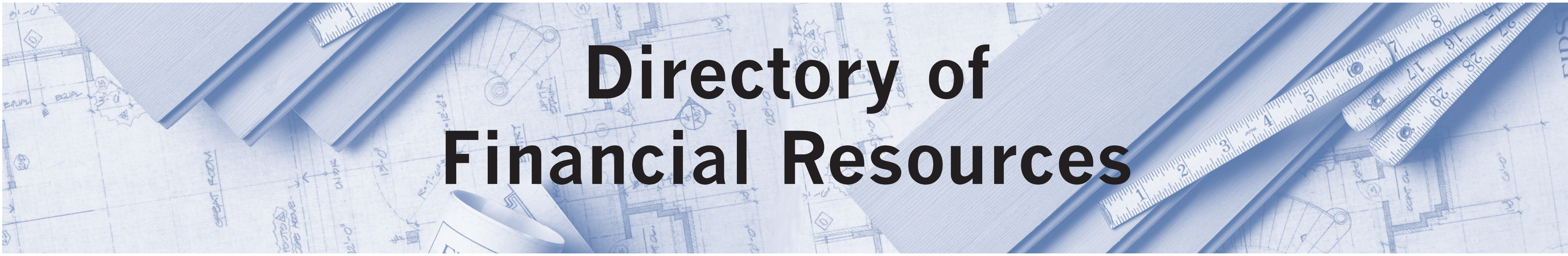

Directory of Financial Resources

Section Four

Directory of Financial Resources

Directory Overview

This section discusses resources that are potentially available to local jurisdictions to support affordable housing efforts, including local as well as state and federal funding sources. Guidelines and suggestions for accessing and using such resources are included.

LOCAL RESOURCES

Local financial resources are crucial to achieving affordability goals in today's housing market. It is virtually impossible to make a unit affordable to lower income households (or even moderate income households in many cases) without a significant subsidy, or combination of subsidies, of one form or another. Most often, a financial subsidy combined with regulatory relief (e.g., density bonus, lower parking requirements, streamlined processing, etc.) is what is needed to make an affordable development "pencil out."

The following pages provide an overview of some of the most important programs and strategies for providing local financial assistance to support affordable housing. As is true for all of the programs and strategies listed in this Directory, no single program will be sufficient to meet local needs and not every program will be appropriate in every jurisdiction. A combination of programs will be required, tailored to local needs.

The housing element should provide direction for the utilization of local financial resources in support of affordable housing. While it does not need to define exact dollar amounts, it should identify the local financial resources and strategies to be used, and provide an estimate of the number of households to be served by each program (or combination of programs) in its *Quantified Objectives*. It must also provide a realistic schedule for program implementation and identify the responsible individuals, departments, or agencies.

The following questions, though not exhaustive, provide a framework for discussing local financial assistance programs during the housing element process. These introductory questions are then followed by individual descriptions for the key financial programs and strategies available to support local housing initiatives.

Who Is to Be Served?

Most communities have a range of housing needs to provide for and scarce funds. Priorities must be set. The needs assessment from the housing element will help in identifying the most significant areas of need in the community. This, in combination with an assessment of other state and federal programs and community resources available to assist each area of need, can help to identify important target groups for local financial assistance programs.

How Many Units of What Kind of Housing?

How many units of what kind of housing can be built or conserved—and how many households can be helped—with the local resources at hand? Efficient use of local resources entails evaluating the actual costs of development and determining how far local subsidies can go in making this housing possible. For example, rehabilitation may be more cost-effective than new development; subsidizing moderate-income housing may produce more units, but may not assist those most in need. Construction and land costs, financing data, and other information collected in the constraints analysis for the housing element can help define the potential costs and output of various programs.

How Much Subsidy?

Related to the above question is a policy decision about the three dimensions of any subsidy granted:

1. Depth - the cost/affordability to be achieved
2. Breadth - the number of units to be assisted
3. Length of time for which the subsidy is provided.

While it is desirable to provide the lowest cost units for the most people for the longest amount of time, limited funds may require tradeoffs to be made between these three objectives. Different approaches in the use of local resources may also make it easier to achieve a certain objective.

How Should Assistance be Provided?

Subsidies—given as one-time grants or ongoing annuity payments—provide more support to a project or program, but future use of the funds is lost. Loans can be used to assist more than one project over time, though favorable financial terms are necessary to ensure long-term affordability.

Land can be either sold with affordability restrictions attached to its use or leased for a designated time period. If land or buildings are sold for a nominal price, a greater degree of affordability can be achieved, but the local government may lose some control unless legal conditions on the use of the property are set. Leasing the land retains local control but may deter some developers and restrict financing techniques.

Who Can Best Use Local Resources?

Many different groups have developed affordable housing. Non-profit developers have an excellent track record in using local resources to build or preserve low-income housing while gaining community support and trust. Private, for-profit builders frequently have construction expertise and access to significant financing resources but may be reluctant to develop affordable housing. Local governments, through their housing authorities, have also served as affordable housing developers.

In addition to subsidizing new development directly, local governments can direct their resources to non-profit housing providers. Local funds can be used to support groups serving those in need of housing. Non-profits can also use funds to execute specific housing programs or to support administrative costs.

Who Administers Local Resources?

If a local government has an experienced staff, then a community can use funds more flexibly. If not, the use of other appropriate agencies, such as county housing authorities, consultants, or non-profit organizations, may be an effective way to administer local resources. Whatever method is used, local governments should monitor the use of local resources to make sure that community objectives are being achieved.

Fees and Fee Waivers

Many California cities levy development and impact fees and exactions on new commercial and/or residential development to generate funding for infrastructure development and public improvements. Fees are also sometimes charged to generate funds for affordable housing development. For example, in some jurisdictions with inclusionary zoning, developers are given the option to pay fees in lieu of providing a required number of below market-rate units. Another approach is to charge an "affordable housing" fee on all commercial and industrial developments (usually based on square footage), given that these developments will generate local demand for additional affordable units.

Development impact fees vary greatly, but can account for as much as 20 percent of a new home's cost in some jurisdictions. To facilitate the provision of affordable housing, some jurisdictions provide "fee waivers" that reduce or eliminate local development fees (often with the exception of school impact fees), providing a form of local subsidy in return for long term affordability restrictions on the affected units. There is a State-mandated school fee waiver for senior housing developments, as there is no "nexus" between the development of senior housing and impacts on local schools.

Since State legislation (AB 1600) requires jurisdictions to show the relationship between fees and their impact on proposed development, the imposition of a fee should be done as part of a comprehensive housing program. A community should have a clear idea of affordable housing need, the amount of funding needed, how the funds from fees are to be used, and how they supplement other programs.

Benefits

- Allows a community to generate and direct funds for affordable housing from local programs and projects.
- Allows developers of market-rate units to contribute to the development of affordable units at another site.
- Provides an incentive for affordable housing by providing fee waivers and reducing overall construction costs on projects with long-term affordability agreements.

During the Housing Element Process…

- **Review Current Fee Programs**. Review all fees being levied to determine how much fee programs contribute and how the resources collected are being used. Also determine the conditions under which fees can be waived. This should be done as part of the overall housing strategy.
- **Involve the Development Community**. Involve housing developers to determine the amount, applicability, and impact of a fee waiver program that would specifically support affordable housing development. Early contact with developers also eases the acceptance of new fees.

Potential Programs and Actions

- **Develop Clear and Reasonable Guidelines and Waiver Programs**. Fees must be reasonable and there must be a demonstrated relationship between the impacts of new construction or job creation and the need for affordable housing. Waiver programs must also be carefully designed so that they are directed at producing housing units that are affordable or aimed at special needs groups.
- **Adopt a Fee Waiver Policy.** An adopted policy that clearly states procedures for waiving fees will encourage developers to seek concessions and promote the development of affordable housing.
- **Establish a Plan for the Expenditure of Funds.** A clear yet flexible plan for expenditure of funds will ensure the usefulness of fees and will make fees more defensible as part of an overall housing strategy.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

Not in My Back Yard: Removing Barriers to Affordable Housing. Advisory Commission on Regulatory Barriers to Affordable Housing. HUD, Washington, DC, 1991.

Housing Trusts

Housing trust funds are a flexible way for governments to generate much needed funds, address a variety of critical housing needs, and create new partnerships to build long-term support for affordable housing. In the last two decades more than a hundred housing trust funds have been set up in communities across the nation, from small towns of 1,000 people to some of the largest states. Trust funds fund a very wide range of housing types and services and are productive and efficient: less than two-tenths of one percent of units did not make it to construction.

Two of the earliest sources for housing trust funds were the real estate transfer tax and linkage fees paid by commercial and industrial developers to offset the impact of job creation on local housing supply. Some jurisdictions have also established endowment-like funds (from sale of city-owned land or through contributions) with the interest and earnings from the endowment being the primary source of revenue. Most jurisdictions work to establish a dedicated source of on-going revenue through legislation or ordinance, though it is common to receive additional funds such as appropriations or contributions, but not on a regular basis. Trust funds are generally administered by the planning or housing agency within the jurisdiction and administrative costs are either covered through general funds, absorbed as part of the agency's budget, or more rarely covered by the trust fund itself.

Housing trust funds are a local expression of the commitment to build and preserve housing and to find new ways of doing so. Most trust funds establish priorities depending on the community's needs and have competitive application procedures. Funds are often used to leverage additional funding: on average, each dollar spent by a trust fund has leveraged an additional seven. A majority of trust funds focus on helping create and preserve very-low and low-income housing.

However, trust funds are particularly susceptible to changes in political climate and orientation. Ensuring their relative security and longevity requires that activities be monitored to ensure that goals, priorities, and needs are addressed; and successes and impact of work be documented.

Benefits

- Provides a flexible, locally controlled source of funds dedicated to meeting housing needs.
- Addresses a wide variety of housing needs from new construction, rehabilitation, and acquisition of very-low and low income housing to provide rental assistance, home purchase assistance, project-based subsidies, and other housing related services.
- Allows a community to set funding priorities, target particular housing needs, and leverage additional funds.

During the Housing Element Process…

- **Review Housing Needs and Activities Underway in the Community**. This is a crucial first step that helps define the particular needs that a housing trust fund can possibly address.
- **Establish Major Stakeholders and Begin a Housing Trust Fund Campaign**. Local officials, housing activists, developers, and representatives from local businesses, industry, and other citizens groups are all potential members of a trust fund coalition. A trust fund campaign can vary depending on circumstances from a city-staff led coalition and process, a public-private partnership with staff and funding, and even in a few circumstances, a grass roots campaign driven by community organizations based in neighborhoods.
- **Establish a Task Force or Committee Structure**. Explore the various elements of a trust fund and outline steps for an effective campaign and a clear proposal that will identify potential revenue sources and establish funding criteria, as well as fund administration procedures.

Potential Programs and Action

- **Determine Fund Administration Structure and an Oversight Body**. The Fund can be established and administered as a program of a local jurisdiction's housing authority with an Oversight Board, as a new commission with specific authority and its own staff that is appointed by an elected body, or as a non-profit entity or community foundation with its own Board and staff.
- **Outline Key Responsibilities and Administration Funding.** The responsibilities of the administration include establishing priorities, procedures, and coordination of trust fund with other available housing funds. Trust administration can be funded through the fund or from other government sources.
- **Evaluate Revenue Sources and Establish a Dedicated Revenue Source**. There are currently about forty different revenue sources in use by local jurisdictions to establish trust funds. A dedicated revenue source is important and can draw on certain property transactions; development charges; municipal taxes; and government activities, such as proceeds from sale of land, bond programs, and contributions from local corporations, foundations, and other private sources.
- **Establish a Dollar Goal**. This is directly linked to creating a responsive trust fund that meets community needs and expectations.
- **Provide Clear Guidelines for Form of Awards**. While most trust funds tend to fill financing gaps necessary to make projects work, it is still important to review and determine the form of assistance. This could include grants, loans, lines of credit, or rental assistance.
- **Determine Program Application Procedures and Criteria**. A well-publicized and simple application process, designed around specific objectives is important. The application criteria targets households, people, and projects/developers that will help meet critical housing goals. The fund's programs will need to continually evolve to meet changing housing needs of a community.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

Brooks, Mary E. with Debbie Mingo, *A Status Report on Housing Trust Funds*, Center for Community Change, Frazier Park, CA, 1997.

Brooks, Mary E., *A Workbook for Creating a Housing Trust Fund*, Housing Trust Fund Project, Center for Community Change, Frazier Park, CA, 1999

Housing Trust Fund Project of the Center for Community Change

Mary Brooks, Housing Trust Fund Project

Success Stories

- **Pooling Funds from a Variety of Public Sources to Create Permanently Affordable Housing**. The City of **Berkeley** has operated a Housing Trust Fund (HTF) since 1990. The program pools funds for affordable housing construction from a variety of sources and makes them available through one application process to local developers. The funds provide a significant advantage to both the city and the developer by streamlining the application processes, making a variety of projects possible through comprehensive loan program guidelines, and involving the community in review and evaluation of loan requests. The HTF can also be considered an accounting device intended to simplify the financing of affordable housing development.

  HTF gets funds from HOME, Community Development Block Grants, Redevelopment Agency 20 percent set-aside funds, Housing Mitigation and Condominium Conversion Fees, and City of Berkeley General Funds. Between 1990 and 1998, Berkeley's HTF has provided $12.2 million for construction, rehabilitation, or acquisition of 467 affordable housing units and an additional 56 market-rate units. About 40 percent of the affordable housing units have rent restrictions calculated at 50 percent of median and below. The City enters into a Development Loan Agreement with the borrower and staff monitor activities including verification of tenant incomes and rents, financial performance reviews, and self-reported information from all properties concerning month-to-month occupancy, vacancy, evictions, move-ins, and move-outs.

- **Leveraging Public and Private Investment to Support Development of Affordable Housing**. The **Housing Trust of Santa Clara County** is a public-private partnership dedicated to building and sustaining a revolving loan fund and grant-making program that will complement and leverage other housing resources throughout Silicon Valley. The initial goal of the Housing Trust is to raise $20 million in a two-year period. These funds will leverage about $200 million to help support projects that will serve about 5,000 families in Santa Clara County. The Housing Trust will feature three tiers: a low interest down payment /closing costs loan program for first-time homebuyers; gap financing for affordable rental housing projects; and funds to assist homeless individuals and families in attaining stable housing.

  Fund staff estimates that the Trust will be able to serve 800 first-time homebuyers, provide gap financing for about 3,000 affordable rental homes, and assist 1,000 homeless people. The continued funding of the Housing Trust will be through loan repayments and leveraging the initial $20 million capitalization to obtain funding from corporations, foundations, and other dedicated sources of revenue. The Housing Trust is sponsored by a consortium that includes the Silicon Valley Manufacturers Group, Community Foundation Silicon Valley, the American Electronics Association, Santa Clara County Board of Supervisors, and the Santa Clara County Collaborative on Housing and Homelessness. Together they raised $14 million in just 11 months.

Land Donations/Landbanking

The development of affordable housing depends to a large degree on the availability of a site. One way in which local governments may acquire land to support affordable housing development is through land donations. A land donation may be offered as an option to developers in meeting inclusionary zoning requirements. Rather than building units on-site themselves or paying an in-lieu fee, they may opt to donate a portion of their site or a site in a different location (so long as it is a desirable site for housing) to the local government at a significantly discounted price. The local government can then make the land available for development of affordable housing, enabling a non-profit developer to achieve much more significant levels of affordability than might otherwise be possible. This has proven to be a very effective strategy in some jurisdictions, and may be considered the preferred strategy for implementation of inclusionary requirements.

Landbanking is a related technique, where a city or county in anticipation of future development, acquires vacant land, underutilized sites, or properties with the potential for reuse or rehabilitation. The local jurisdiction may use landbanking or land trust programs to assemble smaller, unfeasible parcels into a parcel that is large enough to support affordable housing, or sell unsuitable sites and use the proceeds to fund affordable housing development elsewhere. When land is resold or leased to a developer, restrictions for the development of affordable housing can then be applied.

Benefits

- Offers an opportunity for a community to support the development of very affordable housing.
- Addresses the most critical components in affordable housing development, the availability and cost of land.
- Gives a community greater control over the type and amount of housing built, using its land ownership to solicit competitive proposals from housing developers.
- Potentially subsidizes other affordable housing developments through resale of unsuitable properties.
- Works as a defense against future increases in land prices, speculation, uncontrolled development, and the displacement of residents.
- Provides tax benefits to owners who donate land and buildings, allowing communities to provide a benefit in return for landowner largess and goodwill.

During the Housing Element Process…

- **Conduct a Land Inventory.** When conducting the land inventory for the housing element, identify surplus, vacant and under-used properties that have residential development potential. In conducting the survey, look critically at publicly owned sites that may not be surplus now, but might be well suited for housing in the future. Small parcels that can be assembled and projects in foreclosure or other financial trouble should also be identified.
- **Contact Other Agencies and Organizations.** Communicate with public agencies, lending institutions, school districts, service organizations, religious institutions, and other landowners to identify potential sites for acquisition. If necessary, the local government can negotiate the purchase of a site and hold it until a housing development is designed.
- **Seek Input from Housing Developers.** Seek input from non-profit developers or other housing professionals to help identify and evaluate potential building sites and eventually build affordable housing.
- **Involve Community Residents**. Involve residents in determining the type and location of housing desired. Make a clear statement of community objectives to assist potential developers in identifying opportunities and constraints for particular sites.

Potential Programs and Actions

- **Adopt Appropriate Policies.** Include policies in the General Plan to support the use of surplus land for affordable housing. If appropriate, redesignate surplus institutional land for residential use in the land use diagram and zoning map.
- **Develop a Land Purchase Fund**. Establish a funding mechanism or strategy to support the purchase of lands for affordable housing development.

Success Stories

- **Land Trading and Other Incentives Encourage Multi-Family Housing and a New City Park**. When a private developer approached **Walnut Creek** with a proposal for market-rate senior housing in the City's highest density residential area (50-100 du/acre), the City asked that the developer consider instead the development of non-age-restricted housing with an affordable component, in accordance with the City's identified priority for general affordable housing. To help make the deal happen, the City offered to consolidate a city-owned undeveloped park site adjacent to the housing site, and to work with the developer to implement a comprehensive development program that included market-rate as well as below-market rate units (with no age restrictions) and a new city park.

  The resulting Regent /Ivy Hill/Alma Avenue Park Development will have a new 2.2 acre park, 48 condominiums (at a density of 40 du/acre), and 116 multi-family apartments, with 40 percent of the apartments affordable to low- and moderate-income households (at a density of 89 du/acre). Other incentives that made the project possible included the City's purchase of two other land parcels to be included in the site and provision of a $1.6 million permanent loan. In addition, a bonding authority will issue tax-exempt multi-family housing bonds and community facilities district bonds for the apartments and the park. Together, these strategies have allowed the community to respond to its affordable housing goals, while helping to meet its open space and park goals.
- **Land Donation to Enable Senior Apartment Community.** The Anderson-Rowe Ranch Senior Housing development in **Novato** is the result of several years of effort by a number of public and nonprofit organizations. The site, donated by the Pell Organization, is surrounded on three sides by open space and is conveniently located within a half-mile of a shopping center. Developed and managed by **Ecumenical Association for Housing**, the development consists of 37 one-bedroom units and 12 efficiency apartments with full kitchens, a manager's apartment, and a security system. On-site amenities include a spacious first floor lounge, large outdoor seating areas, laundry facilities and a community kitchen adjacent to a multi-purpose room. HUD 202 loans provided 80 percent of the financing for the development. Marin County provided redevelopment funds, as well as some Community Development Block Grants and HOME funds for the project. Additional funds were raised locally through the Rotary Club and Marin Community Foundation. In addition, volunteers gave many hours of time for public hearings and other meetings.

Local Taxes and Revenues

A community that is committed to addressing local housing issues can create local resources for housing by imposing or raising special taxes. Alternatively, it can redirect the revenues of existing taxes or allocate a portion of the general fund to housing assistance. New taxes and the expenditure of local revenues involve a host of fiscal, legal, and political issues that must be addressed. Because of Proposition 13 restrictions on special taxes, the enactment of a new tax requires a two-thirds vote of the public if the proceeds are to be dedicated to a particular purpose, such as affordable housing.

Benefits

- Gives a community a powerful tool for the development of affordable housing. Local subsidies can be combined with land use concessions and state and federal funds to provide very affordable housing.
- Allows a community to pursue objectives or programs most suited to its needs since funds are locally generated and not subject to outside restrictions on their use.

During the Housing Element Process…

- **Review Tax Options**. Review and evaluate all possible options, taking into consideration the amount of funds that could be generated, the ease of collection, potential difficulties in meeting legal requirements, political support and opposition, and possible negative impacts.
- **Be Specific.** Have a clear idea of the amount of local resources to be raised and how they are to be used. Identify and target the programs or projects that will use the funds.

Tax Options

- **Property Taxes** to repay general obligation bonds over a 20 to 30 year period can be used to finance new housing. A two-thirds vote is required to raise property taxes for general obligation bonds.
- **Transfer Taxes** on the sale of property cannot be levied for special purposes under Proposition 13, but in certain cases can be used to add to the general fund. As well, new or existing transfer tax proceeds can sometimes be redirected to housing-related uses.
- **Special Taxes** such as parcel taxes, hotel taxes, or a variety of business taxes are excellent sources of funds, but if used specifically for housing, a two-thirds vote is necessary.
- **Gann Limit Surpluses** can be a resource for affordable housing and require only a majority vote of the electorate. Under Proposition Four, if revenues of a community exceed certain limits, the proceeds must be returned to taxpayers, or the electorate can choose to direct the surplus to other specific, one-time purposes.
- **Dedication of Revenues**, such as the interest from municipal accounts, residuals from bond repayments, or the proceeds from the sale of public property can be used for housing. Some communities have used such dedicated revenues to support a housing trust fund, a flexible account that can be a source of grants or loans for the development of affordable housing.
- **General Fund Allocations** can be made to support affordable housing activities. This can occur on a one-time project or program-specific basis or as part of annual budgeting.

Potential Programs and Actions

- **Establish Clear Guidelines**. Establish clear guidelines and link generated funds to a specific purpose, such as funding an affordable housing trust.
- **Generate Community Support**. Broad community support is crucial to imposing any new taxes. Educate the community about community housing needs and the potential benefits of a special tax assessment. Also, build political support and seek endorsements from influential individuals and groups.
- **Establish a Coordinated Housing Strategy**. To be effective, newly generated local revenues need to be coordinated with land use programs and other funding sources.

Success Stories

- **Voter Approved Bonds Fund Affordable Housing and Home Ownership Bond Program**. In November 1996, the voters of San Francisco approved $100 million in general obligation bonds ("Proposition A") to fund the Affordable Housing and Home Ownership Bond Program. The Board of Supervisors adopted legislation to implement the program in 1997, providing that 85 percent of the bond proceeds be dedicated to the development of rental housing, and 15 percent for downpayment assistance to first-time homebuyers. The Mayor appointed a Housing Committee, consisting of members of the Redevelopment Commission, to oversee the program and advise him on selection of projects. In the first two years of operation, $40 million in bonds have been issued. About $34.6 million have been utilized by twenty developments to produce 1,910 units of family, senior, and supportive housing, while the Downpayment Assistance Loan Account has provided funding for loans to 108 first-time homebuyers. The **Mayor's Office of Housing** administers the Program for the City and County of San Francisco.

Mortgage Credit Certificates

This federally created but locally run program assists first-time homebuyers in qualifying for mortgages. The IRS allows eligible homebuyers with a Mortgage Credit Certificate (MCC) to take 20 percent of their annual mortgage interest as a dollar-for-dollar tax credit against their federal personal income tax. This enables first-time buyers to qualify for a larger mortgage than otherwise possible, and can thus bring homeownership within their reach.

Certificates are issued by a local agency, frequently a housing authority, to qualified low- or moderate-income first-time homebuyers. Certain price limits and resale requirements apply. Authority for the issuance of MCCs must be obtained from the California Debt Limit Allocation Committee (CDLAC) and use of MCCs involves forfeiting some mortgage revenue bond funding authority.

Benefits

- Increases ownership opportunities for first-time buyers. Since they are assigned to a potential purchaser, rather than a specific development, the consumer has a wider variety of housing options.
- Has a fairly low administrative burden for the local government agency compared to many other housing programs, because real estate agents and private lenders are involved.

During the Housing Element Process…

- **Evaluate the Feasibility of MCCs**. Determine whether MCCs are feasible based on local home prices and federally determined price limits.
- **Involve Real Estate Agents and Lenders**. Since real estate agents and lenders will implement the program, their early and continued involvement will greatly enhance the usability of MCCs.
- **Evaluate Use of MCCs Versus Mortgage Revenue Bonds (MRBs)**. Applying for an allocation for MCCs from CDLAC reduces the ability of a local government to use MRBs for new construction. A jurisdiction needs to have clear priorities for the use of its bonding authority.
- **Consider Inter-Jurisdictional Collaboration.** Because MCCs must be used within the jurisdiction of issue, countywide or multi-jurisdictional programs will be most effective. They also help reduce administrative cost burdens.

Potential Programs and Actions

- **Establish Criteria for Applicants**. Each jurisdiction can establish its own criteria for applications to the MCC program, targeting groups that are in particular need of affordable housing.
- **Establish Outreach and Counseling Programs**. Publicity to increase the visibility of MCCs to prospective buyers is crucial to the program's success. Equally important is counseling of applicants. Outreach and counseling services are sometimes contracted out.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

California Housing Finance Authority (CHFA)

California Debt Limit Allocation Committee (CDLAC), State Treasurer's Office

Success Stories

- **Mortgage Credit Certificate Program Provides Federal Income Tax Savings for First-Time Homebuyers**. Sonoma County sponsors a MCC program together with all the incorporated cities in the County. The **Community Development Commission of Sonoma County** administers the program through a contract with a private consulting firm. MCCs are only available to first-time homebuyers anywhere in Sonoma County who have not owned a principal residence in the past three years, and intend to occupy the residence for their own use within 60 days of the close of escrow. The program sets purchase prices for new and existing units and establishes median income limits adjusted to household size for both 10 and 15 percent tax credits.

  The type of credit depends on the applicant's annual household income and the annual interest paid on the MCC holder's mortgage. The tax credit is taken for as long as the holders maintain their original mortgage (which must be a fixed rate mortgage) and live in the home as their principal residence. The prospective homebuyer's lender (either a mortgage broker or banker) completes the MCC applications and submits the application to the MCC Program Office, which then processes it and issues the MCC tax credit to the borrower through the lender. A portion of the tax credit value is recaptured if the home is sold within the first nine years after purchase, thereby discouraging use of the program for short-term appreciation.

Municipal Bonds

Cities and counties have traditionally funded infrastructure projects through long-term borrowing in the form of municipal bond financing. A number of municipalities are also using bond financing to support local affordable housing programs.

The most common forms of bond financing for affordable housing are Mortgage Revenue Bonds (MRBs) and Tax-Exempt Revenue Bonds. MRBs are generally used to assist first-time homebuyers in the purchase of either new or existing housing, while tax-exempt revenue bonds are used to assist developers of multi-family rental housing units to acquire land, construct a new development, or rehabilitate existing units.

The advantage of "tax-exempt revenue bonds" (which fund revenue-generating improvements and are underwritten on the basis of earmarked revenues), as opposed to general obligation bonds (which are backed by the municipality's tax base), is that they do not require voter approval. General obligation bonds must be approved by two-thirds of the voters. However, general obligation bonds can be used for any type of infrastructure improvements that serve a public purpose (such as affordable housing), while revenue bonds can only be used to finance improvements that will generate revenues in return (e.g., providing low-interest loans that are then paid back). San Francisco is one of the few Bay Area cities that has successfully passed a voter-approved municipal bond to support affordable housing development, providing significant resources for the city's affordable housing programs.

Federal and state restrictions require that tax-exempt bonds used to increase affordable housing opportunities establish affordability guidelines, including price and income guidelines for first-time homebuyers and income guidelines for rental tenants. For rental housing, a minimum of 20 percent of the total units are required to be affordable to very low-income households (less than 50 percent of median income). Projects with deeper affordability (often 100 percent) have a much better chance of getting bond allocations.

Local jurisdictions can offer bond financing when a specific project has been proposed or in response to requests for financing from a developer. The sponsoring government entity, usually in cooperation with the developer, puts together a specific proposal for city council or board approval. An application is also submitted to the California Debt Limit Allocation Committee (CDLAC) at the State Treasurer's Office, which is responsible for allocating private activity bonds. Bond allocation is highly competitive and a complicated formula is used to assign points for each proposal. The California Housing Finance Agency also uses proceeds from the sales of bonds to operate single-family and multi-family below-market interest rate loan programs described in more detail in the section on state financing.

Benefits

- Assists first-time homebuyers to obtain mortgages at below-market interest rates and helps finance the construction and rehabilitation of multi-family rental housing development.
- Allows local government to raise substantial amounts of funding for affordable housing without affecting their tax rates or operating agencies.
- Allows local government to become directly involved in the development process. By combining bond financing with land donations, fee waivers, and other financial subsidies, a community can target very-low and low-income renters.

During the Housing Element Process…

- **Consider Bond Approval Criteria when Designating Sites.** Take into consideration the State's current bond approval criteria when designating sites for affordable housing development. This will improve the likelihood of winning approval from CDLAC.

Potential Programs and Actions

- **Collaborate with Housing Developers**. This is important for both ownership and rental housing. The local government can help developers put together a competitive proposal by assisting in site identification, acquisition, and finding other subsidy sources like HOME funds, CDBG monies, fee waivers, and other local funds.
- **Seek Assistance from Experienced Professionals.** Issuing bonds is complex and for small projects the administrative costs can be quite high. The involvement of consultants and bond counsels is often necessary. Joint bonds with another jurisdiction can help spread the cost of issuance. In some cases the local government will oversee the developers' use of bond financing.
- **Try to Achieve Deeper Affordability Targets**. The lower interest rates on tax-exempt bonds provide only a shallow subsidy. For the benefit to be maximized, other subsidies and strategies need to be applied.
- **Establish Counseling Programs**. Establishing a counseling program for prospective applicants who are first homebuyers is important for the program's success. The counselors must be knowledgeable with the MRB program, the home buying process, and mortgage financing.
- **Ensure Timely Use of Bond Financing**. It is important to use bond allocations within the specified time frame. Failure to do so results in points being deducted from future applications, and repeated failures can result in disqualification.
- **Establish an Effective Monitoring and Compliance System**. A clear and legal agreement about the amount, degree, and length of time for affordability restrictions on below-market-rate units must be set, monitored and enforced.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

Loessberg, Rick. 1991. "MRBs: Effective Funding for Affordable Housing" in *Journal of Housing*, July/August 1991. Pages 181-190.

ABAG Financial Services

California Housing Finance Authority (CHFA)

California Debt Limit Allocation Committee (CDLAC), State Treasurer's Office

Success Stories

- **Business Park Development provides Workforce Housing.** Cochrane Village, developed by **Ecumenical Association for Housing** (EAH), arose from the consideration of **Morgan Hill** as a potential site for a new manufacturing facility that would be generate a number of entry level jobs in a housing market with a shortage of affordable units for the projected work force. The City of Morgan Hill and EAH worked together to incorporate the housing into the master plan of a new 315-acre business park, thereby locating the housing adjacent to the new jobs and helping to reduce commute distances for new workers.

  The 96-unit project contains 50 percent low and 50 percent very low income rental housing and a childcare center with its own outdoor play area that is open to the community at large. A major source of funding was the $1.04 million privately placed, non-rated, multi-family housing revenue bond issued by ABAG's Finance Authority for Nonprofit Corporations. Other sources of funds included a CDBG loan through Santa Clara County, a 3 percent loan from the Morgan Hill Redevelopment Agency, and some funds from the Santa Clara County Housing Bond Trust Fund. A strong indicator of the development's success is that over 70 percent of the units have an employed resident who works in the adjacent business park or within the city limits of Morgan Hill.

Cochrane Village, Morgan Hill — ABAG

Private Financing

Major financial institutions can assist in the development of low and moderate-income housing by making construction and/or permanent loans at favorable rates. Local governments can help local non-profits access these resources by leveraging public subsidies with private financing.

The Community Reinvestment Act (CRA) directs the Department of the Treasury, the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board to encourage and assist the institutions they regulate to meet the credit needs of their communities. These agencies must assess the records of their member institutions when evaluating applications for a charter, deposit insurance, branch relocation, mergers, or other regulated transactions. As a result of the CRA, many major financial institutions have elected to actively participate in funding low- and moderate-income housing projects developed by non-profit corporations.

Benefits

- Provides private financing at favorable rates that, in addition to public subsidies, fills the funding gap for many successful affordable housing developments.
- Supplements other forms of subsidy.
- Develops constructive relationships with local financial institutions to involve them in responding to affordable housing needs in the community.

During the Housing Element Process…

- **Identify Financial Needs for Housing.** The housing element analysis of financial constraints will help to pinpoint particular financial needs within the community.
- **Identify Private Lenders and Establish Communication**. Identify and then encourage local financial institutions to become involved in local housing efforts. Early, on-going, and positive cooperation with local financial institutions can help make them local partners in affordable housing development.

Potential Programs and Actions

- **Leverage Funds**. Local governments can help leverage private financing by providing local resources and other subsidies to an affordable housing developer who can then access community directed financing and other subsidies. In such situations, local funding is usually subordinated to private financing.
- **Establish a Community-Lending Program**. Technical advice and expertise from community loan officers, regulatory agencies, non-profits, and community groups can help fashion a good community lending program for affordable housing.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

HCD Clearinghouse

Success Stories

- **New Neighborhood Features Mixed Income, Self Help, and Disabled Housing.** The 370-unit Los Arroyos community built on 64 acres of land in the City of **Gilroy** represents a partnership between a for-profit and a non-profit developer that produced an integrated neighborhood of 66 self help homes, 88 median income homes, 149 market-rate homes, 58 apartments for low-income families and seniors, and 21 apartments for developmentally disabled adults. Under Gilroy's Residential Development Ordinance, market-rate housing permits are limited and allocated through an annual competition. With City Council, staff, and community support, local non-profit **South County Housing** competed for and received an allocation of 150 market-rate units on top of their proposed 220 affordable units in order to create a mixed income new neighborhood. South County then partnered with the Glen Loma Group and Orchard Valley Properties to develop 123 of the market-rate homes, while 26 units of market-rate housing were produced by South County Housing.

  Proceeds from market-rate lot sales and 88 moderate-income units helped finance the other units, as well as a 3.3-acre park and a community/childcare center. State and HUD financing, foundation grants, Low Income Housing Tax Credits, and the Federal Home Loan Bank's Affordable Housing Program provided the additional funds necessary to create the low-income rental apartments and disability units, while the California Self Help Housing Program assisted with the owner-built component. Long term affordability of the below-market units is guaranteed through the use of deed restrictions and silent second mortgages. Sharing the same architecture and landscaping teams and located along the same curving street system, it is impossible to distinguish between the market-rate and subsidized units. The multi-family and disabled housing apartments are also designed to be compatible in street scale and materials with the adjacent homes.

Los Arroyos, Gilroy Tom Jones

Redevelopment Financing

Redevelopment projects can be established by a city or county in areas that need revitalization and redevelopment in order to eliminate blight and the conditions that caused it. The increased property tax revenue resulting from new private investment in the area goes to the local redevelopment authority. These **tax increment funds** must be used for public improvements in the district and for affordable housing development anywhere in the locality.

California Community Redevelopment Law requires that at least 20 percent of all property tax increments in a redevelopment area be set aside in a special fund to subsidize the construction and rehabilitation of housing. It also authorizes the acquisition and assembly of land for redevelopment purposes, which can include the construction of new housing, the provision of low-or no-cost land subsidies for affordable housing, or other forms of assistance in the preservation and upgrading of the redevelopment project area.

In addition to providing funds for a wide range of local housing programs, redevelopment law also enables the local Redevelopment Agency (RDA) to issue tax allocation bonds and loans to generate revenues for implementing redevelopment plans. This includes land acquisition and financing for the construction of new housing or rehabilitation of existing units. RDAs also negotiate purchases and have powers of eminent domain that allow them to acquire sites for housing, both within and outside of a project area.

In the past, redevelopment led to the demolition of affordable housing stock and the displacement of existing residents. Now, state laws require public participation, the replacement of all low- and moderate-income housing units removed by redevelopment, and the relocation of tenants and homeowners. At least six percent of new or rehabilitated housing in a redevelopment project must be affordable to low-income households and another nine percent must be affordable to moderate-income households for a total inclusionary housing requirement of 15 percent.

Benefits

- Produces a potentially significant amount of locally controlled funds for the development of affordable housing.
- Creates significant new housing opportunities in areas where housing was not feasible because of site limitations, ownership, or market conditions.
- Assists in the provision of housing through site acquisition and assembly, financing, property purchase, and rehabilitation.

During the Housing Element Process…

- **Collaborate with the RDA**. A close working relationship between the RDA and the housing office of the local government is important for planning an overall housing strategy as well as for correctly assessing the amount and quality of the existing affordable housing stock.
- **Evaluate the Redevelopment Project Area**. Take into consideration existing and proposed redevelopment plans as well as conditions in the project area. In particular, consider the amount and use of 20 percent set-aside funds for the production and improvement of housing. Work with the RDA to identify strategies for strengthening housing-related redevelopment activity. Land use and financing programs can be designed to supplement and aid housing development in RDA project areas.
- **Encourage Public Involvement**. Actively encourage public involvement through public action committees and maintain good public relations to avoid public challenges, distrust, and citizen-sponsored referenda.

Potential Programs and Actions

- **Develop a Clear, Flexible Plan for Set-Aside Funds**. The amount of tax increment funds generated and their use will determine the usefulness of redevelopment as a housing program. Some agencies have directed more than the 20 percent requirement to affordable housing. Others have targeted that money to specific housing objectives. Some communities set up a task force to determine spending priorities and criteria for set-aside funds.
- **Encourage the RDA to Focus on Very-Low Income Housing**. Amend the redevelopment plan to target a significant portion of the affordable housing set-aside funds for development of very-low income housing. The needs of these households are the most difficult to meet, and having funds dedicated to them will help ensure adequate resources to address them.
- **Amend Pre-1977 Redevelopment Plans**. Communities with redevelopment areas established before 1977 should consider amending their redevelopment plans to apply the 15 percent inclusionary housing requirement to these areas.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

California Redevelopment Association (CRA)

Success Stories

- **Redevelopment Funds along with Tax Increment Financing Provide Housing Choices in A Middle Income Neighborhood.** The City of San Jose adopted a policy in 1989 to site the majority of their new low and moderate income housing outside the center city area to provide housing diversity and avoid an over-concentration of low-income housing. The Almaden Lakes mixed income, transit-oriented developments are a demonstration of this policy using a combination of redevelopment agency funds and other sources to achieve this goal. The active participation of neighborhood residents led to a design that respected the adjacent neighborhood: lower density small lot detached homes were located nearest to the neighbors with a gradual transition in scale up to four story apartments further away, backing up to a foothill open space.

  Divided into three separate projects but integrated into an overall master plan, the first two projects included 250 units of very low income rental units by **BRIDGE**, and 84 mixed income homes by the Martin/Devcon/J. Lohr Group. Completing the trio of projects is a 250-unit apartment by New Cities Development Group with 20 percent of the units for very low-income renters. The light rail station, the park at Almaden Lake, and the Open Space Preserve of the Almaden Hills are all within walking distance.

  The apartments were financed using redevelopment agency "set-aside" funds plus low income housing tax credits, while the homes benefited by a combination of redevelopment financing and other city funds to support 35 moderate income second mortgages. No city funds were required for the predominantly market-rate apartment project, with a tax-exempt bond being used to provide the 20 percent very low income units in the complex with a 30 year affordability restriction. Of the 584 total units in the development, 335 fill a need for moderate, low, or very low-income residents, and the remaining 249 are market-rate units. The social mix of units is further strengthened in the sharing of a common swimming pool, tot lot, and community center between the apartments and adjacent homes.

  Completed in two stages between l995 and l999, the total development costs for all three amounted to about $71,500,000 with the Redevelopment Agency and city share coming to just under $10,000,000. About 85 percent of all housing funded by the **Department of Housing** at the City of **San Jose** since l989 has been sited outside the downtown core. Redevelopment Agency financing is the largest single source used, far eclipsing the over $15,000,000 per year in HUD entitlement funds received by the City.

Tax Credits for Low-Income Housing

Although the Low Income Housing Tax Credit Program (LIHTC) is a federal and state program, local government can play an important role in helping developers to meet eligibility criteria. It is therefore listed here as a "local resource."

The LIHTC program is a large federal and state housing subsidy program that provides substantial financing for the development of affordable housing. It provides tax credits to the private sector for the construction or acquisition and rehabilitation of very affordable rental housing. These tax credits are crucial to the success of affordable housing developers, who sell credits directly to corporations and private investors or receive the equity from one of a number of investment entities now making tax credits available.

To be eligible for a tax credit, 20 percent of the units in a housing development must rent to very-low income households earning less than 50 percent of area median incomes, or 40 percent of the units must rent for incomes under 60 percent of the median. California law also requires that developments retain these levels of affordability for at least 55 years.

Both federal and state tax credit programs are administered by the State Treasurer's Office through the California Tax Credit Allocation Committee (CTCAC), which allocates the available credits to projects statewide. TCAC administers two LIHTC programs: the 9-percent (for projects with no federal subsidy) and the 4-percent credit programs (for projects with federal subsidies and more than 50 percent of financing through tax-exempt bonds). The 9-percent credit program, which has limited funds and is highly competitive, awards credits on a combination of formula and competition so that those meeting the highest housing priorities have first access to credits. The 4-percent program has no funding limit but is available only with projects that have an allocation of Mortgage Revenue Bonds. It also has limited funds, but is less competitive than the 4-percent program. Funds raised from the sale of 4-percent credits typically cover 20-30 percent of project costs. Generally the maximum credit allocation is the amount needed to fill the financing shortfall, and the amount needed is determined at least thrice: at the time of application, at the time of allocation, and when placed in service.

To be successful, tax credit projects require an additional subsidy which can include no or low-cost land, local government contributions, or density bonuses and other concessions. While the utilization of the tax credits depends primarily on the project's developer, local government must work with the developer to identify other strategies and subsidy sources that are appropriate with tax credits and provide the additional subsidies usually required to make them work. Collaboration between the developer and the local government often with the help of a professional specializing in tax credits and other financial tools is the key to a successful tax credits program.

Benefits

- Provides one of the few remaining significant funding sources for development of affordable rental housing.
- Supports new construction, acquisition, rehabilitation, and preservation of existing housing units as rental housing developments.
- Attracts a range of investors from the private sector.

During the Housing Element Process…

- **Evaluate Local Sites for Compliance with CTCAC Criteria.** One of the most important roles of local government is to ensure that adequate sites are available (at adequate densities) to support the development of affordable housing. Make sure that sites available for affordable housing development in the local area will score well, based on current CTCAC criteria.

Potential Programs and Actions

- **Provide Additional Subsidies.** Provide additional forms of local subsidy (e.g., land acquisition assistance or land donations; density bonuses; reduced parking requirements; fee waivers, etc.) to help local developments meet the CTCAC criteria and win tax credit allocations.

- **Collaborate with Housing Developers**. Develop close working relationships with affordable housing developers in the local area and assist them in putting together a competitive application that meets or even exceeds the strict readiness criteria imposed by CTCAC. This includes committing local subsidies and confirming compliance with land use and zoning ordinances.
- **Publicize and Manage the Affordable Units.** Although the housing developer is generally responsible for making potential residents aware of the availability of affordable units, providing financial advice and counseling for residents, and managing the units over time, local government can play a supportive role in providing or monitoring such services.

Contacts and Resources

See Appendix D for phone numbers and addresses, where relevant.

Community Economics

California Tax Credit Allocation Committee

Success Stories

- **Apartment Complex that Helped Transform a Neighborhood**. The Tenderloin Family Housing Development in **San Francisco** has succeeded in housing a number of very low-income seniors, physically disabled individuals, single parents and families with children, while helping revitalize a troubled neighborhood. The mixed-use development contains ground floor storefront retail, underground parking, a 5,400 square feet childcare center, and 175 apartments (12 studios, 81 one bedroom, 45 two-bedroom, and 37 three bedroom units). The apartment tower surrounds a large landscaped interior courtyard. The larger family units are located on the three lower floors in clusters of nine units, each with a separate entrance off the courtyard, which gives them the scale and feeling of a low-rise walk-up. It took the developers, **Chinatown Community Development Center** in partnership with A.F. Evans Company, about six years to plan, fund, and construct the complex. Three corporate Low Income Housing Tax Credit investors provided permanent financing for the project, and also agreed to turn construction cost savings into a permanent $250,000 endowment for the child care center. Additional funding was received from the City's Affordable Housing Program, Redevelopment Agency, the State's rental housing construction program and private lenders.
- **Affordable Housing for Families with Children**. Stoney Creek Apartments in **Livermore** is a development of 70 large two- and three-bedroom units designed for low- and moderate-income families with children. The development has ten buildings that surround five separate landscaped courtyards. A meandering walkway connects the apartments and townhouses to a community building that houses a meeting room, management office, storage space, and kitchen facilities for community events. A local artist has created tile and concrete sculptures for the five tot lots. The non-profit developer, **Eden Housing**, financed the project with funds from the City's LIHTC, as well as other private and state sources. The development has transformed five acres of vacant land into a neighborhood cluster of homes where children can safely play and families can enjoy a quality environment at affordable prices.

Stoney Creek Apartments, Livermore Jay Graham

Residents: Deshaun, Angie and Derlyn Gross Alain McLaughlin

STATE RESOURCES

State agencies play an important role in providing housing assistance by allocating federal housing funds and/or making loans available to affordable housing developments. The three principal agencies involved are the State Treasurer's Office, the California Housing Finance Agency (CHFA), and the California Department of Housing and Community Development (HCD).

Programs for housing assistance change frequently and detailed descriptions of programs, application procedures and amounts of subsidy available are provided by the concerned agencies. The major sources of state housing assistance include:

- **The California Debt Limit Allocation Committee (CDLAC)**. CDLAC, an agency within the Treasurer's Office, is responsible for overseeing private bond issuances. *See Municipal Bonds, Page 4-14.*
- **The California Tax Credit Allocation Committee (CTCAC)**. CTCAC, also an agency within the Treasurer's Office, is responsible for allocating federal and state tax credits that are crucial to the construction and rehabilitation of affordable housing developments. *See Tax Credits for Low Income Housing, Page 4-21.*
- **California Housing Finance Agency.** CHFA offers a variety of programs to fund new construction and resale of single-family housing for first-time homebuyers. The 501(c)(3) Preservation Mortgage Program, for example, allows the mortgage to be used as acquisition financing for projects that employ tax-exempt bonds and tax credits. CHFA also provides permanent financing for new apartments and subsidizes certain projects through its Housing Assistance Trust, a flexible source of state funds that can offer deferred loans to cover negative cash flows in projects where at least half of the units are for low-income households.
- **Department of California Housing and Community Development.** HCD is responsible for administering federal funds for non-entitlement jurisdictions and for various state programs funded through housing bonds. In the past decade there have been no new housing bonds. However, with passage of the Multi-Family Housing Assistance Program, a substantial source of funds will be made available for assisting the construction of new rental housing.

Online Resources!

HCD's Clearinghouse for Affordable Housing and Community Development Finance is an excellent source of information for over 200 housing programs offered by the Federal and State government, private lenders, and foundation grants. The site is at *http://www.hcd.ca.gov/clearinghouse*. The database specifies applicants and counties served by each program. It can be searched by:

- **Types of Assistance,** including information on construction/rehabilitation loans, down-payment assistance, rental subsidies or predevelopment/interim finance).
- **Activities Funded,** including information on acquisition, preservation of affordable housing, new-for sale housing, purchase assistance, rehabilitation of apartments, group homes and transitional housing amongst others.

FEDERAL RESOURCES

Federal housing assistance takes many forms. The single largest (and often least recognized) federal program is mortgage interest tax deduction, estimated at $54 billion in 1996 for the entire nation. The California Housing Plan (2000) reports that federal assistance for affordable housing was only $17.2 billion nationwide the same year. This assistance was primarily used to maintain and operate the existing supply of affordable housing. Outlays for new construction were considerably lower.

California localities receive federal subsidies for affordable housing through a number of programs. These programs may be administered locally or at the county level, or in the case of non-entitlement jurisdictions (mostly rural cities and counties) by the California Department of Housing and Community Development (HCD).

Like State programs, Federal programs often change in terms of program details, application procedures, and amount of subsidy dollars available. For detailed descriptions, current subsidy levels, and up-to-date application procedures, refer to program literature available online from the U.S. Department of Housing and Urban Development (HUD, *http://www.hud.gov*).

Some of the largest programs, based on current funding levels, include:

- **Community Development Block Grant Program.** Community Development Block Grant Program (CDBG) is the largest federal housing-related program for affordable housing. It is a 'pass-through' program that allows local governments to use federal funds to alleviate poverty and blight. Cities with populations of over 50,000 receive CDBG funds directly from HUD, while smaller cities usually use county-administered CDBG funds. HUD makes allocations based on a formula that takes population, poverty, and housing distress into account. CDBG funds are used for a variety of housing efforts including activities aimed at reducing costs for private development (helping fund site acquisition, improvement, and other soft costs); housing acquisition and rehabilitation through short and long-term loans, grants or loan guarantees; direct payment of rent or mortgage and housing counseling services; and fair housing activities. CDBG funds are best used in combination with other subsidy sources or to provide pre-development funding to initiate housing development.
- **HOME Investment Partnership Act**. HOME, like CDBG, is a formula-based block grant program. HOME funds must be spent only on housing and are intended to provide incentives for the acquisition, construction, and rehabilitation of affordable rental and home ownership. HOME requires local governments to provide matching funds, though the matching ratio depends on the specific uses to which HOME funds are to be put. The federal-to-local matching ratio for tenant assistance is currently four-to-one, while the match for rental construction is two-to-one.
- **Section 8 Assistance**. Although this long-standing federal assistance program is not expected to increase in size or scope, it remains an important program for helping to fill the gap between household income and housing costs. *See Rental Assistance, Page 3-79.*
- **Low Income Housing Tax Credits**. This program is crucial to the development of affordable housing development. See *Tax Credits for Low Income Housing, Page 4-21.*

- **HOPE VI**. The federally sponsored **HOPE VI Program** seeks to replace older, dilapidated high-rise public housing with temporary, lower-density and more dispersed housing projects. HOPE VI provides funds for revitalization, demolition, and disposition of severely distressed public housing and for Section 8 tenant-based assistance. However, the replacement formula is not set on a one-to-one basis and allows for subsequent rather than concurrent replacement, which sometimes means that older units are getting demolished faster than newer ones are being built. HOPE VI developments are often designed for mixed income communities and their income-eligibility standards are also often higher, sometimes resulting in the displacement of very-low and low-income families.
- **Housing for Persons with AIDS (HOPWA).** This program provides funds for the acquisition, conversion, lease and repair of facilities to provide housing and services for persons with AIDS. Funds may be used for the construction of SROs, community residences, project or tenant-based rental assistance, mortgage and utility payments as well as costs of other supportive services required for persons with AIDS.

Other programs include the **Elderly Housing Program (Section 202)**, the **Housing for the Disabled Program (Section 811)**, and a variety of **Federal Housing Administration administered rental programs**. Like Section 8, most of these programs are not projected to increase in size or scope, reducing their net effect in the Bay Area's affordable housing market.