Affordable Housing & Federal Tax Reform

March 17, 2017

For:
California State Assembly
Committee on Housing & Community Development

By:
Holly Benson
EVP & Chief Operating Officer
About Abode Communities

• Nearly **50 years** of nonprofit community development experience

• **Multi-disciplinary approach**: professional real estate, architecture and property management services + resident (social) service provider

• **Largest provider** of LEED® for Homes Platinum-rated multifamily residential units in California
About Abode Communities

• **45** residential communities with **2,707 affordable** homes developed throughout California

• **8,000** low-income parents, children, seniors and people with special needs

• **$544 million** invested in underserved communities

• **1,425** affordable homes in production and preservation pipeline
Los Angeles County: The Need

• Shortfall of **551,807** homes for low income households

• Almost **47,000** people are homeless at any given time

• Most low income households are spending more than **50%** of their income on rent

*Source: LA County Affordable Housing Outcomes Report, draft February 2017*
Los Angeles County: The Need

2 Bedroom/1 Bath in Los Angeles:

• Fair Market Rent - $1,487/month
• Affordable Housing Wage - $28.59/hour
• Minimum Wage - $10.00/hour
• Work Hours at Minimum Wage – 114 hours/week (2.85 full time jobs)

Source: National Low Income Housing Coalition: Out of Reach 2016
Decline in Subsidies

Despite increasing costs, there are fewer resources at every level, hampering production:

• Local
  • Elimination of Redevelopment Agencies only partially offset by new local sources

• State
  • MHP, TOD and IIG programs all fully expended
  • AHSC (Cap & Trade) has uncertain future funding

• Federal
  • Reduction, and possible elimination, of HOME, CDBG and Section 8
  • Tax Reform will reduce LIHTC equity
Federal Tax Reform and LIHTC Pricing

• Current Corporate Tax Rate: 35%
  • ~$1.10 in equity for every $1.00 in tax credits

• Tax Reform Proposals: 15%-25%
  • ~$0.93 - $0.98 in equity for every $1.00 in tax credits

• Reduction in equity = significant financing gaps
  • Resulting gaps can range from $1 million - $4 million per project
Federal Tax Reform and LIHTC Pricing:

La Veranda, Los Angeles (Boyle Heights)

- 77 units affordable rental (30%-60% AMI)
- 8,000 sq ft community serving retail
- Partnership with LA METRO
- TOD – ¼ mile from light rail station
- $32.9 million development cost
## Federal Tax Reform and LIHTC Pricing: La Veranda Financing Comparison

<table>
<thead>
<tr>
<th></th>
<th>Before Tax Reform</th>
<th>After Tax Reform (Scenario A)</th>
<th>After Tax Reform (Scenario B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Tax Rate</td>
<td>35%</td>
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<td>20%</td>
</tr>
<tr>
<td>LIHTC Pricing</td>
<td>$1.10</td>
<td>$0.98</td>
<td>$0.93</td>
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<tr>
<td>Mortgage</td>
<td>$2,780,600</td>
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<td>Metro Land Donation</td>
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<td>LIHTC Equity</td>
<td>$27,497,250</td>
<td>$24,497,550</td>
<td>$23,247,675</td>
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<td>City Funds (HOME)</td>
<td>$4,594,621</td>
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<tr>
<td>FHLB AHP</td>
<td>$770,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$32,861,871</strong></td>
<td><strong>$29,862,171</strong></td>
<td><strong>$28,612,296</strong></td>
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<tr>
<td><strong>Gap</strong></td>
<td><strong>$ 0</strong></td>
<td><strong>($2,999,700)</strong></td>
<td><strong>($4,249,575)</strong></td>
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Federal Tax Reform and LIHTC Pricing: Abode Communities Pipeline

- **8** Projects throughout LA County
- **565** affordable rental units
- Will come **online before year 2020**

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<td>Gap</td>
<td>$0</td>
<td>($15,226,486)</td>
<td>($22,128,761)</td>
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Solutions

• Additional Subsidies
  • Permanent Source for Production – SB 2
  • Bonds – SB 3
  • State Tax Credits – AB 71

• Land Use Tools
  • Inclusionary Housing – AB 1505
Questions

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