



*Housing*

# Welcome

**Anti-Displacement  
Technical Advisory Committee  
(TAC) Meeting #5**

**July 22, 2021**

# Agenda Overview

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- 🏠 Welcome
- 🏠 Introductions/roll call
- 🏠 Presentation on COPA components:
  - Financing
  - Affordability
- 🏠 Discussion and Activity
- 🏠 Wrap up/next steps



# Introductions

Name and  
Organization/Affiliation



## Ground Rules

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- Be curious
- Keep an open mind
- Speak from your perspective
- Challenges accompanied by solutions
- Make proposals
- Everyone has space to talk





*Housing*

# Financing and Affordability

Ensuring program success and prioritizing equity

Anti-Displacement  
Technical Advisory Committee  
Meeting #5  
July 22, 2021

**Asn Ndiaye**

*Partnership for the Bay's  
Future Fellow, Housing  
Department*

# Where We Are Now

## 🏠 Prior

- Overview, process, timeline, applicability, qualified nonprofits

## 🏠 Today

- **Financing, affordability**

## 🏠 Future meetings

- ownership, offers, tenant engagement and education/outreach



# Financing & Affordability Objectives

- Ensure program success through community/government/lender partnerships
- Stem displacement by ensuring equitable access to lower-income households and households most at-risk
- Create multiple pathways to affordability and home stability



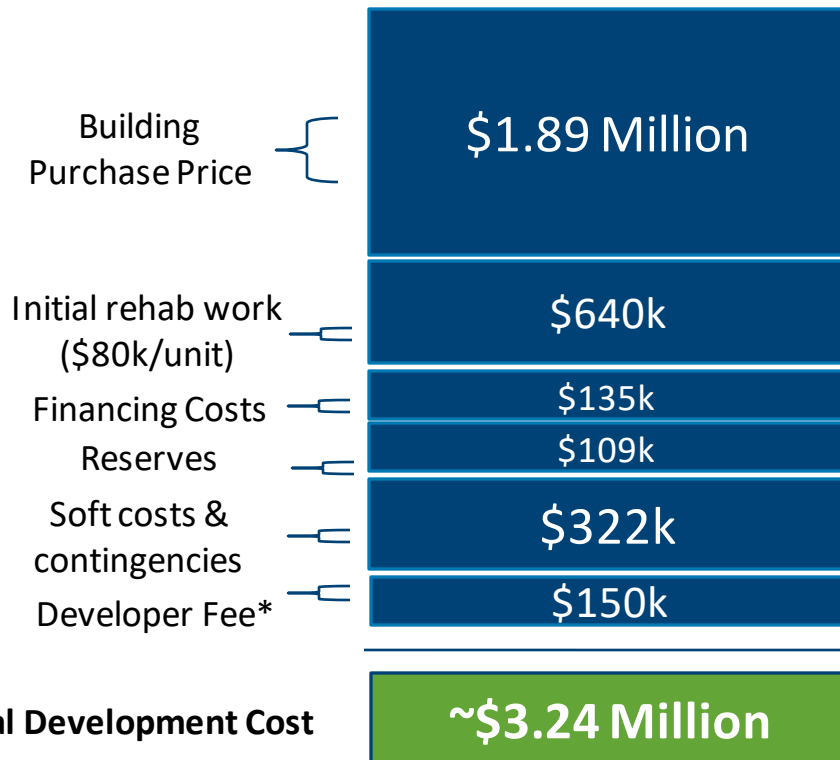
# Financing





# Understanding “The Gap”: An Example

## Sample 8-Unit Building Costs



## Sources



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# “Typical” Financing Pathways & Pinch Points

## Short-Term Acquisition Capital



moves at the speed of the market (e.g., CDFI loan product, private line of credit, etc.)

*varied availability; challenging to access without take-out financing*

Mid-term loans and conventional equity

*and/or*

## Local Public Perm Subsidy Program

“soft debt” residual receipts programs administered by cities or counties; take-out for temp capital

*limited availability + slower moving*

## Tax Credits

after 10-year hold; larger rental building or bundled syndication of scattered sites

*challenging regulatory environment*

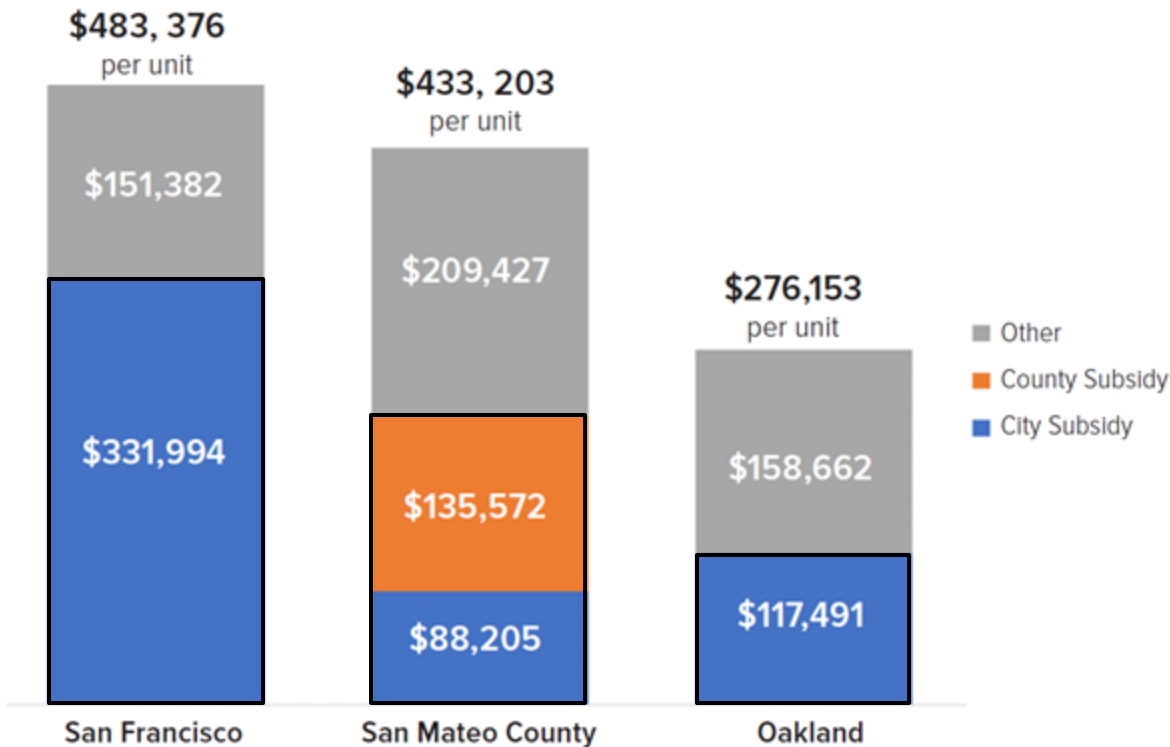
## Other Permanent Financing

keep in perm subsidy (a la San Francisco SSP program), refinance, below market sale to residents (affordable homeownership model)

*limited options*

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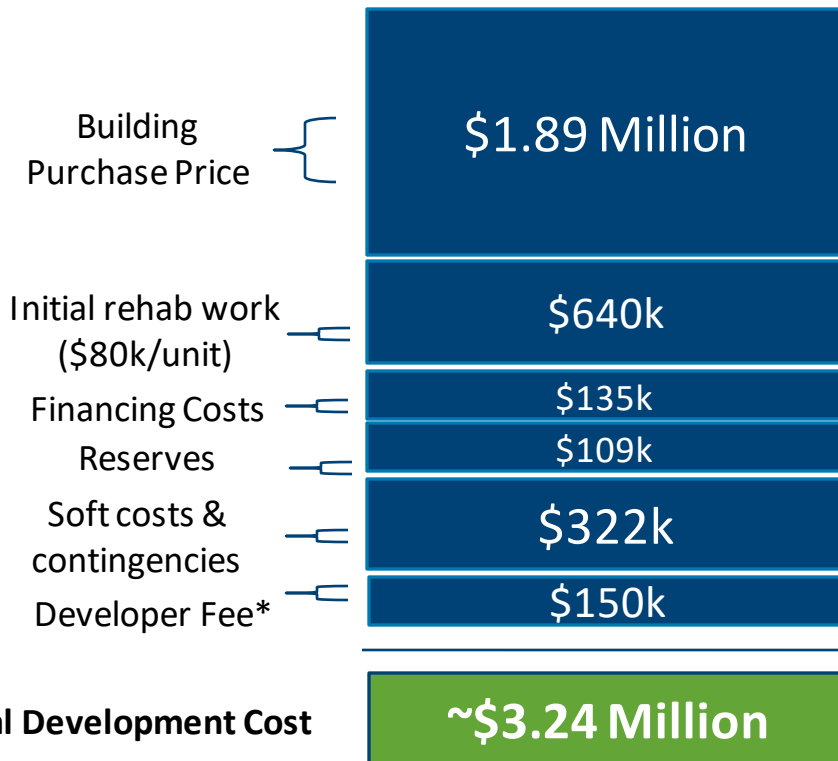
# Average Project Costs and Local Subsidy in Three Localities



- 50 - 70%\* of the per-unit cost of new construction in respective counties
- Highly reliant on local subsidy

# Understanding “The Gap”: An Example

## Sample 8-Unit Building Costs



## Sources



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# Preservation Funding in Other Cities

## 🏠 San Francisco

- SF Accelerator Fund
  - **Quick acquisition financing for preservation**
    - Initial Fund capital provided by City
    - Funders: banks, foundations, tech, health
    - **1,270 affordable homes, invested \$278M**
- Small Site Acquisition Program
  - Funded by voter-approved bonds, inclusionary fees, Housing Trust Fund
    - Targets buildings **5-25 units and restricts affordability to 80% AMI**



# Preservation Funding in Other Cities

## ▲ District of Columbia

- Local Housing Production Trust Fund - total annual \$116M, with a **minimum of \$10M set aside for TOPA projects**
- In FY 2018, \$22.5M spent on TOPA acquisition projects - **449 units in 9 projects**
- Significant **funding is available to support transactions** (for local partners, legal assistance, tenant association formation)



# Potential San José Preservation Funding

## 🏠 Measure E

- Transfer tax on property \$2M and up
- **Budgeting \$40M for FY 2021-22**

## 🏠 Commercial Linkage Fee

- Dependent on commercial development
- May get \$14M over next 3 years
- **Most of it directed to 25% affordable housing goal at Diridon**, as most of fees generated there

## 🏠 Former redevelopment funds

- City's largest source of funds, but dwindling



Up to 20% can be spent on housing 60-80% AMI

# Potential Other Preservation Funding

## ■ Regional and State

- Bay Area Preservation Pilot
  - \$49M fund managed by MTC, LIIF, and Enterprise Community Partners
- Partnership for the Bay's Future
  - Regionwide effort to invest up to \$500M for 3Ps
- State Preservation Funds (possible)





# Affordability



**FUEL CURV**  
TROWING THE NEEDLE

# Affordability in Other Cities

- San Francisco: 30-80% of area median income (AMI)
- District of Columbia: At least 50% of households meet the low-/moderate-income definition
- Proposed Berkeley: 80% AMI if QNP is buying; no affordability restrictions for tenant transactions



# Area Median Incomes & Wages

Occupation	Mean Annual Wage	% of AMI for 4 person HH	% of Monthly income needed to afford average market rent for a two bedroom unit
Dishwashers	\$30,160	20%	127%
Retail Salespersons	\$39,987	26%	96%
Security Guards	\$41,512	27%	93%
Daycare & Preschool Administrators	\$55,020	36%	70%
Preschool Teachers, Except Special Education	\$41,563	27%	92%
Hair Dressers	\$33,384	22%	115%
Medical Assistants	\$47,846	32%	80%
Receptionists and Information Clerks	\$39,239	26%	98%

Wage information from EDD (<https://edd.ca.gov>). Average market rent data from Apartments.com.



# Proposed Affordability Baseline

- 🏠 30 to 80% of Area Median Income
  - Not under 30% AMI
    - Residents need additional services
    - May include formerly homeless residents
    - Requirements for QNPs would be different
    - Buildings may need different configurations
  - 🏠 Not over 80% AMI
    - Focus on avoiding negative displacement effects for low-income residents per literature
    - Consistent with City Council direction
    - Consistent with Measure E usage plan



# Additional Affordability Considerations

- 🏠 Predictability for developers & funders
- 🏠 Differences between local incomes & County AMI
- 🏠 COPA rules vs. funding round rules
- 🏠 Avoid displacement of higher-income tenants
- 🏠 Use public money for target populations
- 🏠 Achieve affordability balance in COPA portfolio
- 🏠 Potential for rent escalation caps as part of COPA
- 🏠 Commitment to anti-displacement and racial equity in setting/adjusting rents
- 🏠 Program administration



# Set Additional COPA Affordability Lens?

## Con - Higher AMIs

- Easier to manage COPA with one set of criteria
- NOFAs can set criteria
- Less likely to displace residents 80-100% AMI
- Ordinance should not change over time
- More rent = more rehab
- Could support other deeply-affordable units
- Could cap rent increases

## Pro - Lower AMIs

- Displacement more concern for lowest-income residents
- Neighborhood incomes far lower than County AMIs
- Balance of portfolio
- Could set secondary program goal to track
- If it's not a goal, it doesn't get met



# Discussion: Should COPA Set an Additional Affordability Requirement?



# Area Median Incomes & Wages

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# Discussion: How should COPA address tenants who are over-income when the building is purchased?



# Moderate-Income Scenario

- **Unit** 2-bedroom
- **Household:** 2 people
- **Income:** \$121,000 (90% AMI)
- **Current rent:** \$2,800
- **Rent at 80% AMI:** \$2,720
- **Rent based on income:** \$3,030

Note: Example rent. Numbers rounded for simplicity. Rent includes utilities.



# Middle-Income Scenario

- **Unit** 1-bedroom
- **Household:** 1 person
- **Income:** \$135,000 ~ (125% AMI)
- **Current rent:** \$2,100
- **Rent at 80% AMI:** \$2,420
- **Rent based on income:** \$3,380

Note: Example rent. Numbers rounded for simplicity. Rent includes utilities.



# Questions/Comments



# Wrap Up & Next Steps

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- SAC Meeting #4: 8/19, 6-7:30 pm
- Feedback survey



# Thank you!

