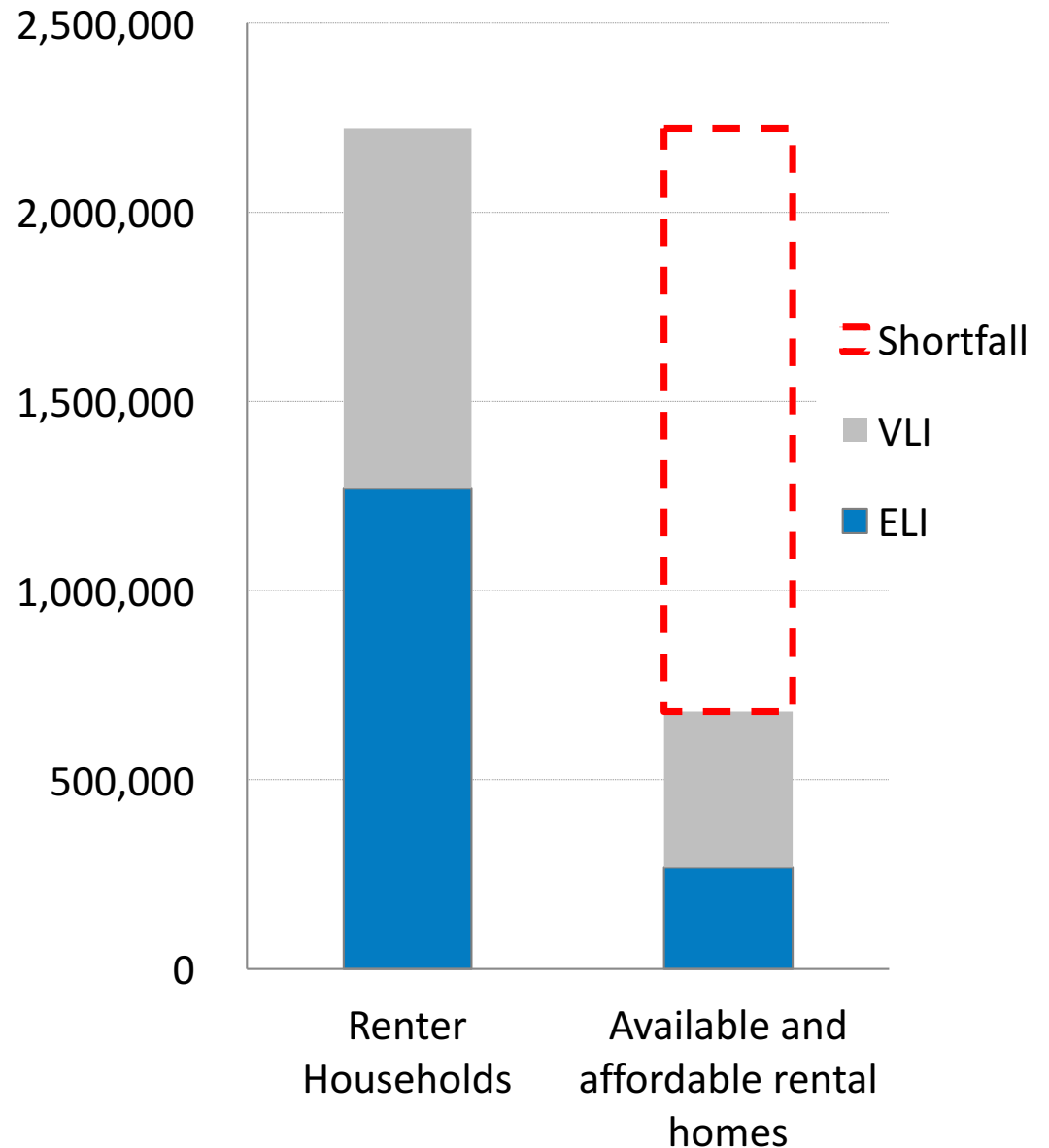
California Housing Partnership Corporation

- Created by Legislature in 1988
- Board appointed by Speaker, Pro Tem + Governor
- No state funding, not a state agency (nonprofit)
- Helped private and public housing developers leverage more than \$12 billion in private and public funding to create and preserve more than 60,000 affordable homes, while providing leadership on rental housing policy and funding

There is a shortfall of over 1.54 million affordable homes for low income renter households.

Not one county in CA has a sufficient number of affordable rental homes

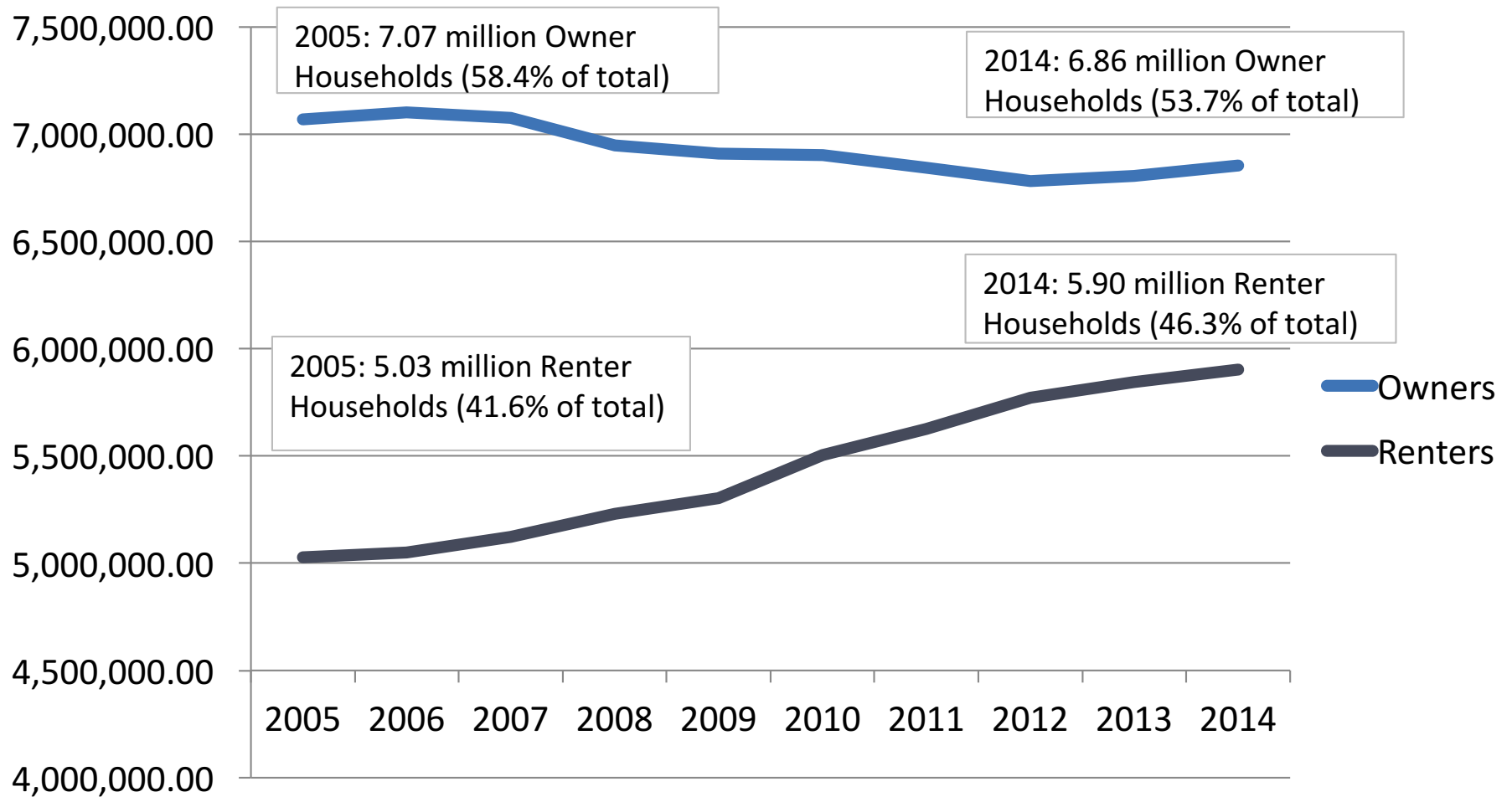
SHORTFALL OF AFFORDABLE AND AVAILABLE RENTAL HOMES



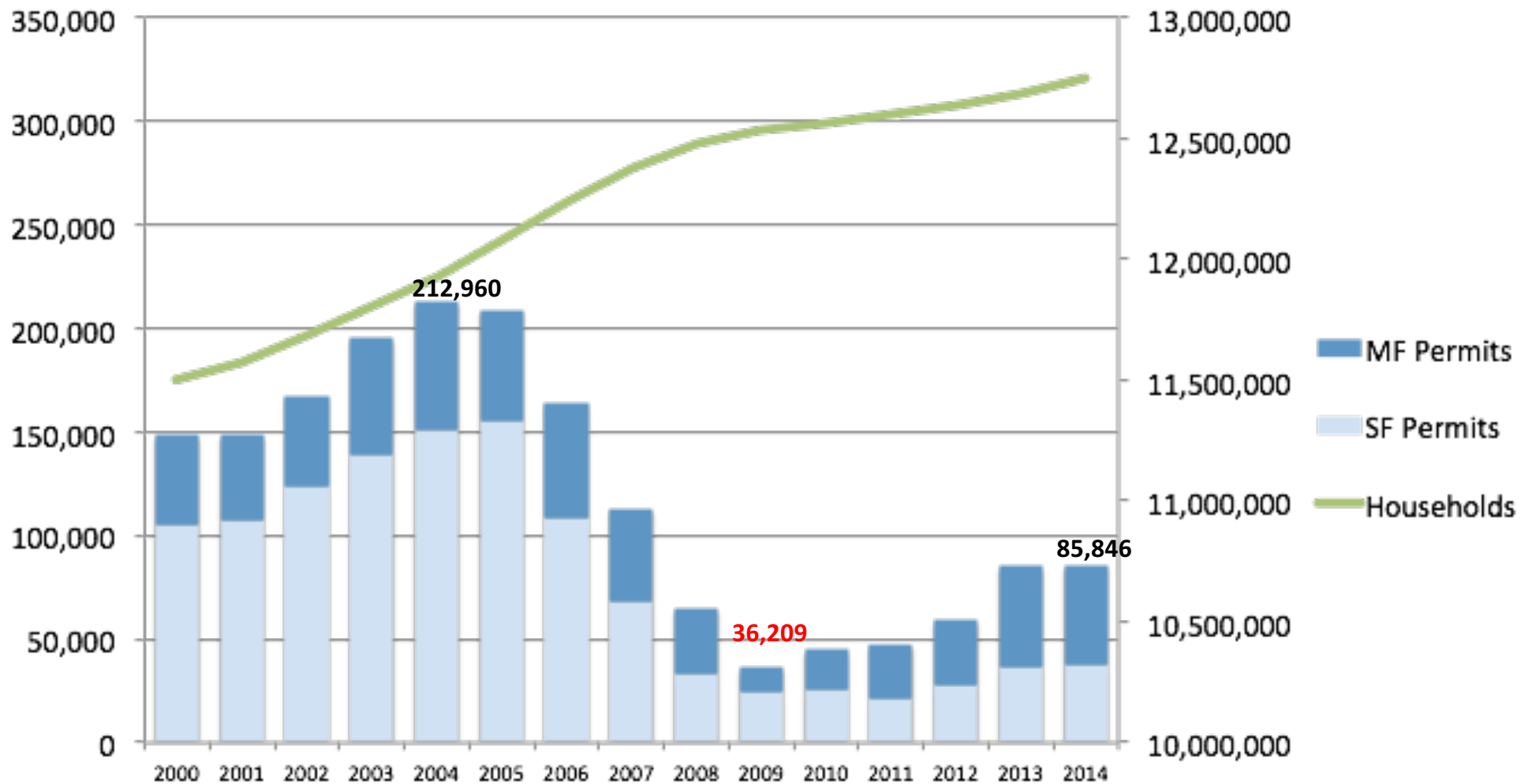
HOW DID WE GET HERE?

From 2005 to 2014, the state gained 875,000 renter households and lost 214,000 owner households

California Owner and Renter Households 2005 to 2014

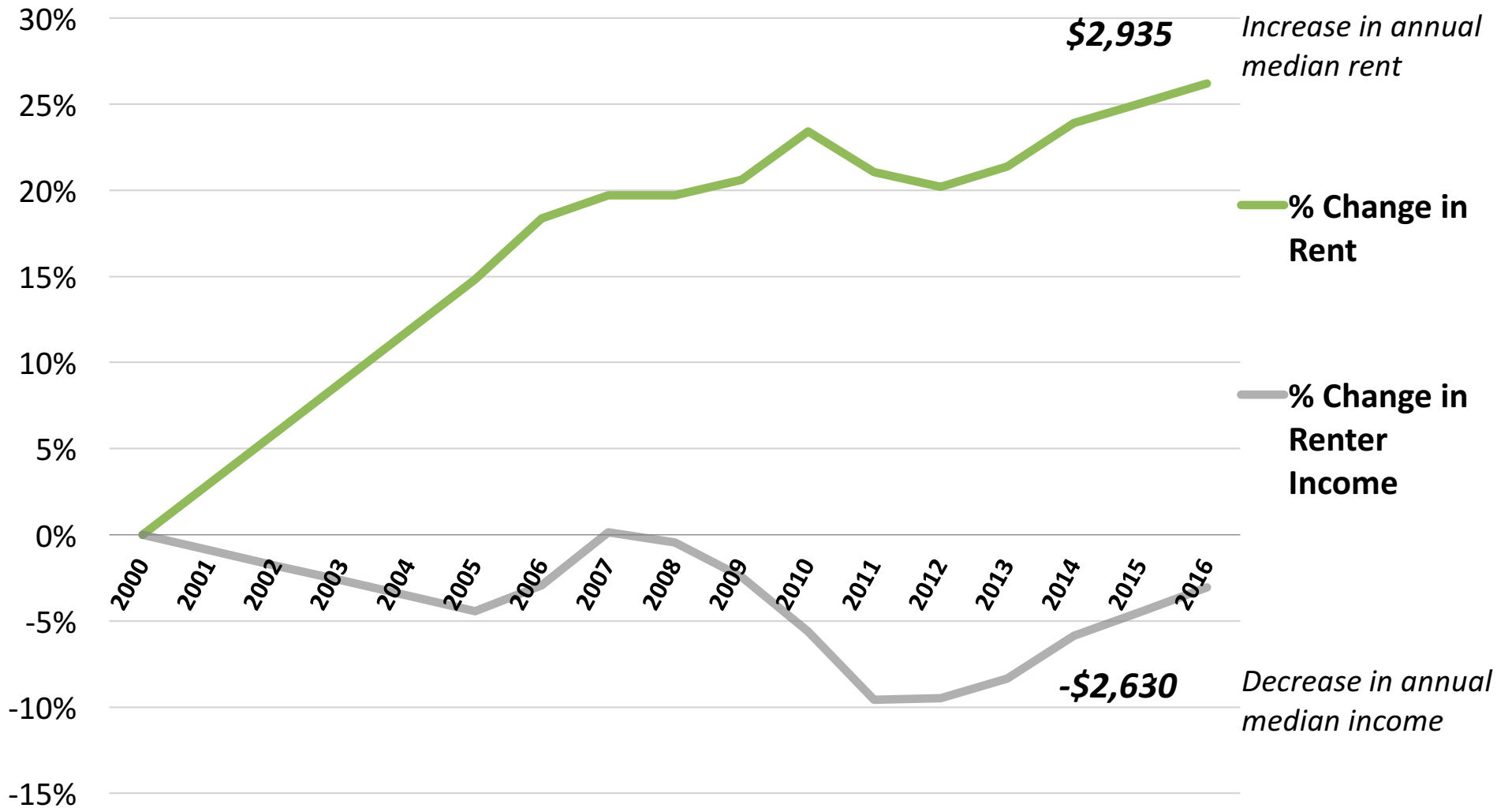


CALIFORNIA HOUSEHOLD GROWTH AND NEW HOUSING PERMITS (2000-2014)



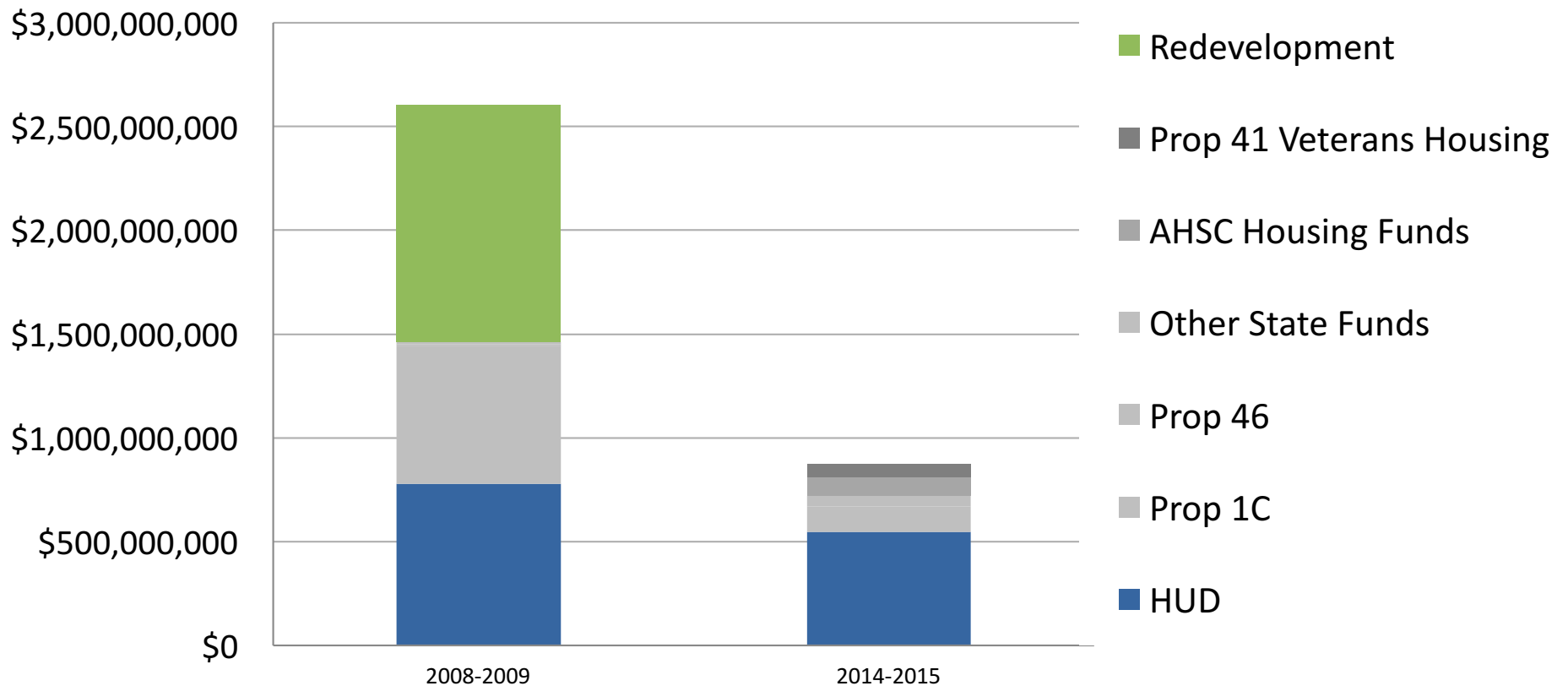
Source: Construction Industry Research Board/California Homebuilding Foundation and DOF 2014.

From 2000-2015, California median rent increased 25% while median renter income declined 4%



2015 and 2016 are estimated based on trend data

California's affordable housing funding has declined 66.5% since 2008- over 1.7 billion dollars



CAPITAL FUNDING SOURCE	FY 2008 -2009	FY 2014-2015	% CHANGE
Redevelopment	\$1,142,555,324	\$0	-100%
State Housing Bonds & Other State Funding	\$680,429,821	\$328,341,578	-52%
HUD	\$778,782,375	\$545,325,816	-30%
Total	\$2,601,767,520	\$873,667,394	-66.5%

✓ Poverty increases in 9 of California's 10 most populous counties when housing costs are considered.

✓ The state's poverty rate rises from 16.2% to 21.2%.

✓ 24% of California children are living in poverty mostly due to high housing costs

10 COUNTIES WITH THE LARGEST POPULATIONS AND ADJUSTED POVERTY RATE

COUNTY	OPM: Unadjusted for Housing Costs	CPM: Adjusted for Social Programs & Housing Costs
Los Angeles	18.3%	25.7%
San Diego	14.5%	21.5%
Orange	12.6%	21.8%
Riverside	16.6%	20.1%
San Bernardino	19.2%	19.4%
Santa Clara	10.1%	18.0%
Alameda	12.4%	17.6%
Sacramento	18.0%	18.2%
Contra Costa	11.6%	16.9%
Fresno	27.1%	21.2%

Source: Public Policy Institute of California

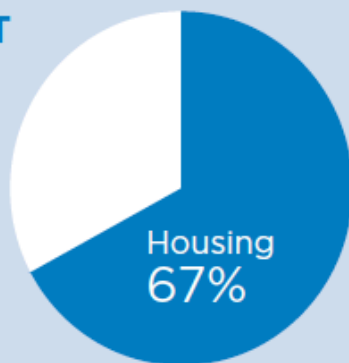
California households with the lowest 25% of incomes spend 67% of their income on housing, leaving little left over for other essential needs and driving these households into poverty.

CALIFORNIA HOUSEHOLD EXPENDITURES BY INCOME

HOUSEHOLDS IN LOWEST INCOME QUARTILE

Food, Transportation, Health Care, and other needs:

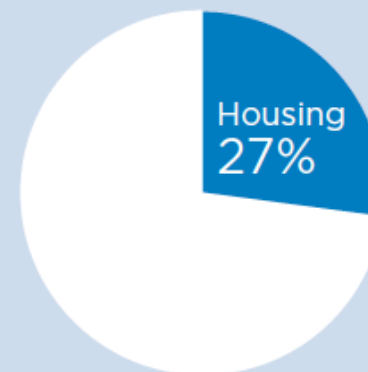
33%



MEDIAN INCOME HOUSEHOLD

Food, Transportation, Health Care, and other needs:

73%



Source: LAO Report "California's High Housing Costs: Causes and Consequences", 2015.

Financing Solutions to Begin to Close the Affordable Housing Gap

Keys to Affordable Rental Housing Finance

1. Costs paid for by combination of:
 - A. Private bank mortgage (but adding debt increases rents)
 - B. Investor Equity (through sale of tax credits & deductions)
 - C. Subsidy (federal, state and/or local funds)
2. Affordability created by equity & subsidy, not debt

Low Income Housing Tax Credit Program

- Housing Credit program created by Congress in 1986 to help states finance workforce housing
- US Treasury allocates Credits to states, which allocates Credits to developers over 10 years
- Investors pay developers \$0.95 for each credit plus share of deductions (down from \$1.10 in 2016)
- Credits have created 350,000 homes in CA
- Default rate less than 0.1%
- Most successful private-public partnership

Housing Credit Drives All Production in CA

- Two types of Credit: capped 9% and 4% uncapped
- In 2016, CA used 9% credits to generate \$1 Billion and 4% Credits to generate \$1.4 billion in equity
- 9% federal Credit oversubscribed >2:1
- Ability to obtain federal 4% Credits limited by (1) state bond allocation availability, and (2) matching state gap subsidy

Key Rental Housing Financing Facts

- California created the Multifamily Housing Program in 2003 specifically to leverage 4% Housing Credit equity from federal government
- From 2003-2015, CA invested \$1.5 billion in Propositions 46 and 1C and GF\$ to create and preserve a total of almost 25,000 homes via MHP
- Of these, MHP funded the construction of nearly 20,000 new rental homes at only \$67,000 per unit
- Even without Redevelopment \$, MHP per unit cost did not increase significantly in 2014-2015

Key Rental Housing Financing Facts

- For each \$70,000 in new state subsidy, CA receives \$120,000 to \$150,000 in federal 4% Housing Credit investment to create one new affordable rental home with sufficient local funds
- Voters in Los Angeles and Bay Area approved more than \$3 Billion in 2017 as their contribution
- State could increase production by 14,000+ new homes annually if we invest \$1 billion in matching state \$\$, as with Propositions 46 and 1C

Options for State to Raise Gap Funds

1. Documentary recording fee (\$300M/year)
2. Elimination of MID on 2nd Homes (\$300M/year)
3. Elimination of some 1031 exchange exemptions for large corporations (\$300M+/Year)
4. Tax on bank profits in CA (FDIC insured institutions with assets of \geq \$100M)
 - a. Profits of \$6B in 2016, up >35% from 2015
 - b. 5% windfall tax would be \$300M/year