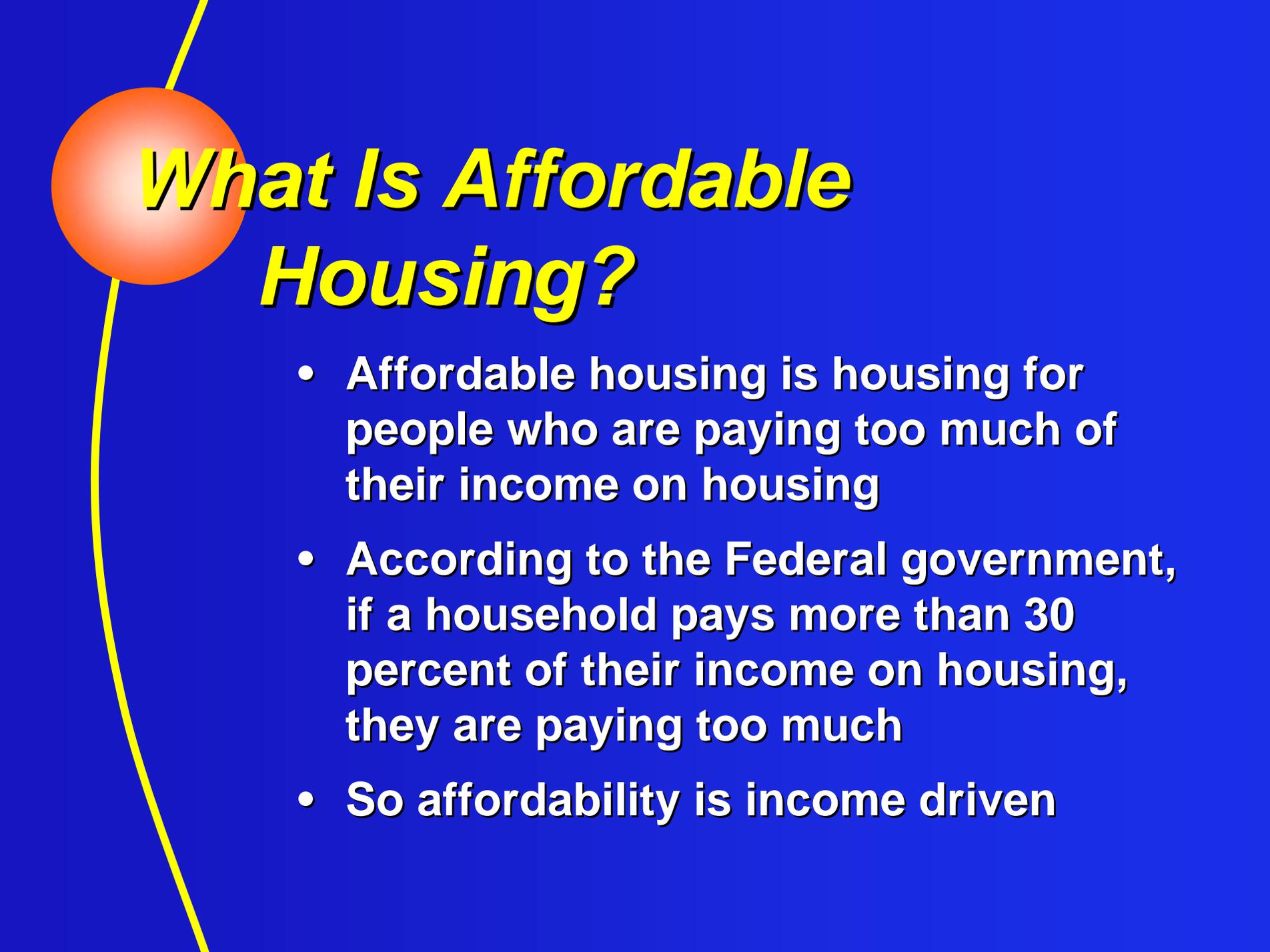


Overview of Non-Profit Housing

- **What is affordable housing?**
- **Why is there a need for affordable housing?**
- **Who develops affordable housing?**
- **How are public agencies involved?**



What Is Affordable Housing?

- Affordable housing is housing for people who are paying too much of their income on housing
- According to the Federal government, if a household pays more than 30 percent of their income on housing, they are paying too much
- So affordability is income driven

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Area Median Income

- **% of area median income (AMI)**
 - Median is middle number
 - Less sensitive to extreme numbers
 - Median is not the average (mean)
- **Formula to theoretically set rents affordable at certain levels**
 - i.e., below the median

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Area Median Income (cont.)

- **Low income is at or below 80% AMI**
- **Very low income is at or below 50% AMI**
- **Extremely low income is at or below 30% AMI**
- **Most programs require 60% AMI or below**

Median



\$10K

\$110K

\$30K

\$48K

\$60K

50%

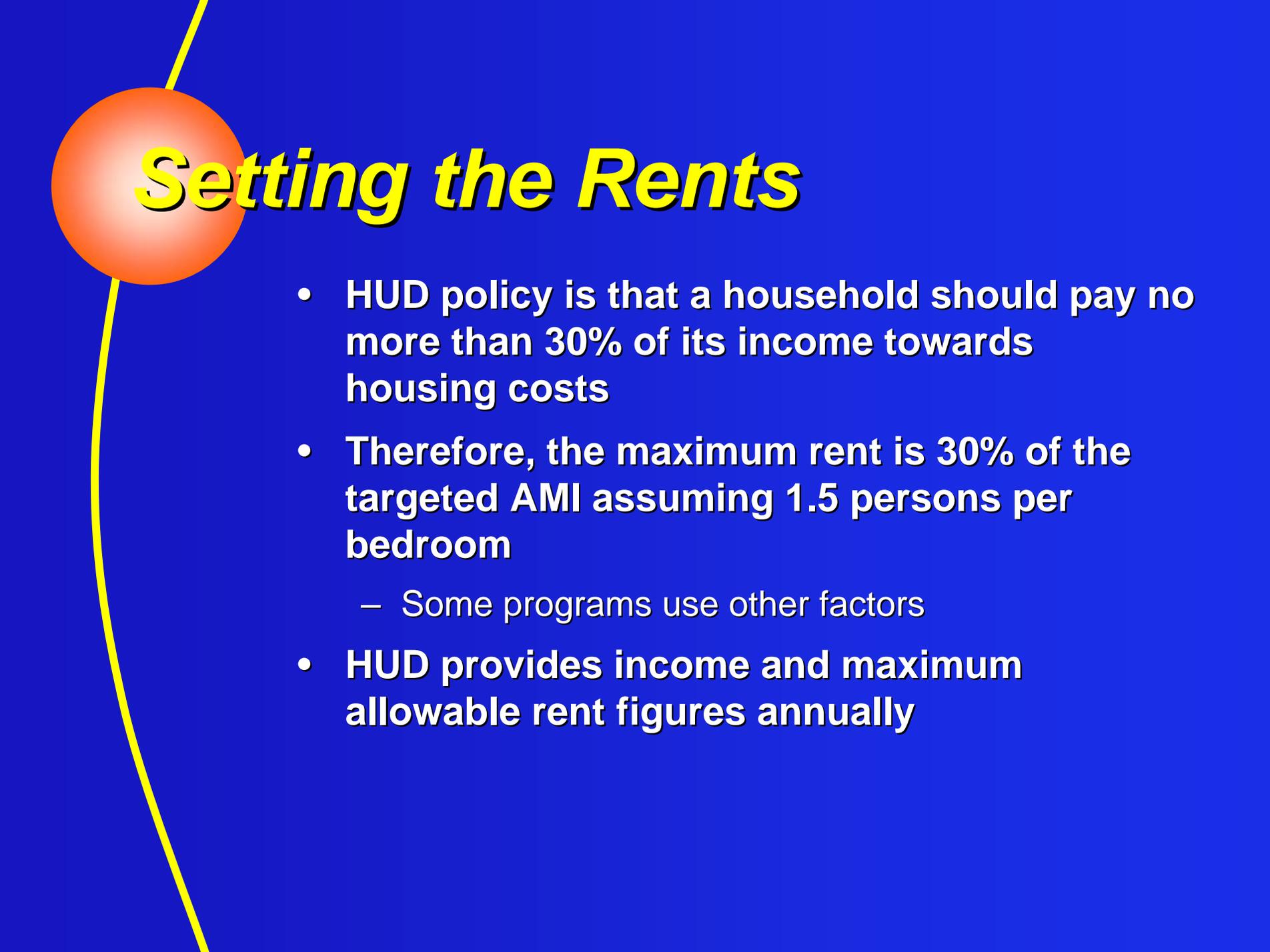
80%

100%

Median

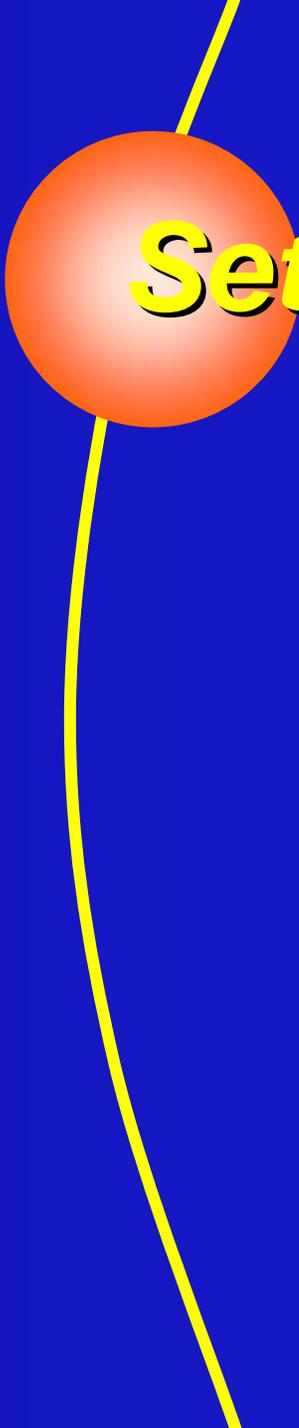
Median

Median



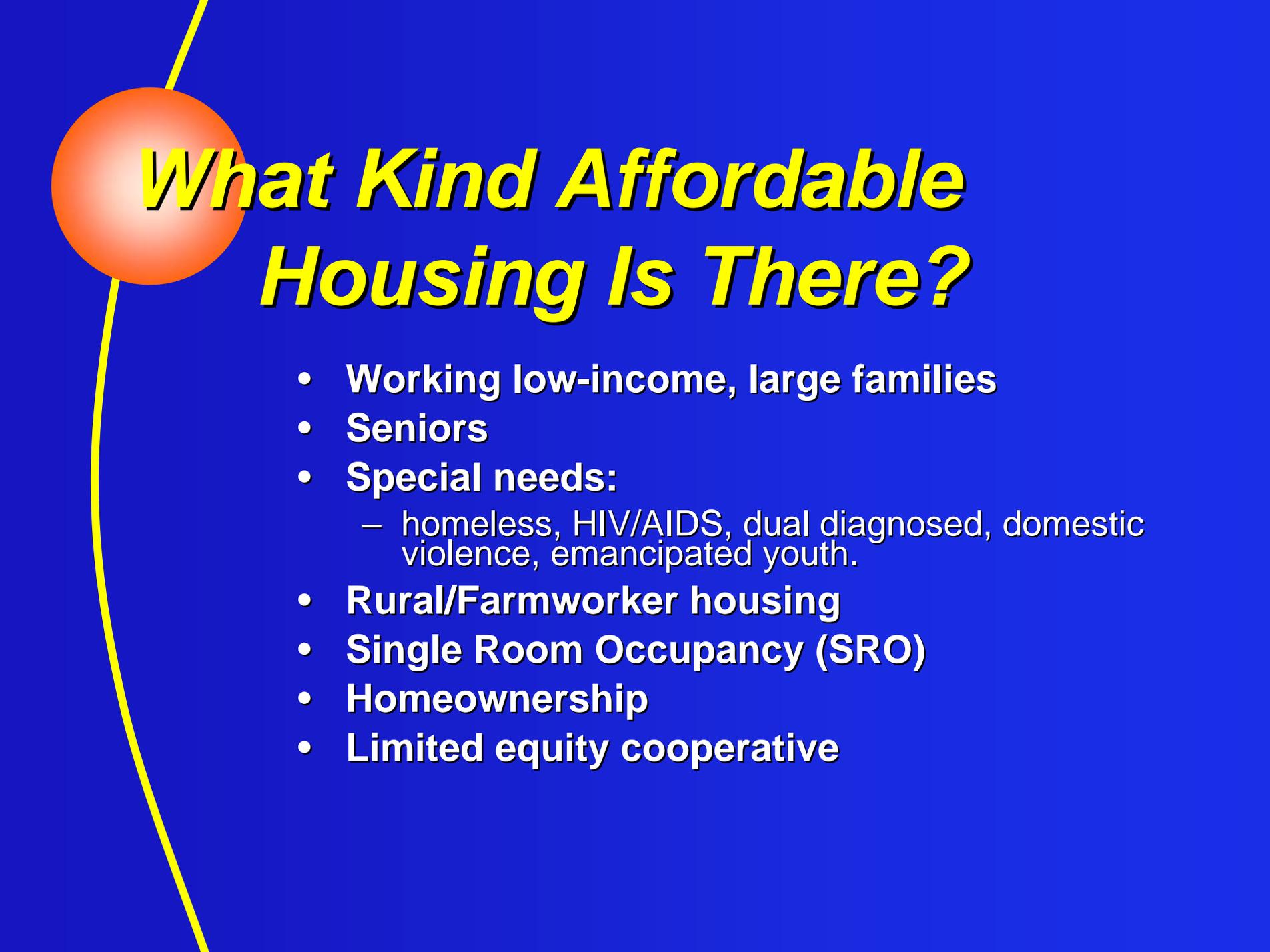
Setting the Rents

- HUD policy is that a household should pay no more than 30% of its income towards housing costs
- Therefore, the maximum rent is 30% of the targeted AMI assuming 1.5 persons per bedroom
 - Some programs use other factors
- HUD provides income and maximum allowable rent figures annually

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Setting the Rents (Cont.)

- **A utility allowance must be subtracted from the maximum rent**
- **Utility allowance is for utilities paid by the tenant, excluding telephone and cable**
- **Utility allowances are provided by the local housing authority**



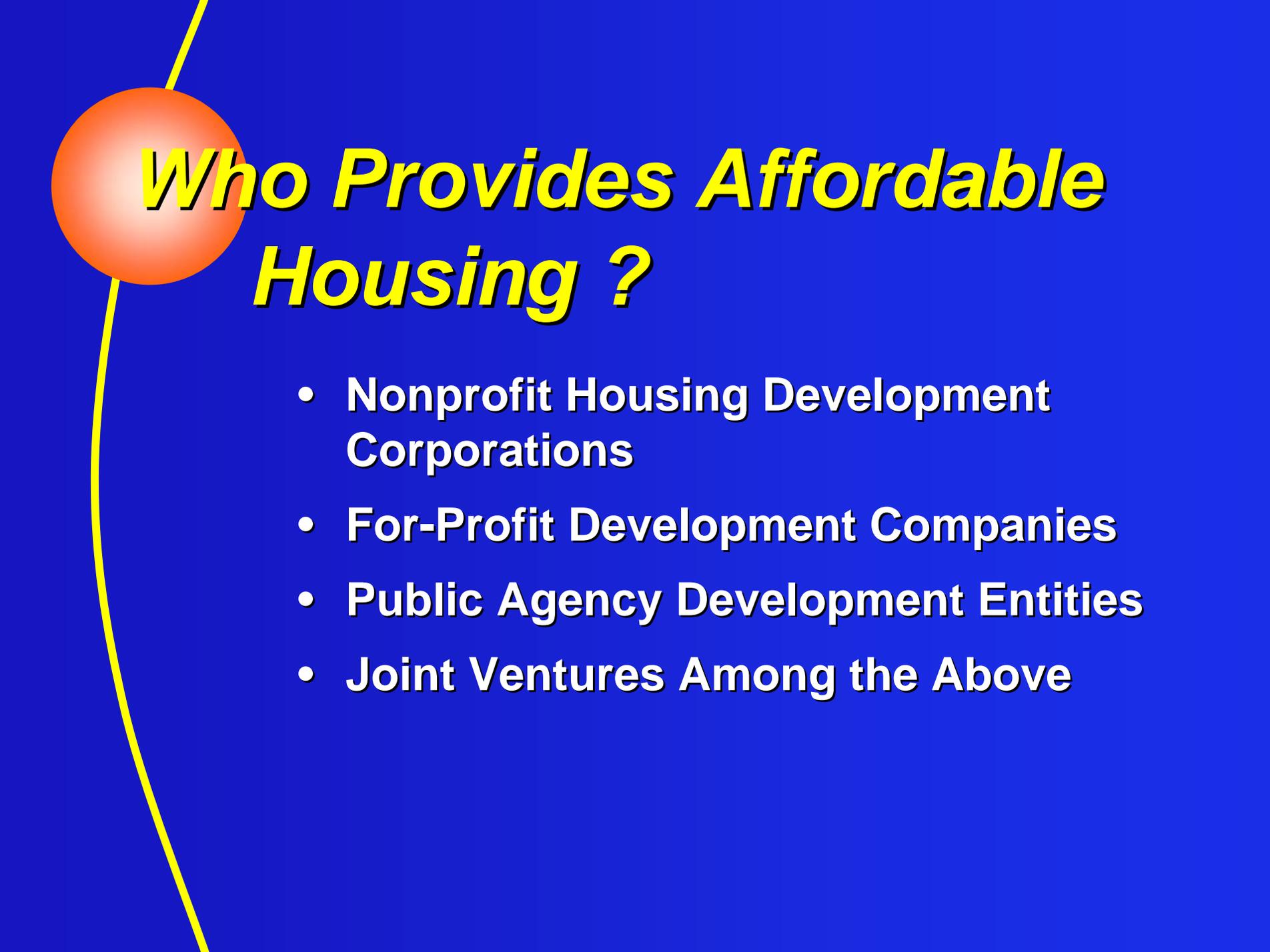
What Kind Affordable Housing Is There?

- **Working low-income, large families**
- **Seniors**
- **Special needs:**
 - homeless, HIV/AIDS, dual diagnosed, domestic violence, emancipated youth.
- **Rural/Farmworker housing**
- **Single Room Occupancy (SRO)**
- **Homeownership**
- **Limited equity cooperative**



What Kind Projects Are Built?

- **100% affordable housing with community space, space for social programs, and appropriate amenities**
- **Mixed income with market rate units**
- **Mixed use with commercial space**



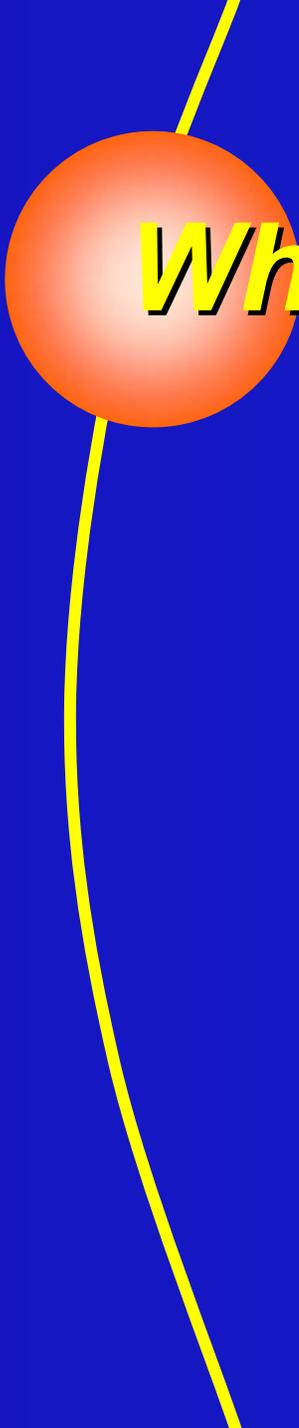
Who Provides Affordable Housing ?

- **Nonprofit Housing Development Corporations**
- **For-Profit Development Companies**
- **Public Agency Development Entities**
- **Joint Ventures Among the Above**



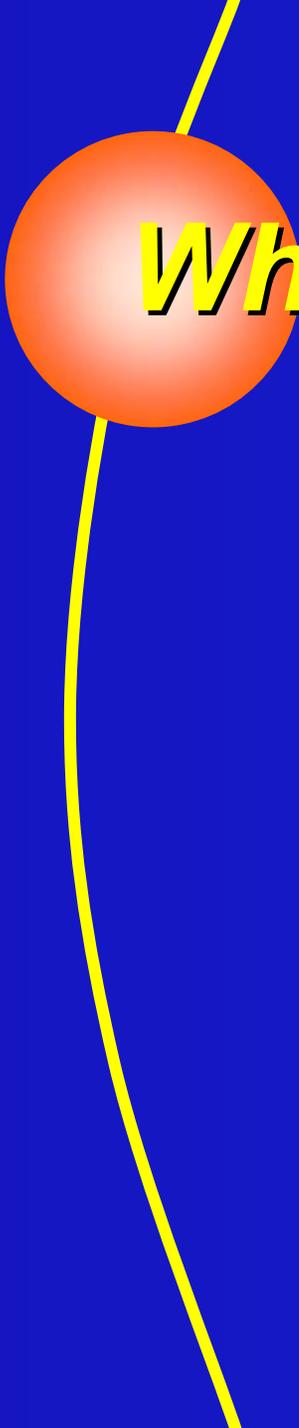
What is a Non-profit Agency?

- Typically a 501 C (3)
- An IRS designation that the corporation is exempt from paying Federal taxes and that the corporation provides a public benefit.



What are the Types of Non-profit Housing Corporations?

- Neighborhood based
- Faith based
- Regional
- Government affiliated

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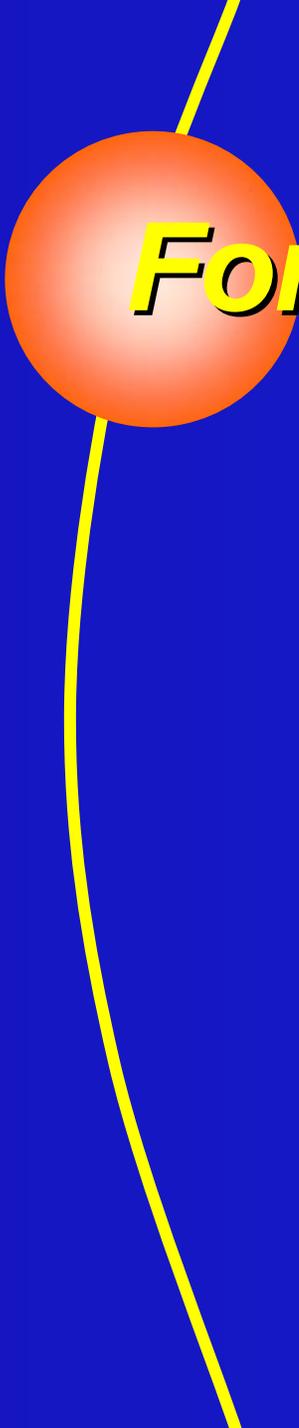
Why Nonprofit Housing Developers?

- **Potential Advantages:**
 - Mission typically dedicated to creating and maintaining affordability over long term
 - Eligible to receive property tax exemption
- **Potential Disadvantages:**
 - Lack of capacity, financial stability



***Do Non-profit Housing
Developers Only Build
Housing?***

- No, many provide social services, economic development programs, and community development programs.

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For-Profit Developers

- Privately held or publicly traded
- **Potential Advantages:**
 - Faster, less bureaucratic decision-making
 - May bring access to private equity funds
- **Potential Disadvantages:**
 - Tension between profit and affordability
 - Not eligible for property tax exemption

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Public Agency Developers

- **Agency may develop projects itself or by a 501(c)3 created/controlled by the agency**
- **Potential Advantages:**
 - Direct control over goals and process
 - All funds used for public purpose
- **Potential Disadvantages:**
 - Greater bureaucracy and public review
 - Staff intensive, no leveraging of outside staff



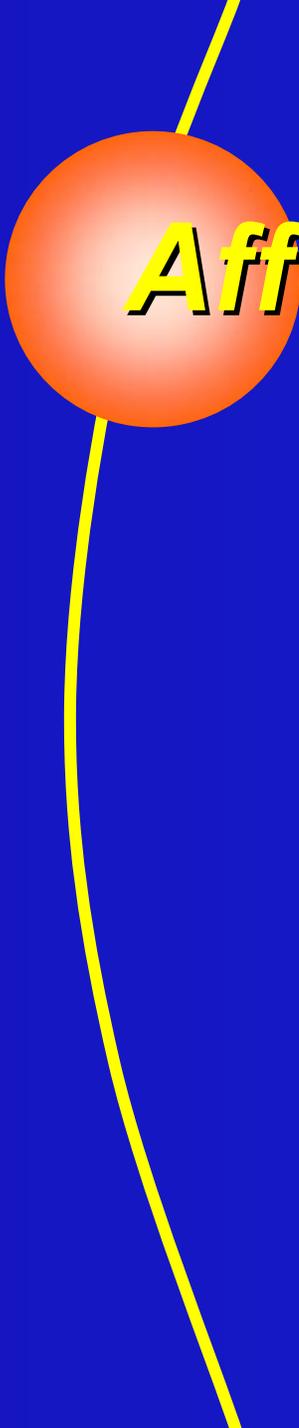
Joint Venture Development

- Can be between non-profit to non-profit and non-profit to for-profit
- **Potential Advantages:**
 - Match strengths of both: public mission with greater experience and capacity
- **Potential Disadvantages:**
 - More difficult to make decisions/negotiate
 - Lack of clarity over roles & responsibilities

Market Rate Development

60 Unit Apartment Building

| | |
|---------------------------------|----------------------|
| Land | \$ 3,000,000 |
| Construction | \$ 15,000,000 |
| <i>Total Development Costs</i> | <i>\$ 18,000,000</i> |
| Monthly mortgage on building | \$ 111,000 |
| Monthly operating & maintenance | \$ 21,000 |
| <i>Total Monthly Costs</i> | <i>\$ 132,000</i> |
| <i>Monthly Cost/Unit (Rent)</i> | <i>\$ 2,200</i> |
| Approximate AMI | 130% |
| Bank Loan | \$ 15,000,000 |
| Equity | \$ 3,000,000 |
| <i>Total Sources</i> | <i>\$ 18,000,000</i> |



Affordable Development

60 Unit Apartment Building

| | | |
|---------------------------------|----|-------------------|
| Land | \$ | 3,000,000 |
| Construction | \$ | 15,000,000 |
| <i>Total Development Costs</i> | \$ | <i>18,000,000</i> |
| | | |
| Monthly mortgage on building | \$ | 18,000 |
| Monthly operating & maintenance | \$ | 21,000 |
| <i>Total Monthly Costs</i> | \$ | <i>39,000</i> |
| <i>Monthly Cost/Unit (Rent)</i> | \$ | <i>650</i> |
| | | |
| Approximate AMI | | 40% |
| | | |
| Bank Loan | \$ | 4,000,000 |
| Gap Financing | \$ | 14,000,000 |
| <i>Total Sources</i> | \$ | <i>18,000,000</i> |

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Role of Public Agencies in Affordable Housing

- **Provide gap financing**
 - Typically 55 year loans at low interest rates with little or no mandatory payments
- **Conduct annual compliance monitoring to ensure that affordability requirements are being met**



In Sum, Affordable Housing...

- **Is income driven**
- **Means different things depending on the target population**
- **Requires cooperation and interaction between many parties**
 - Developers
 - Public Agencies
 - Tax credit investor