



# Affordable Housing & Federal Tax Reform

**March 17, 2017**

For:  
California State Assembly  
Committee on Housing & Community Development

By:  
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# 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

	Before Tax Reform	After Tax Reform (Scenario A)	After Tax Reform (Scenario B)
Corporate Tax Rate	35%	25%	20%
LIHTC Pricing	\$1.10	\$0.98	\$0.93
Mortgage	\$2,780,600	\$2,780,600	\$2,780,600
Metro Land Donation	\$2,708,783	\$2,708,783	\$ 2,708,783
LIHTC Equity	\$27,497,250	\$24,497,550	\$23,247,675
City Funds (HOME)	\$4,594,621	\$4,594,621	\$4,594,621
FHLB AHP	\$770,000	\$770,000	\$770,000
Total	\$32,861,871	\$29,862,171	\$28,612,296
Gap	\$ 0	(\$2,999,700)	(\$4,249,575)

# Federal Tax Reform and LIHTC Pricing:

## Abode Communities Pipeline

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

	Before Tax Reform	After Tax Reform (Scenario A)	After Tax Reform (Scenario B)
Corporate Tax Rate	35%	25%	20%
LIHTC Pricing	\$1.10	\$0.98	\$0.93
Gap	\$ 0	(\$15,226,486)	(\$22,128,761)

# 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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