California

Low Income Housing Preservation in 2010

Low Income Housing Tax Credits (9% Tax Credits)

The 2010 Allocation regulations provide a 5% set-aside for "at-risk" properties defined as properties with subsidies (including tax credits) that expire within five years prior to or after the application date. Additionally, 10 points are provided to at-risk properties as meeting housing needs. Unit square footage requirements may be waived for rehab projects at the discretion of the executive director. Acquisition tax credits are only available to projects at risk of conversion.

Applicants applying for competitive 9% tax credits and involving rehabilitation of existing buildings are required to complete the higher of: a minimum of $20,000 in hard construction costs per unit unless they are "at risk" properties which must complete $10,000 in hard construction costs or 20% of teh adjusted basis of the building.

Allocations (2003-2009)

Properties Preserved: 66

Apartments Preserved: 4,861

State Low Income Housing Tax Credits

In 2011, CA allocated $129,000,000 toward its state tax credit program. The state credits are administered separately from the federal LIHTC program, and the state program bears a 4 year credit period.

Private Activity Bonds with 4% Tax Credits

In an April 27, 2010 budget letter, the California Department of Finance said that as a result of successful spring 2010 general obligation bond sales, the state will allow agencies to commit funding in anticipation of future bond sales. Accordingly, HCD has been able to remove conditions on previously announced funding awards and to proceed with issuing loan commitments for new projects, according to Westlake.

Although spring 2010 sales of general obligation bonds were sufficient to meet HCD's funding needs for existing projects, they generated only $227.1 million for new projects. The Department of Finance estimates that it will be able to sell an additional $65.718 million in general obligation bonds in the fall and be able to issue enough bonds in spring 2011 to fund HCD's estimated fiscal 2011-2012 cash needs.

Allocations (2003-2009)

Properties Preserved: 320

Apartments Preserved: 37,542

Additional Info: California historically allocates 4% tax credits towards the preservation of affordable, preserving over 5,300 affordable units on average every year since 2003. In 2010, 43% of 4% tax credits were allocated towards preservation projects.

Housing Trust Funds

The State of California recently released $16.275 million to match local housing trust funds. Local housing trust funds with preservation priorities have been established in Los Angeles, Citrus Heights, Menlo Park, Pasadena, san Diego, San Jose, and Santa Monica.

PLEASE NOTE: Some of the information on housing trust funds included in this report was generously provided by the Center for Community Change (Housing Trust Fund Project).

Other Preservation Incentives

In some communities, converting rental units into condominiums is encouraged as a means of increasing homeownership opportunities. However, in high-priced real estate markets with skyrocketing housing costs, condominium conversions represent a loss of affordable rental units. To slow down this trend, two California cities, San Diego and Berkeley, have adopted regulations aimed at retaining affordable rental units. In the city of San Diego, condominium conversion projects targeting households whose earnings exceed 150 percent of the area median income (AMI) are subject to the city’s inclusionary housing requirements. In addition, conversion of rental housing projects of over 3 units in a single structure, or over 10 units in multiple structures, occupied by low- or middle-income households in the city’s Coastal Zone is prohibited, unless the units are replaced on a one-to-one basis.

California's "State Notification Law" requires, prior to the anticipated date of the termination of a subsidy contract, expiration of rental restrictions, or prepayment on an assisted housing development, that the owner provide a 1-year notice (and other notice requirements) of the proposed change to each affected tenant household residing in the assisted housing development, to prospective tenants, local and state governments, and potential preservation purchasers. All notice requiremements provisions under this law sunset on January 1, 2011. earlier this year, the LAHD Policy and Planning Unit provided extensive technical assistance to support to SB 454, including the permanent removal of the sunset date of the state notification law. The Los Angeles City Council took an official position by adopting a resolution to support for legislative or adminstrative action to make this law permanent and become part of the City's 2010 legislative agenda. On September 28, 2010, SB 454 was signed by the Governor.

The California Department of Housing and Community Development (HCD) administers the Multifamily Housing Program (MHP), which provides deferred payment loans to assist the new construction, rehab, or preservation of permanent and transitional rental housing for lower income individuals. HCD also adminsters the Preservation Interim Repository Program (PIRP), whcih provides short-term acquisition loans to preserve assisted rental housing at rock of conversion to market rate use. Loans are offered as a package with other subordinate financing. As of February 2011, HCD had committed all available funds and was not accepting any new applications.

Green Multifamily Preservation Initiatives

Green Incentives in State Tax Credit Allocation Plan

California's 2010 Allocation Regulations provide up to 8 points for sustainable building methods, including the use of Energy Star fans, water saving features, and low-VOC carpeting. Additionally, 4 points are available for exceeding state energy efficiency standards. Rehabilitation projects not subject to state standards can earn these points by reducing energy use per square foot by 25%. Rehab projects can earn 2 additional points by installing fluorescent lights in 75% of the project's light fixtures. Although the use of Energy Star rated appliances is a threshold requirement, rehabiliation projects are exempt.

A 4% increase in the threshold basis limits will be given to projects that a) exceed California's Energy Efficiency Standards by at least 35% or b) include 3 of the following: exceed Title 24 by 15%; use tankless water heaters, high efficiency condensing boiler or solar-thermal domestic hot water pre-heating system. At the discretion of the Executive Direction, up to a 5% increase in the threshole basis limits when distributitive energy technologies such as microturbines and/or renewable energy sources such as solar will be implemented.

Other Green Incentives Relevant to Preservation

The Department of Community Services and Development administers California's Weatherization Assistance Program. California encourages using weatherization fundng on multifamily projects. For complete information on CA's weatherization program see: http://www.waptac.org/grantee-contacts.aspx.

Other incentives include property tax exemption for solar systems, green building grants for renewable energy installations and upgrades, rebates for solar energy production, construction permit fee credits/waivers for green developments, and free municipal assistance to navigate and utilize green programs.

The State of California awarded $3 million in funding from the State Energy Program (SEP) to create the new Affordable Multifamily Retrofit Initiative. The initiative is a partnership of the San Francisco Mayor's Office of Housing, Enterprise Community Partners, Inc. and the Low Income Investment Fund. Private capital will be added to the SEP award to create a $4 million green retrofit loan fund. The State Energy Program received $3.2 billion in funding under ARRA. The initiative is projected to serve 1,300 apartments in the targeted areas, reducing energy and water consumption by at least 25 percent.

For additional information on green initiatives, visit www.aceee.org for more on policies related to energy efficiency or www.dsireusa.org for programs that may be available to developers to incentivize renewable energy or energy efficiency.

Sustainable Communities & Transit-Oriented Development Incentives

One point is available for loacting within a qualified census tract and contributing toward a concerted community revitalization plan.

Up to 7 points are available for transit-oriented projects; the number of points earned depends on the proximity and frequency of transit as well as the density of the project. California also provides points for proximity to community amenities such as parks, community centers, libraries, pharmacies and grocery stores.